

**Eskom Holdings Limited (South Africa)  
2009 Reporting on Progress  
United Nations Global Compact  
Date: 23 July 2009**



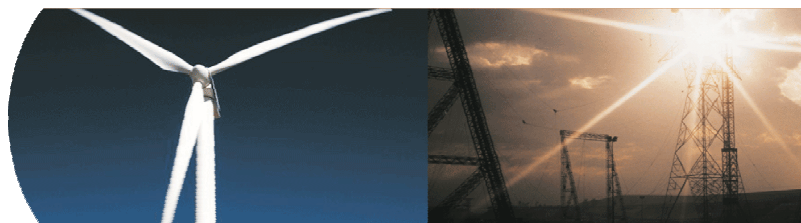
**Message from the Eskom Chief Executive – Jacob Maroga**

*“The year under review has been primarily about keeping the lights burning and recovering the power system. This has, to a great extent, been at the cost of our bottom-line, in return for a strong South African bottom-line. The role of Eskom today must be in the context of the aspirations of the new democratic South Africa. The provision of reliable, abundant and affordable electricity, is not only a commercial undertaking, but is critical to the dreams and hopes of the new democratic order.*”

*Few people realise that Eskom has a substantial macro-economic footprint, over and above the provision of electricity. Our capital expansion programme constitutes a major economic stimulus. The Medupi project alone is four times bigger than the Gautrain project and even bigger than the five-year capital spend on all rail, port and pipeline upgrades in South Africa. The Medupi project in Lephalale is set to create 8 000 jobs directly at the peak of construction and up to 1 000 jobs in, ultimately, running the station. Over and above this, the town of Lephalale is already growing exponentially in terms of housing (1 850 needed), infrastructure (services and education), commerce (increase in guest houses and hotels, catering for workforce), and much more.*

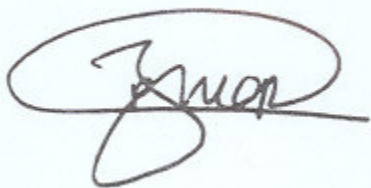
*Our build programme has also provided a major opportunity for Eskom to enhance its corporate social investment initiatives in the communities around the projects. Examples are the building of classrooms for rural schools, the creation of a contractor training academy, educator training, science and mathematics equipment and resources, to name a few.*

*As a signatory to the world’s largest corporate responsibility initiative – the United Nations Global Compact – we will continue to demonstrate leadership in the 10 principles relating to labour standards, the environment and anti-corruption. I firmly believe that Eskom is a true citizen of this country – a productive citizen that spreads its hard work across many spheres of our society.*



*Last year we called on the nation to seriously look for ways to reduce electricity consumption in an attempt to reduce the strain on the system. Many of our customers heeded the call and I thank them. The national electricity supply system remains under pressure, and the solution is not merely to start saving energy when the pressure is on.*

*We need to start a national debate about how we consume energy. Every time we flick a switch there is a power station at the end of the line. It consumes raw materials, it costs money and it has certain impacts on the environment. I invite every person in South Africa to start thinking about energy – how we generate it, what we pay for it and how sustainable it is. Collectively we can make national decisions to ensure a sustainable electricity system for the years to come”.*



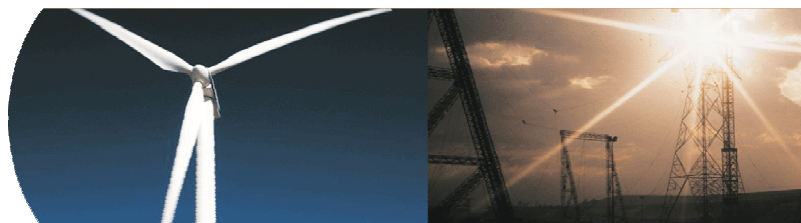
Jacob Maroga  
**Chief Executive**

This communication on Eskom's progress in terms of the United Nation's Global Compact is based on extracts from Eskom's 2009 Annual Report ([www.eskom.co.za](http://www.eskom.co.za)).

### **Key information on Eskom Holdings Limited**

Eskom, South Africa's electricity utility and a state-owned enterprise, has a greater role to play in addition to the supply of electricity. As a good corporate citizen we also support South Africa's growth and development aspirations as well as its sustainability concerns.

- Is one of the top 10 utilities in the world by generation capacity
- Generates approximately 95% of electricity used in South Africa
- Generates approximately 45% of electricity used in Africa
- Number of employees, 37 857
- Training cost, R823 million
- Number of customers, 4 361 007
- Electricity sales, 214 850GWh
- Nominal capacity, 44 193MW
- Net maximum capacity, 40 503MW
- Power lines and cables (all voltages), 381 700km
- Carbon dioxide emissions, 221,7Mt
- Total water consumption, 323 190ML





## Scope of the Eskom 2009 Annual Report

The Eskom annual report for 1 April 2008 to 31 March 2009 is an integrated financial, economic, social and sustainability report. Eskom aligns itself with international sustainability best reporting practices, including the Global Reporting Initiative (GRI) Sustainability Reporting Guideline, the AA1000APS (2008) AccountAbility Principles and the AA1000AS (2008) Assurance Standard.

The report considers economic, environmental, social and technical performance and is also available in an internet version on the Eskom website ([www.eskom.co.za/annreport09](http://www.eskom.co.za/annreport09)).

## Nature of business, major products and services

Eskom generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in South Africa.

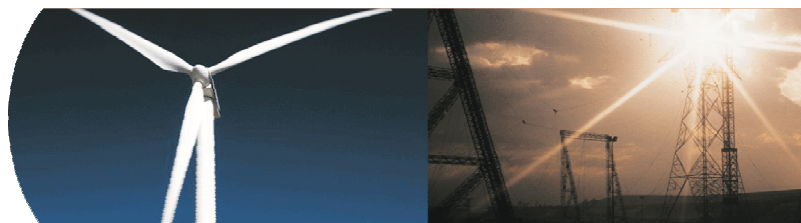
Eskom buys electricity from and sells electricity to the countries of the Southern African Development Community (SADC). Eskom's future involvement in African markets outside South Africa (that is the SADC countries connected to the South African grid and the rest of Africa) is limited to those projects that have a direct impact on ensuring security of supply for South Africa.

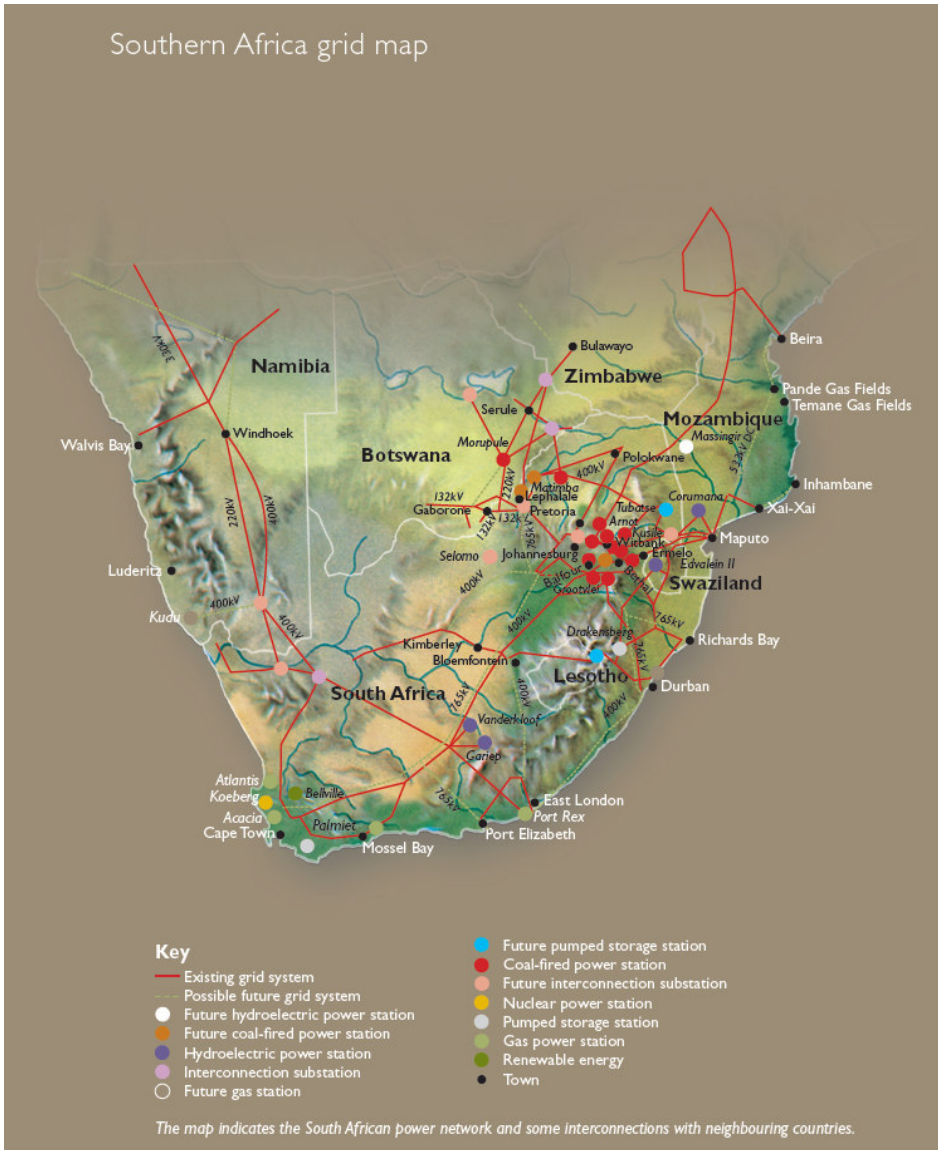
Eskom is regulated under licences granted by the National Energy Regulator of South Africa (Nersa), originally under the Electricity Act (41 of 1987) – and latterly under the Electricity Regulation Act (4 of 2006) – and by the National Nuclear Regulator in terms of the National Nuclear Regulatory Act (47 of 1999).

In an effort to meet the rising demand for electricity, Eskom has embarked on a massive build programme of R385 billion (in nominal terms) over the five years to March 2013. Since the build programme started in 2005, additional capacity of 4 454MW has been commissioned up to 30 April 2009.

The Eskom Enterprises (Pty) Limited group, a wholly owned subsidiary of Eskom Holdings, provides lifecycle support and plant maintenance, network protection, and support for the build programme for all Eskom divisions. The core businesses of the Eskom Finance Company (Pty) Limited, Escap Limited and Gallium Insurance Company Limited subsidiaries, include the granting of employee home loans and the management and insurance of business risk.

Eskom's corporate social investment is channelled principally through the Eskom Development Foundation, a section 21 company.

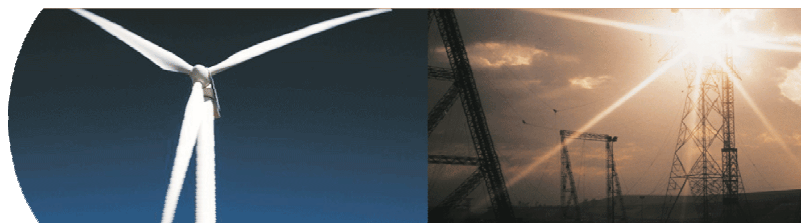




## Eskom's role in South Africa

Eskom, as a state-owned enterprise, has a greater role to play in addition to the supply of electricity. Eskom also supports South Africa's growth and development aspirations. Eskom's value proposition to the country can be summarised as follows:

- Providing electricity to all South Africans.** Electricity is a necessary and important input to all economic activity, and in particular is important for realising national socioeconomic objectives. The consequences of operating a power system with a limited reserve margin became apparent in January 2008 when Eskom was forced to introduce emergency load shedding. Investment in electricity generation and transmission infrastructure is a necessary precondition for sustained economic growth. Fundamentally, new investments in other sectors can only proceed if the future supply of electricity is secure.





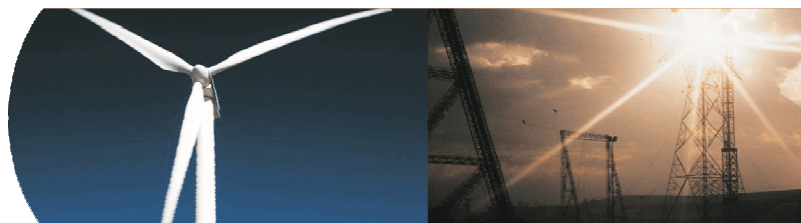
- **Supporting other industries.** Over and above supplying electricity, the size of the organisation's current operations and expansion makes Eskom an important economic stimulant. For example, as electricity generation uses approximately 50% of the country's coal production, the continued operation of Eskom is therefore an integral part in ensuring sustainability of the coal mining sector and related industries – sectors that provide substantial employment.
- **Driving transformation.** Eskom's affirmative procurement strategy has a direct bearing on redistributing wealth and income in society. Eskom continues to support procurement with black economic empowerment (BEE) and black woman owned (BWO) suppliers, thereby channelling significant amounts of money into these sectors.
- **Creating jobs and new industries.** Over the five years to March 2013 Eskom plans to spend R385 billion on capital expenditure. This is the biggest build programme in the country and will have large spin-offs through the awarding of contracts, investment by suppliers and purchasing of goods and services sourced from South Africa. This will help to create approximately 40 000 direct and indirect new jobs, with the related skills development benefits.
- **Providing a reliable electricity infrastructure.** For direct foreign investment, a secure and reliable electricity supply is a prerequisite. Eskom must ensure that South Africa remains an attractive investment destination.

### Countries in which operations are located

Eskom's head office is in Johannesburg, South Africa, and its operations are spread throughout the country. In December 2008 Eskom opened a small office in London in the United Kingdom, primarily to exercise quality control for the equipment being manufactured for our build programme. Eskom Enterprises operates primarily in South Africa. It has two subsidiaries that operate electricity generation concessions in the African countries of Mali and Uganda.



*An Eskom worker connects a new line as part of an electrification project*





## Regional sales breakdown

The majority of sales are in South Africa. Other countries of southern Africa account for a small percentage of sales.

## Application of the GRI principles and using the AA1000 Principles Standards (2008) and AA1000 Assurance Standard (2008)

We made use of the Global Reporting Initiative (GRI) Guideline as a reporting framework for this report and have declared a GRI B+ application level. In terms of providing assurance around the sustainability issues in this report, our assurance provider was requested to provide assurance against the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information and the AA1000APS (2008) AccountAbility Principles and the AA1000AS (2008) Assurance Standard – requirements for independent assurance on nonfinancial/sustainability disclosed information and sustainability performance.

The following principles were applied in the compilation of our annual sustainability report:

- **Inclusivity:** the results of our stakeholder engagement processes are used to inform the structure, and more importantly, the issues reported on in our annual report.
- **Materiality:** the main areas covered in this report in terms of both current and future issues are based on what our stakeholders have expressed that they need to know, our business focus areas, priorities and the actively managed risks we face.
- **Responsiveness:** our intention is to ensure that we have provided the information our stakeholders have requested in related to sustainable development. This is reflected in terms of actual performance over the last financial year against targets set, and giving insight into our future objectives.

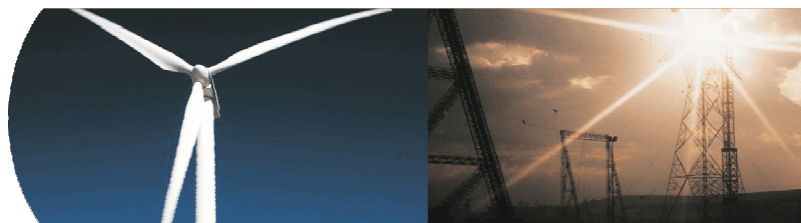
## Sustainability

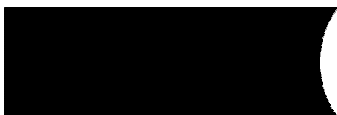
Eskom has integrated sustainable development issues into decision-making for many years. Given that our sector is long term in nature and that many decisions have implications for decades, it is vital that we take robust and responsible decisions.

## Governance

Eskom has a unitary board structure with a majority of non-executive directors. All of the non-executive directors are independent directors, appointed by the shareholder, and are drawn from diverse backgrounds (local and international) and reflect South Africa's demographics. Their contributions to the board consisting of a wide range of experience and professional skills, is invaluable. These skills are supplemented at committee level by external committee members.

New directors and external committee members complete an induction programme to improve their understanding of Eskom's legislative framework, governance processes, delegation of authority and business operations. Continual training addresses the needs of each director or group of directors. Directors are briefed on new legislation and regulations. The induction and training include visits to certain business sites.





## Sustainability board committee

The committee comprises four independent non-executive directors, the chief executive and Messrs BL Fanaroff and MM Matutu and external committee members. This committee deals with integrated sustainability issues and makes recommendations on policies, strategies and guidelines, particularly related to safety, health, environment, quality and nuclear issues.

The committee also scrutinises nuclear safety at Eskom facilities to ensure that standards exceed all regulatory and internal requirements and remain consistent with international best practice. Three meetings were held.

## Sustainability strategy

Sustainability at Eskom refers to providing affordable energy and related services through the integration and consideration of economic development, environmental quality and social equity into business practices in order to continually improve performance and underpin development. This allows us to take a long-term view and ensure that the scope of our work covers all relevant elements, assesses the practicality of implementation and includes issues such as technology development and deployment, quality, risk, safety and skills development.

In order to ensure the relevance of our sustainability strategy, workshops were held with the Executive Management Committee (Exco) sustainability and safety subcommittee and board sustainability committee during the first quarter of 2009. These were aimed at reviewing recent developments, both locally and internationally, initiating a review of sustainable development in Eskom, related strategies and addressing focus areas into the future.

While the existing sustainability strategy (2004) is still valid, these principles have been revised to ensure alignment to our long-term strategic business priorities<sup>1</sup> and support of our reframing principles<sup>2</sup>, while addressing short-term priorities.

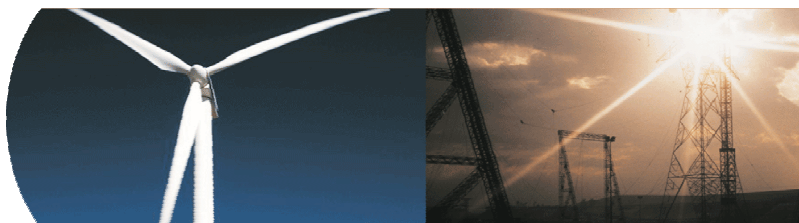
## Sustainability performance

Our sustainability performance index was developed in 2002 to provide an overarching view of our long-term sustainability status, through the use of appropriate indicators drawn from different indices within the business. The index addresses economic (including financial), environmental, social and technical aspects of the organisation and provides a score from a holistic perspective, and is used to determine our long-term sustainability status.

The index has 20 indicators and each indicator is allocated a relative weighting. Each indicator is further modified with regard to the relative contribution of each of the four areas of economic, environmental, technical and social aspects to that indicator. The overall performance is considered sustainable if the

<sup>1</sup> Continuity of supply; new build; climate change; financial sustainability; public confidence; EDI restructuring.

<sup>2</sup> Provide electricity to all South Africans; supporting other industries; driving transformation; creating jobs and new industries; providing a reliable electricity infrastructure. This to form a united, democratic and prosperous South Africa; eradicate poverty and unemployment; create a thriving economy connected to the world and integrated with the broader African continent; a sustainable economy, not harmful to the environment and committed to climate change mitigation initiatives; enhancing the potential of each citizen through an integrated education and skill development system; and leveraging the role of state-owned enterprises to set a foundation for growth and development of the economy.



score is equal to or greater than three, on a five-point scale. Our overall performance was 2,5 (2008: 2,5) for the reporting period (April 2008 to March 2009), with sector scores as follows:

- technical 2,4 (2008: 2,5)
- economic 2,4 (2008: 2,5)
- environmental 2,2 (2008: 2,2)
- social 2,8 (2008: 2,6)

After three years of decline, this year saw the stabilisation of sustainability performance. The performance was the result of the low electricity reserve margin, the declining operating income before tax and the unacceptable safety performance in terms of our goal for excellence. Other areas under pressure were the increased interest charge and the declining return on capital employed, as well as contraventions of environmental legislation. Areas that performed well included the reduction in electricity demand through demand-side management, race, gender and disability equity, and black economic empowerment.

Going forward, we plan to reassess the index as part of the review of our overall sustainability strategy. The outcome of the revision is to provide an overall view of our long-term sustainability position.

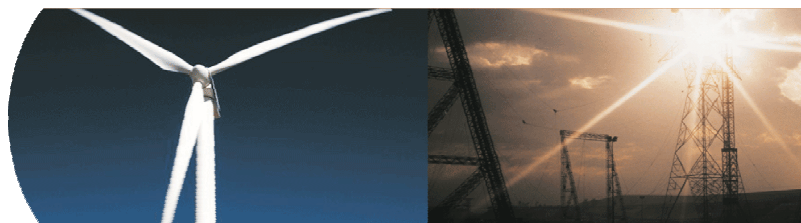
### Stakeholder engagement

We have established effective stakeholder forums at all of our new build sites. The forums comprise representatives from the area such as local and tribal authorities, provincial and national government departments, organised business, non-governmental organisations and local farmer unions. This has resulted in a collective and unified approach towards achieving the new build milestones and most importantly assists in empowering the local communities.

Typical issues raised by stakeholders around our build projects are local employment opportunities, skills development, economic opportunities, local supplier development and corporate social investment opportunities for their communities. It is important to emphasise that corporate social investment within and around the communities, affected by the new build programme, brings development, empowerment and growth to these communities.



*The Eskom Energy and Sustainability Programme, in partnership with WESSA, scooped top honours in the youth category of the prestigious 2007 World Energy Globe awards in Brussels, Belgium on Sunday, 25 May 2008. Melissa Wilschutt, Avril Wilkinson (National Coordinator for WESSA), Mr Kofi Anan (former Secretary General at the United Nations), Ian Jameson, (Eskom), Siwongwe Botha, Krishna Thottetkka*

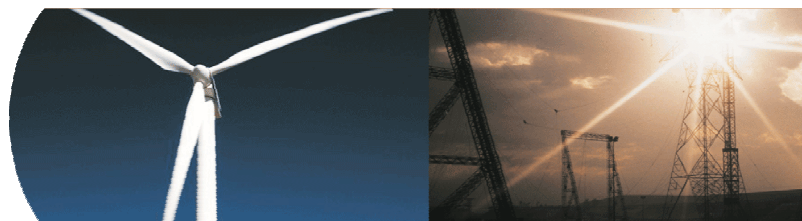






Examples of how Eskom has implemented the United Nations Global Compact Principles are detailed below.

United Nations (UN) Global Compact	Eskom's main activities in support of principles
<p><b>Human rights</b></p> <p><u>Principle 1</u> Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.</p> <p><u>Principle 2</u> Make sure that they are not complicit in human rights abuses.</p>	<p><b>Our people</b></p> <p>The role of human resources (HR) at Eskom is integrated in Eskom's mandate within the context of South Africa. The HR strategy therefore supports the 2013 vision framework of Eskom, namely:</p> <ul style="list-style-type: none"> <li>• improving the quality of life of all citizens of our country</li> <li>• maximising the potential of each employee in our organisation</li> <li>• becoming an embodiment of a united and democratic South Africa and</li> <li>• enhancing South Africa's participation in the global economy</li> </ul> <p>The mode of operation is through providing:</p> <ul style="list-style-type: none"> <li>• direction and assurance of people-related issues</li> <li>• HR business partnering in the delivery of the organisation's objectives and</li> <li>• a cost-effective transactional service for economies of scale and of skills</li> </ul> <p>An important role is to monitor and measure critical factors relating to people management. A human resources sustainability index (HRSI) was established some years ago, measuring relevant areas that are also contracted into leadership performance compacts.</p> <p>The areas of measurement and measurement criteria are reviewed on an annual basis to ensure applicability. These can be summarised as employee satisfaction, employee competence, equity and employee health and wellness categories.</p> <p>The HRSI score for the past year was 89,8% (2007/8:82,3%) against a target of 80,0%. This is a satisfactory performance, indicating that our human resources interventions are largely relevant and generally meets the needs of our people and our organisation and that we, as an organisation, have a sustainable human resources model.</p> <p>Eskom is a constantly evolving organisation that provides the lifeblood of our economy. We need the right people for the right job, and the right time is now. Every effort is being made to ensure that we get and retain the skills needed to ensure a reliable electricity supply for generations to come.</p> <p><b>Skills</b></p> <p>The national skills shortage necessitated Eskom to explore all options to acquire skills for Eskom locally and internationally ("Woza eKhaya – come back home").</p> <p>Long-term skills requirements have been determined in terms of critical workforce segments as well as core and scarce skills, by completing 20-year workforce plans and five-year workforce skills plans – aligned to the ISEP plan.</p>



**Labour standards**

The recruitment section on the Eskom website ([www.eskom.co.za](http://www.eskom.co.za)) has been enhanced considerably to make it easy for job seekers to find opportunities in our organisation.

An integral part of retaining current staff and recruiting new people is establishing Eskom as an employer of choice and building a sound employment value proposition (EVP). Key activities in this regard were as follows:

- **incentives:** motivating people by looking at reward and recognition strategies. Where there is a shortage of core, critical or scarce skills, we will offer competitive packages and review the latest remuneration principles and practices
- **employee engagement:** meaningful engagement through effective organisational communication and ensuring that people are given work that is challenging and motivating, while having a work/life balance

Approximately 2 958 additional staff with core, critical and scarce skills are needed annually for the next five years to cater for natural attrition and cater for Eskom's new build programme. The Eskom learner pipeline has been increased to 5 907 learners with three- to four-year learning contracts/bursaries to accommodate at least 50% of the new skills requirements, and existing business staff turnover and normal attrition.

**Cumulative projected additional core, critical and scarce skills requirements**

	2009	2010	2011	2012	2013
Skills required (number)	1 431	1 712	2 054	2 465	2 958

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Labour relations**

No man-hours were lost due to industrial action at Eskom in the last year. Good communication is a feature of the industrial relations environment.

There are direct lines of communication with managers and professionals and consultation in the bargaining unit through recognised trade unions. Cosatu called for protest marches in various provinces throughout the country (intended, among others, to highlight the electricity crisis facing South Africa and its impact on employment), but this had no impact on Eskom. Eskom concluded a two-year salary and conditions of service agreement with trade unions during 2007. The next round of negotiations began in May 2009.

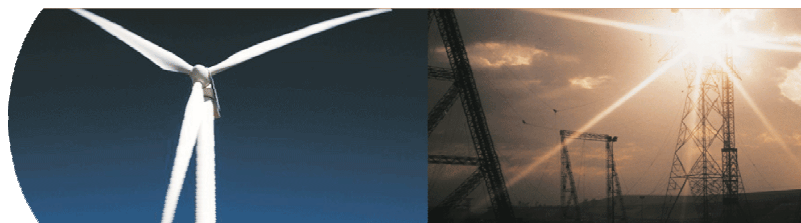
**Training interventions**

Principle 4

The elimination of all forms of forced and compulsory labour.

Training has always been a major focus area in Eskom – to such an extent that many outside organisations make use of our training facilities. We have 28 facilities with 244 training venues spread across South Africa, which can accommodate a maximum of 3 301 students. There are approximately 540 teaching staff with 153 instructors and in excess of 1 600 courses in Eskom's course catalogue.

These facilities, staff and programmes are used to support the development of new and existing employees, in accordance with individual development plans, to ensure optimal performance in the work environment.



**Eskom's total training investment per year:**

	Unit of measure	Actual 2008/9	Actual 2007/8
Total training costs	Rm	823,05 <sup>RA</sup>	784,2

*RA Reasonable Assurance provided by the independent assurance provider*

Last year, Exco approved the implementation of an Eskom Academy of Learning. This resulted in the appointment of a council consisting of managing directors and general managers. A Chief Learning Officer was appointed as well as the academy management team.

The academy will coordinate and integrate all learning throughout our business, focusing on business needs and will cater for all facets of the learning value chain, covering strategy and planning, learning design and development, learning delivery, learning administration, as well as learning operations, supported by a quality management process. Six faculties have already been created, Engineering, Apprenticeship, Services, Project Management, Leadership and Finance.

The key focus will be on engineers and artisans for the future. We have 5 907 learners in the pipeline – 3 535 of them studying in engineering and technical fields. Once they have completed their training they will be absorbed into the business as engineers or graduates-in-training.

**Focus on leadership**

During the past financial year it was recognised that the improvement of our leadership capability would strategically contribute to the organisation's vision, values and strategic intent. A comprehensive leadership value chain architecture was designed and implemented. This integrates leadership strategy and direction with the development of Eskom-wide leadership development solutions, talent management and leadership effectiveness assessment. This leadership architecture has positioned us on the forefront of creating a leadership culture that will be characterised by leadership quality and excellence.

To date, 2 133 managers and professionals have been trained in the theory and application of Situational Leadership II. "Leading in times of crisis" e-learning material was developed and activated, and a "Vision dialogue initiative" partly rolled out.

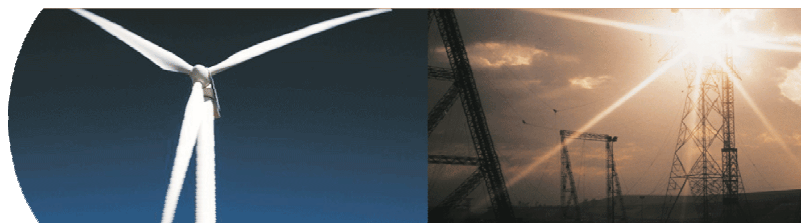
**Diversity**

Eskom continues to be a leader in driving employment equity, which has enabled us to achieve a staff complement that reflects South African diversity.

As part of our transformational agenda, we will continue with the affirmative action drive, the promotion of women and the focus on employment equity for people living with disabilities, not because it is required of us by statute, but because we believe that it is the right thing to do. It is also a business imperative.

Principle 5

The effective abolition of child labour.



**Principle 6**

Eliminate discrimination in respect of employment and occupation.

**Employment equity**

	Unit of measure	Group			Company	
		Target 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>Race:</b>						
Black <sup>1</sup> staff at managerial <sup>2</sup> level	%	65,1	68,6 <sup>RA</sup>	65,9	69,3 <sup>RA</sup>	66,4
Black staff at all levels	%	N/A	75,8	73,7	76,5	74,5
<b>Gender:</b>						
Women at managerial level	%	35,2	34,5 <sup>RA</sup>	34,1	35,1 <sup>RA</sup>	34,8
Women at all levels	%	N/A	28,8	27,5	29,6	28,2
People with disabilities	%	3,4	3,2 <sup>RA</sup>	3,1	3,4 <sup>RA</sup>	3,3
<b>Internal promotions</b>						
Black staff at all levels	%	N/A	78,7	79,1	78,7	78,6
Women at all levels	%	N/A	37,4	36,0	37,4	37,7

1. Black, Asian and coloured South Africans.

2. Managers, professionals and supervisors – CU to F band on the Paterson grading/TASK grading 11 to 1B plus F Bands in Eskom.

**Medical and health services**

Eskom provides an employee assistance programme through internal advisors and an external service provider. This ensures that all employees and their families have access to psychosocial support 24 hours a day, seven days a week in the event of trauma or crisis. Support entails telephonic counselling, face-to-face counselling services, and voluntary counselling and testing (VCT) campaigns. The external service provider also has a managerial consultancy and coaching programme that assists managers to help employees deal effectively with psychosocial issues that may affect their productivity.

**Managing the impact of HIV and Aids**

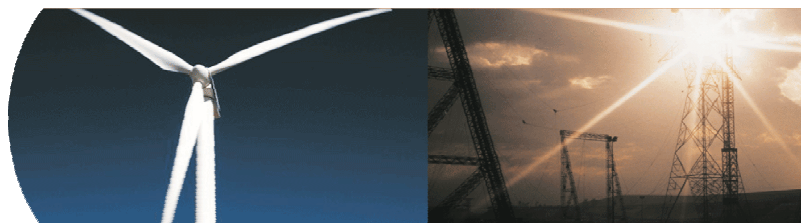
Eskom has extended its HIV/Aids workplace programme to their SMMEs by partnering with the South African Business Coalition against HIV/Aids (SABCOHA) and the Tshepang Trust, to do voluntary counselling and testing on all Eskom contractors and provide antiretroviral treatment (ART), free of charge. This initiative has assisted our contractors to test for HIV early and be started on ART, so that they can continue to work and be economically viable

**Global Business Coalition on HIV/Aids:** Eskom was one of the eight companies honoured by the Global Business Coalition on HIV/Aids, TB and Malaria for its fight against global epidemics. The awards ceremony was held in the United States on 13 June 2008 and Eskom received an award in the testing and counselling category. The organisation was recognised for having invested its financial and human resources to manage HIV/Aids. The adjudicators were also impressed by our provision of outstanding counselling services through an independent service provider, and ensuring that qualified psychologists are available to provide emotional support around the clock.

**Safety**

There is great concern about the unacceptable number of employee and contractor fatalities this past year. To this end, a number of safety improvement initiatives are being implemented, with a view to reducing the number of safety-related incidents for contractors and employees to zero.

The organisation has embarked on a safety improvement programme that focuses on training leaders and supervisors on practical safety management and tools to observe employees performing their work, thus eliminating unsafe acts and taking corrective action.

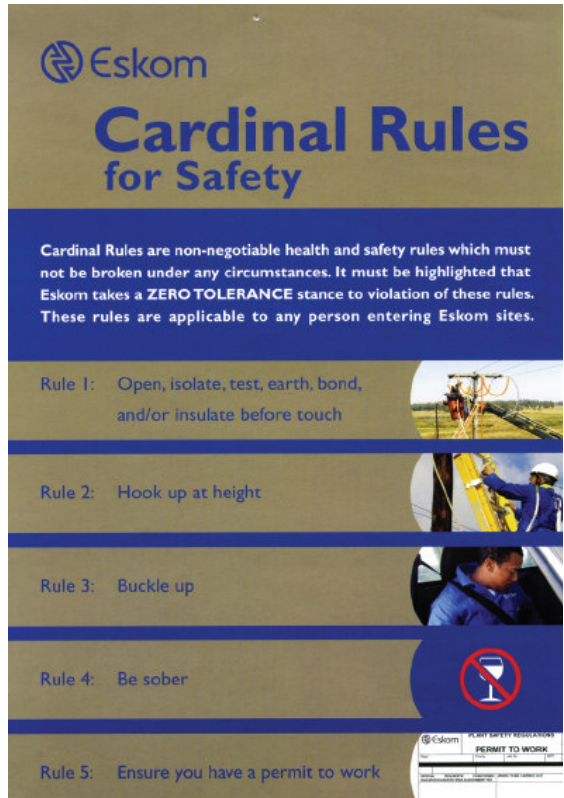






The initiative will assist us in aligning the existing safety management initiatives in order to achieve a strong internal safety culture and a sustainable result. The implementation of this safety improvement programme will lead to enhanced operational discipline among employees and visible, felt leadership in safety. In our quest to eliminate injury and loss of life and achieve our goal of ZERO HARM, we have identified critical behaviours or actions that, when performed, have a very high probability of causing incidents resulting in severe injuries or fatalities.

In order to prevent these unacceptable consequences, we have made the decision to reinforce and rollout five Eskom cardinal rules that apply to our employees and other persons performing work for Eskom.



**Eskom**  
**Cardinal Rules for Safety**

Cardinal Rules are non-negotiable health and safety rules which must not be broken under any circumstances. It must be highlighted that Eskom takes a **ZERO TOLERANCE** stance to violation of these rules. These rules are applicable to any person entering Eskom sites.

Rule 1: Open, isolate, test, earth, bond, and/or insulate before touch

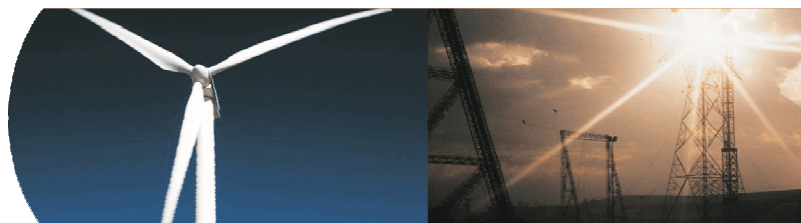
Rule 2: Hook up at height

Rule 3: Buckle up

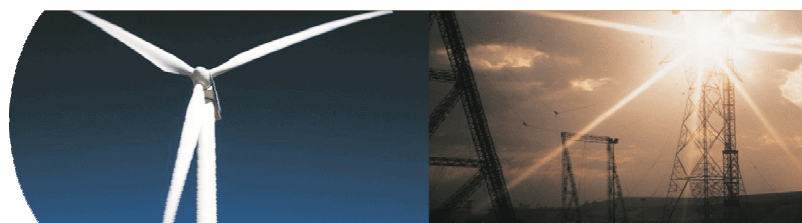
Rule 4: Be sober

Rule 5: Ensure you have a permit to work

<b>United Nations (UN) Global Compact</b>	<b>Eskom's main activities in support of principles</b>
<b>Environment</b>	<p><b>Environment, climate change and water</b></p> <p>Due to the nature and extent of our operations, Eskom has a significant impact on the environment, requiring a systematic approach to environmental management. Various independent regulators actively monitor Eskom's activities, including:</p> <ul style="list-style-type: none"> <li>• the National Energy Regulator of South Africa (Nersa)</li> <li>• the National Nuclear Regulator (NNR)</li> <li>• the Department of Water Affairs and Forestry and</li> <li>• the Department of Environmental Affairs and Tourism and the chief air pollution control officer (Capco)</li> </ul>



<p><u>Principle 7</u></p> <p>Businesses should support a precautionary approach to environmental challenges.</p>	<p>These independent regulators protect the public interest and regulate Eskom’s activities to ensure effective environmental protection. This is achieved, among others, through the issuing of environmental authorisations for our infrastructure projects, permits and licences for releases of particulate emissions and for water usage.</p> <p>South Africa is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. South Africa is classified as a developing country and thus has no obligations to reduce greenhouse gas emissions. However, there is an in-country commitment that supports the approach that South Africa must contribute to global efforts to combat climate change while ensuring the sustainability of our economy, society and environment. Eskom is fully supportive of this approach and has been active in the climate change arena since the early 1990s.</p> <p>South Africa is a semi-arid country where water resources are scarce and in most catchments water is allocated to existing users. South Africa is a net importer of water and this trend will continue as South Africa is expected to contract with Lesotho for further water supply by 2021. Power generation is a large consumer of water and accounts for about 2% of water used in South Africa.</p> <p>Water and electricity, and the secure and sustainable supply thereof, are vital for growth and development in the country. Eskom and the country need prudent long-term investments in water infrastructure to support growth and development. The cost of water in the future will be significantly higher as the water is sourced further away from the demand centres.</p> <p><b>Limiting the impact on the environment</b> The undertaking of environmental impact assessments (EIAs) plays a critical role in ensuring informed decision-making regarding Eskom’s build programme.</p> <p>Most of Eskom’s capacity expansion projects are listed activities in terms of legislation and therefore, require an environmental authorisation before construction may start. This is obtained from the DEAT. The EIA regulations require the assessment of alternatives, public participation and for the public to be given the opportunity to appeal against decisions made by the authorities.</p> <p><b>Stakeholder forums</b> Over and above the EIA process and its public participation activities, we are establishing forums around the country in those areas where the expansion programmes will or could take place. The forums provide a platform for regular engagements and communication with the affected communities and provide timeous and accurate responses to stakeholder issues.</p>
<p><u>Principle 8</u></p> <p>Undertake initiatives to promote greater environmental responsibility.</p>	<p>The first forum was established in the greater Waterberg area. In December 2008, there was an information sharing session between ourselves and the greater Waterberg area involving landowners, interested and affected parties and other stakeholders. The purpose of the session was to share our “bigger picture” regarding the long-term electricity plan in the region.</p> <p>Furthermore, we use small groups to workshop issues that are identified during the main forum meeting, and these groups feed back to the main forum. In December 2008, air pollution, climate change, renewables and water were identified as critical issues. We plan to rollout the establishment of the forums in other areas.</p> <p><b>Responding to climate change</b> In our 2008 COP, we outlined our six-point plan for dealing with the climate change challenge. Our climate change strategy remains unchanged and we are resolute in our commitment to</p>



reduce our greenhouse gas emissions.

The implementation of the plan is, however, being severely constrained by the global financial challenge as well as our current financial challenges.

While the declining flow of international funding can be seen as a short-term constraint, it has a major impact on the decision-making time frames for the electricity sector in our country. Despite a reduction in demand for electricity in the short term, there is still a base-load capacity deficit in the country. We still need to build new power stations to bring the reserve margin back to within acceptable limits.

Baseload power stations typically have a 50-year or more lifespan and require long lead times to build. This implies that decisions must be made now on commercially available technologies, which will have a long-term impact on the environment, and therefore the correct market signal from a carbon pricing point of view is very important.

We are committed to support a national process to develop a climate change policy, especially as policy and regulatory support is a crucial enabler for technology acceptance and deployment. This policy and regulatory framework needs to be integrated across a broad base of government departments and national goals to optimise local economic development.

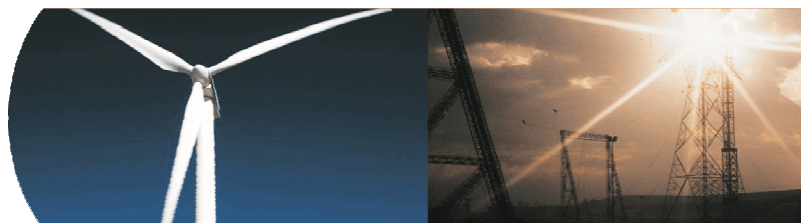
#### Stakeholder comment



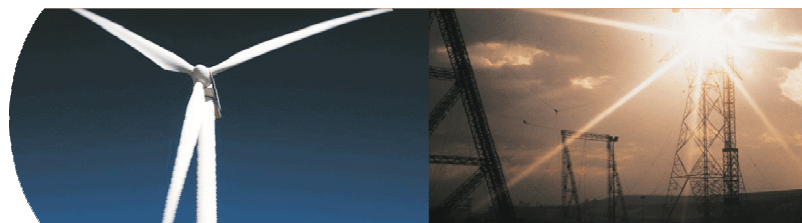
*Dr Jenitha Badul, Director - National Greening at the DEAT*

Dr Jenitha Badul, Director – National Greening at the DEAT: The DEAT (now known as the Department of Water and Environmental Affairs) has established a partnership with Eskom through a formal agreement whereby Eskom has agreed to support the DEAT on the coordination of the carbon offset programme, against which the national carbon footprint has been established as a result of hosting the 2010 FIFA World Cup.

Eskom participates as a member on the carbon offset working group which meets six to eight times per year. In addition, Eskom has made available human resources for technical and expert advice whenever required. Eskom has also facilitated discussions with the Southern African Power Pool on sponsorship of green energy toward the greening of the 2010 FIFA World Cup.



<p><u>Principle 9</u></p> <p>Encourage the development and diffusion of environmentally friendly technologies.</p>	<p><b>Clean coal technology roadmap</b></p> <p>Certain power generation technologies are inherently more suited to continuous operation (supplying the continuous demand) than others.</p> <p>In South Africa, large coal-fired power stations are mostly used to supply the baseload, since they require a minimum period of eight hours from cold start-up to full load. In addition, starting up these power stations requires large quantities of fuel oil.</p> <p>As a result we have developed a clean coal technology roadmap that outlines the opportunities and obstacles we face based on a number of future scenarios. Looking ahead, it summarises the coal power technologies that are available now or will be commercially available over the next 25 years. This roadmap will be used to determine our technical options as we plan to effectively meet the electricity needs of South Africa well into the future.</p> <p><b>Progress through communication and advocacy</b></p> <p>We were actively involved in government's multistakeholder-driven process to develop long-term mitigation scenarios for the country and to the process of developing a national climate change policy.</p> <p>We have also continued supporting international business activities in advancing climate change issues. We played an active role in the World Economic Forum Steering Committee that developed a CEO statement on climate change for the G8 ministers meeting last year. We also continue to remain members of the World Business Council for Sustainable Development, providing input to international business positions for the climate change negotiations.</p> <p>Our participation in national and international efforts to progress climate change issues provides us with the assurance that we are continually pushing the boundaries of what we can achieve within our known constraints.</p> <p><b>Research and Development</b></p> <p>Our research and innovation provides a variety of services such as scientific and technical advice, research and consulting, analysis, detailed design as well as strategic technical planning services and direction.</p> <p>Most of our research is tailored to meet the needs of our business. These needs drive the research agenda and therefore, the focus is predominantly on applied, not pure research, and the outputs are in line with our strategic and operational needs. In order to remain relevant however, a portion of research resources is allocated to strategic research into issues such as climate change and includes innovative and emerging technology options.</p> <p>Our research expenditure of R207 million for the financial year was considerably higher than the budget of R158 million. This 31% increase is indicative of the desire to increase expenditure on research and development as well as the need to meet our additional research requirements.</p> <p>The budget for the 2010 financial year has been set at R221 million, a 40% increase in budget year-on-year. The planned capital expenditure for the construction of demonstration projects is R647 million, the majority of which is to be invested in the concentrating solar power and underground coal gasification projects. The demonstration programme improves quality, reduces cost and reduces the time taken from conception to commission. It also drives our capital expansion technology choices based on the knowledge gained through demonstration, i.e. to ensure that key technologies which can fundamentally change our current technology path and improve performance are well understood and part of our technology plan.</p>
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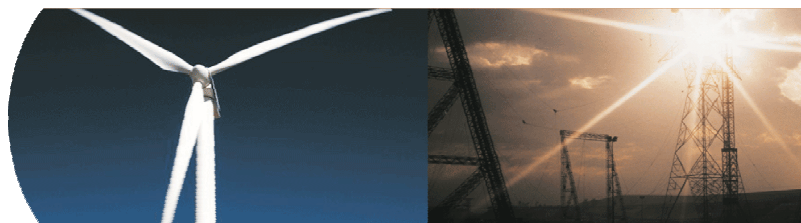


Climate change research has its own dedicated budget but is also encompassed in many other areas of the research programme. Research work continues on energy efficiency, renewable energy, clean coal technologies, alternate power sources such as nuclear and hydro, high efficiency coal combustion and energy economics including carbon trading mechanisms.

These all contribute to the total climate change effort put in by the research team.

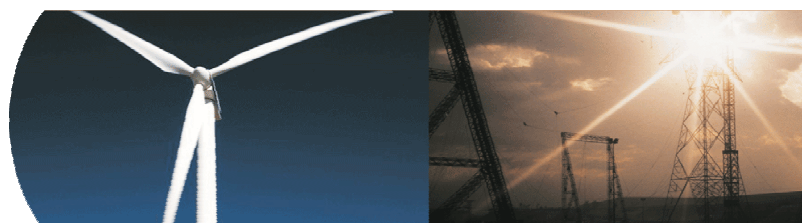


*Our participation in national and international efforts, such as WWF's Earth Hour campaign, to progress climate change issues provides us with the assurance that we are continually pushing the boundaries of what we can achieve within our known constraints*





United Nations (UN) Global Compact	Eskom's main activities in support of principles
<p><u>Principle 10</u></p> <p>Business should work against corruption in all its forms, including extortion and bribery.</p>	<p><b>Corporate Governance</b></p> <p>Good corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision-making, strategy and sustainability. It also calls for an inclusive and collaborative approach with stakeholders that are founded on the need for effective dialogue and engagement.</p> <p>In rising to these challenges during what has been a challenging period for the business, Eskom has reflected on its processes and structures, as well as its interaction with stakeholders. We are therefore in the process of enhancing our practices and processes in this regard.</p> <p>The year has been a particularly demanding one for Eskom because of the financial challenges created by the inadequate electricity funding model, aggravated by the global financial crisis. It was necessary that the governance processes, systems and structures were able to deal with a number of issues in a coherent and effective manner.</p> <p>More frequent meetings of the board of directors and the executive management committee were required. In addition, Eskom had to engage with various stakeholders with regard to a shared understanding of the problems with the funding model and the alternative solutions.</p> <p>There was a need for alignment with government as shareholder and more intensive communication and interaction with customers and Nersa. At the same time, Eskom had to focus on the capital expansion programme and on the operations of the business and there was a need for in-depth consideration of a number of issues.</p> <p>The need for more intensive engagement with stakeholders resulted in a number of meetings between Eskom, government, the regulator and customers, including the key industrial customers and major metros. A number of joint task teams were established to assist with the resolution of some of the problems.</p> <p>The increased stakeholder engagement has been beneficial to Eskom's governance processes, but it is acknowledged that Eskom needs to improve its communication with stakeholders.</p> <p>Eskom views good corporate governance practices as integral to good performance. As a state-owned enterprise (SOE), it is critical for Eskom to fulfil its mandate in a manner that is in keeping with governance best practices and, in particular, with regard to accountability, transparency, fairness and responsibility.</p> <p>We have adhered to the statutory duties and responsibilities imposed by the Companies Act as augmented by the Public Finance Management Act (PFMA).</p> <p>Eskom's systems and processes are regularly reviewed to ensure that compliance is monitored in this regard. In addition, Eskom is also guided on best practices by international developments as well as the King Report on Corporate Governance for South Africa – 2002 (King II) and the Protocol on Corporate Governance in the Public Sector – 2002.</p>



Certain Eskom employees have participated, at sub-committee level, in the drafting of the King III Report (King III) and comprehensive feedback was provided to the Institute of Directors on the draft document during the comment period.

The integrity of Eskom's governance processes and structures was maintained and they functioned effectively. The current challenges and the need, at times, for urgent decision-making, did not lead to a deterioration of the high corporate governance standards. The governance processes were adhered to and duties were fulfilled in a proper manner.

A regular review of governance practices was also carried out. This included a review of the committees, the agendas, documentation tabled at board meetings, terms of reference and continuous director training. The performance of the board committees was considered and areas for improvement were identified.

Areas for improvement and focus include:

- stakeholder engagement
- communication
- decision-making processes
- shareholder interaction

#### **Ethical business conduct**

Eskom commits itself to the highest standards of ethical conduct in its business dealings, underpinning its key value of integrity.

The ethics office assists the chief executive in setting the framework, rules, standards and boundaries for ethical behaviour, and provides ethics training and an advisory service to employees, assisting them in dealing effectively with ethics issues and ethical dilemmas in the workplace.

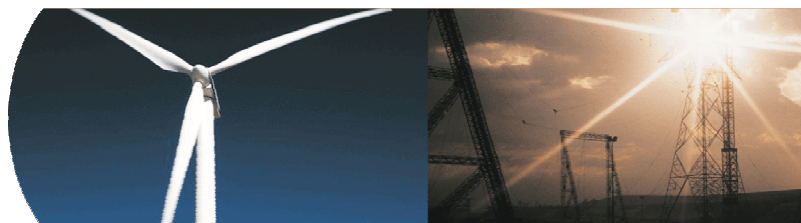
A key milestone for the past financial year was the implementation of Eskom's code of ethics, "The Way", throughout the organisation, through various communication initiatives. The objectives of the communication campaign were to reach all employees, including temporary and contract employees, simultaneously, and to provide them with creative material that will ensure a comprehensive understanding of the code, its purpose, and how it is applied in the workplace.

The implementation was further enhanced through staff dialogue sessions facilitated by managers, to encourage staff interaction on the code of ethics, and to discuss and resolve specific ethics issues within the work environment.

#### **Security risk management**

The board ensures that an integrated crime-prevention plan is implemented to minimise exposure to criminal acts, particularly fraud. The security risk management department addresses these threats. Its work covers crime prevention, detection, response and investigation.

Where serious fraud, corruption and irregularities are suspected, forensic investigations (a department of assurance and forensic) establish the facts to enable management to deal appropriately with the matter and prevent a recurrence.



**Political, religious and charitable donations**

Eskom is committed to good corporate citizenship through its corporate social investment (CSI) initiatives. Eskom does not make donations and grants to political party activities, trade union activities and religious organisations unless they are non-profit organisations and have an outreach programme that directly benefits the community, for example, an Aids hospice.

**Conclusion**

Eskom, since its inception, was run on strictly business lines, but its objective was largely the provision of service for public benefit, and not for profit. First and foremost we provide power to all of South Africa. This is our fundamental role, given that electricity underpins the economy of South Africa.

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