

United Nations Global Compact Advanced Communication on Progress September 2013

Letter from the chairperson

Over the past year, in line with our mandate, we have worked to keep the lights on, improve generation performance and manage demand, speed up delivery of the build programme, ensure financial sustainability and accelerate transformation.



Over the longer term, our plans will evolve as we shape the business to adjust to the new tariff levels approved by the regulator and respond to shareholder decisions on additional capacity over the next two decades.

Eskom needs to generate and distribute power efficiently, while maintaining security of supply. At the same time, we must balance the need to raise funding for new investment with an obligation to assure affordability for households and businesses.

Addressing these requirements, while continuing to ensure an uninterrupted national power supply in the context of a precarious supply-demand balance, requires a flexible approach. Trade-offs may be necessary to ensure both a sustainable Eskom and affordable electricity in the years ahead.

An example is the urgent need to step up maintenance on our generation fleet. This will require an increase in planned maintenance outages of power station units over the winter, but will forestall a more rapid degradation of existing plants until new power stations come online. Questions of affordability must also be considered in the pace of implementing the renewables programme.

Over the past year the board has strengthened its oversight role in several areas. We are strongly focused on ensuring that the Medupi, Kusile and Ingula power stations come online as soon as possible. A board subcommittee exercises direct operative oversight of these projects and receives progress reports every two weeks, and the shareholder has an uncluttered view of the status of the build programme.

We have taken steps to accelerate transformation. At the broadest level, this refers to efforts to re-engineer the business to fit our present circumstances, including developing an Africa strategy that is being considered by the shareholder. Our Coal Supply Strategy includes the development of black-owned emerging coal and limestone miners to transform the supply chain.

We are working to improve the labour relations environment. A confident workforce with high morale is key to the sustainability of our business. We want clear channels of communication with our

employees and their representatives. We are also working to strengthen localisation, ensuring that black owned companies are able to get into the mainstream of Eskom's procurement.

The board's succession planning programme has been in place for some time. Eskom's finance director, Paul O'Flaherty, who has played a central role in the R300 billion funding plan, has tendered his resignation as finance director and will leave his post at the conclusion of Eskom's annual general meeting on 10 July 2013. I would like to thank Paul for his efforts. At the same time, we can assure our stakeholders that we will work to ensure a seamless transition to a new finance director.

The board and the executive team remain fully attuned to the situation we face and, in partnership with Eskom's employees, will ensure that we successfully confront the challenges ahead.

Zola Tsotsi
Chairperson

Chief executive's report

Eskom is in the midst of a far-reaching and complex transition. When this process is complete, we will be a very different company, the South African economy will be on a much stronger footing, and there will be lasting benefits for our customers and communities.



All periods of change are difficult, and the 2012/13 integrated report reflects the substantial risks and challenges we have encountered and continue to face in navigating this transition.

Eskom is working to become a financially sustainable company that can safely and reliably power the South African economy in the 21st century. We have been putting the building blocks in place to realise this goal by:

- Keeping the lights on for the past five years
- Stabilising the company's short-term finances
- Securing funding for the new build programme
- Making progress on our capacity expansion programme
- Working to increase our role in South Africa's development
- Beginning to change the way we manage the company

We have made headway in all these areas, showing skill in using the resources available to us, and enabling us to stabilise the business and lay the foundation for a leaner, more agile utility that makes a growing contribution to South Africa's growth and development. Yet a great deal of work remains ahead of us.

Eskom faces three acute challenges in the new financial year:

- Continuing to keep the lights on while the gap between supply and demand is extremely narrow, and while high levels of planned maintenance are required to ensure the sustainability of ageing power stations
- Ensuring that the Medupi power station project delivers its first power to the national grid, and that significant progress is made towards the delivery of first power from the Kusile and Ingula projects within the next two years
- Re-engineering our business to adapt to the limits imposed by the 8% annual average tariff increase that the National Electricity Regulator of South Africa (NERSA) granted us for the next five years

Progress in these and other areas requires a series of tough decisions to implement our strategies in a dynamic environment. This will inevitably involve trade-offs. We will continue to work closely with our shareholder – the government of South Africa – and with our broad stakeholder base to ensure that decisions on Eskom's operating model and its mandate are taken in the country's long-term interests.

As part of its commitment to sustainability, Eskom continues to subscribe to the United Nations Global Compact principles and takes seriously its role as a LEAD member of the compact. We participate actively in other important UN initiatives, including the CEO Water Mandate, Caring for Climate and the Sustainable Energy for All initiative (SE4ALL). The latter initiative aims to ensure universal access to modern energy services, doubling the rate of improvement in energy efficiency and doubling the share of renewable energy in the global energy mix. I was part of the UN secretary-general's highlevel advisory group and now serve as a member of the SE4ALL executive committee.

Eskom has faced a difficult year, but our eyes are focused firmly on the ultimate prize: a reliable, safe and adequate supply of electricity for South Africa.

Weakness in both the global economy and the domestic economy has contributed to relatively low demand for electricity. As growth picks up, however, demand will increase, and we are working to ensure that substantial new generating capacity is available to support the competitiveness of South African enterprises and the needs of households.

We recognise that our customers rightfully demand high standards of performance. In the coming year, we will continue to make progress on our transition and manage the complex set of associated risks. We will re-engineer the business to work within the revenue level allowed by the regulator and respond to government's forthcoming decisions on long-term build commitments. Meeting our objectives in this context means looking at what we can do – and what we cannot do – and making decisions about the necessary trade-offs.

I extend my appreciation to Minister of Public Enterprises Malusi Gigaba for his continued support and insight, supported by the new deputy minister, Bulelani Magwanishe. I would also like to thank Eskom's board of directors and the Executive Management committee for their vigilance and determination to enhance their leadership and oversight role in confronting the challenges we face.

Above all, I extend my thanks to Eskom's 46 266 employees, who have made it possible to keep the lights on in challenging times. Over the next year, South Africa will rely on this highly talented team to use all the skills and resources at our disposal to ensure that we meet our goals.

Brian Dames
Chief executive

Introduction to Eskom's Advanced Communication on Progress

Eskom is South Africa's primary electricity supplier. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers. It also sells electricity to municipalities, which in turn redistribute it to businesses and households within their areas.

The company sold 216 561GWh of electricity in 2012/13 to about 3 000 industrial customers, 1 000 mining customers, 50 000 commercial customers and 84 000 agricultural customers. It also supplies electricity to more than 4.8 million residential customers, about 40% of whom are in rural areas. The figure for residential customers includes prepaid customers.

Eskom was one of the first signatories of the United Nations Global Compact in 1999 and is committed to its principles as a LEAD participant. Eskom continues to subscribe to the UNGC principles as well as its role as a UNGC LEAD member – improving sustainability performance. In addition, Eskom has also actively participated in other key UN initiatives, namely the CEO Water Mandate, Caring for Climate as well as the Sustainable Energy for All initiative.

This COP report is an excerpt of the relevant areas from Eskom's larger Integrated Report for the financial year 2012/2013 which is also available online (http://www.eskom.co.za/OurCompany/Investors/IntegratedReports/Pages/Annual_Statements.aspx). Integrated reporting reports on financial results, governance, sustainability and other material factors in an interdependent manner. It addresses the challenges that a company faces, the advantages it enjoys, the external factors that influence it and the way it, in turn, influences the external environment. The report aligns with the principles contained in discussion papers published by the International Integrated Reporting Council, including its draft Prototype Framework and Consultation Draft of the International Framework. These papers are available at www.theiirc.org.

Implementing the ten principles

Criterion 1: The COP describes mainstreaming into corporate functions and business units

Corporate citizenship and sustainability

The board aims to align its strategic decisions with the government's policy. The board drives Eskom's goal to be a good corporate citizen and is assisted by Eskom's committees and subsidiaries:

- The Social Ethics and Sustainability committee focuses on sustainability and corporate citizenship
- The Tender committee ensures that Eskom's procurement activities encourage social transformation through skills development and procurement equity
- The Eskom Development Foundation NPC runs development programmes for disadvantaged communities

A subsidiary governance framework ensures that sustainability goals are aligned across the organisation.

Sustainability

The Sustainability division's mandate is to deliver effective and innovative solutions and decision support to enable sustainable business performance and greater stakeholder confidence, which will contribute to the transformation of Eskom and South Africa.

The division's functions include ensuring a safe workplace for staff, and conducting research and testing to support cost-effective, climate-friendly and innovative approaches to energy provision, espousing the value of sustainable development, while being responsive to global pressures.

The division also facilitates the deployment and upscaling of renewable-energy technologies in Eskom as a way to protect the environment and reduce Eskom’s carbon footprint.

Other responsibilities include implementing the quality value chain and maintaining Eskom’s international profile, relationships and interfaces.

Criterion 2: The COP describes value chain implementation

Purpose, values and strategic objectives

Eskom reviewed its strategic direction in 2012 to ensure continued relevance within the prevailing business context and to define any change in direction for the next corporate planning period. The approved 2012/13 to 2016/17 corporate plan and the outcome of the interim strategy review in 2012 have been used as the platform to develop the current five-year corporate plan. This plan needs to be significantly revisited in light of the MYPD 3 determination.

Eskom’s strategic direction is encapsulated in its purpose statement, eight strategic objectives, and values. The strategic objectives are aligned to the material items, as outlined in the material items and risks table on [pages 25 – 28](#) of the integrated report.

Eskom’s purpose, values and strategic objectives



For further details on each of Eskom’s objectives please refer to the integrated report available at http://www.eskom.co.za/OurCompany/Investors/IntegratedReports/Pages/Annual_Statements.aspx

To measure and review progress against its strategic objectives, Eskom's corporate plan allocated a set of key performance indicators to each of these strategic objectives.

The corporate plan is revised annually. The aspirational targets for 2017/18 used in this report are based on the 2012/13 iteration of the plan and will be revisited in light of the MYPD 3 determination.

Note that these key performance indicators and their targets mirror those set out in Eskom's compact with the shareholder (see "Shareholder's compact" on [page 16](#)). The performance on each indicator is discussed in "Performance on strategic objectives and future focus areas" on [page 52](#) and the full list of key performance indicators can be found on [page 125](#) of the integrated report.

Eskom contractor academy

The Eskom contractor academy is a programme devised to develop and empower emerging contractors and suppliers, as part of Eskom's contribution to skills development, job creation and sustainability. The programme for business owners consists of eight modules where students attend a study school for one week per month over an eight-month period.

The curriculum includes business skills and finance, project management, people management, supply chain management, as well as safety, health, the environment and quality (SHEQ).

On completion of the theoretical training, students undergo practical training at a training facility for a period of 123 days.

The objective of the academy is to equip emerging contractors and suppliers (especially black women-owned and youth-owned companies) with the entrepreneurial, legislative, management, leadership and technical skills needed to run a business successfully. The programme is facilitated by Edupark, a non-profit company of the University of Limpopo. Students who successfully complete the programme are awarded a certificate by the University of Limpopo.

During the period under review, funding was approved for the implementation of nine academies across the country.

Contractors working under Eskom's supervision or on its premises are expected to comply with Eskom's safety, health and environment policies.

Localisation, job creation and skills development through the capacity expansion programme

Eskom's capacity expansion programme directly created 7 143 new jobs in 2012/13, of which 2 146 positions were filled by workers from districts surrounding the project sites. The programme has directly created 35 759 jobs since its inception in 2005, 45% (16 100 jobs) of which were filled by local workers.

In 2012/13, 1 398 people were identified for skills development, bringing the total number of people identified for skills training through the programme since 2005 to 8 624. Of this, 2 763 are still undergoing training and 6 851 have completed their training at various sites across the country.

Overall procurement expenditure on B-BBEE

The Eskom group's total procurement expenditure for 2012/13 was R133.5 billion, including primary energy. Total measured procurement expenditure was R116.9 billion, of which 82.1% (company: 86.3%) was attributable to B-BBEE, exceeding the target of 70%.

Black women-owned businesses accounted for 4.7% of the total measured procurement spend. This falls well short of the 10% target. Strategies are being developed to improve procurement from black-owned businesses, with a particular focus on business owned by black women, black youth and people living with disabilities.

Robust Human Rights Management Policies & Procedures

Criterion 3: The COP describes robust commitments, strategies or policies in the area of human rights

The South African Constitution contains a Bill of Rights (Chapter 2) which sets out all the rights of the people of South Africa. The Bill of Rights applies to all law, and binds the legislature, the executive, the judiciary and all organs of state. This is a link to the South African Constitution.

<http://www.info.gov.za/documents/constitution/1996/index.htm>

Eskom Holdings is a State Owned Company and its operations and conduct are subject to various legislation including company law, environmental law, labour law, etc. All these areas of legislation are required to be in line with the Constitution and the Bill of Rights. Eskom therefore, in complying with all applicable legislation, is adhering to the Bill of Rights.

In response to Eskom's strategies, Human Resources has defined its enabling strategy to create a high-performance culture. The foundation of the strategy is that people management begins with the alignment of human resource objectives to business objectives.

In creating the step change required to enable a high-performance culture, the strategy is built around the following six core themes that work together to support the execution of the overall business strategy:

- Health and safety at work
- Recruiting, retention and transformation
- Learning and development
- Performance management and culture
- Employee engagement and industrial relations
- Workforce planning and organisation design

Focusing on safety

Eskom's safety principle is that no operating condition or urgency of service justifies exposing anyone to negative risks arising out of Eskom's business or causing them injury or damage to the environment. This principle applies to all levels of the company, the public and the environment.

Criterion 4: The COP describes effective management systems to integrate the human rights principles

Focusing on safety

Improving Eskom's safety record is paramount. The following safety-improvement initiatives are being implemented to bring the number of fatalities and injuries down to zero:

- A key performance indicator was introduced to monitor compliance with safety behaviours
- A health and safety agreement between Eskom and its trade unions was concluded
- The Eskom contractor safety management plan was approved
- A safety, hygiene, environment and security inspectorate unit will be formed to ensure adherence to legislative requirements in these fields
- Eskom's zero-harm dashboard monitors the progress of key strategic safety initiatives across the organisation

Through these measures, coupled with visible leadership regarding safety, Eskom aims to create a strong, sustainable company culture of safety.

Eskom is constantly working with suppliers, customers and contractors to integrate safety, health and environmental processes into their operations. Contractors working under Eskom's supervision or on its premises are expected to comply with Eskom's safety, health and environment policies.

Public safety is also important to Eskom. Operation Khanyisa is a campaign run by Eskom and its partners to educate the public about the dangers and serious legal consequences of electricity theft. The campaign includes an SMS number (32211) where people can anonymously report electricity theft.



Safety is a major concern in the Eskom business

Health and wellness

Eskom's integrated health and wellness programme promotes a safe and healthy working environment to ensure its employees are healthy, productive, resilient and engaged throughout their time at Eskom.

The "Road to a Safe and Healthy Lifestyle" campaign is part of expanding the scope from HIV/Aids to other diseases affecting the business. The campaign is a move from the traditional workplace programmes focused on raising awareness and prevention of HIV infection and promoting access to treatment care and support. The focus is now on addressing other diseases, as well as workplace-related factors that put employees at risk of ill health.

Eskom, as a company, is committed to forging strategic partnerships aimed at enhancing effectiveness in the handling of community issues. It is in this respect that Eskom pledged to support government to achieve its HIV Counselling and Testing campaign objective of testing 15 million South Africans.

Eskom's "HIV counselling and testing" campaign was nominated as a finalist in GBC Health's Business Action on Health Awards, held in New York in May 2012.

Occupational hygiene and safety

Eskom conducts its business with an underpinning safety principle that no operating condition, or urgency of service, justifies exposing anyone to negative risks arising out of Eskom's business or cause them injury or damage to the environment.

Safety improvement is a key concern for the organisation, particularly in light of the number of recent fatalities and serious injuries of both employees and contractors. To this end, a number of safety improvement initiatives are being implemented, with a view to decrease the number of fatalities and injuries for contractors and employees to zero.

Zero harm was introduced as an Eskom value to further entrench and emphasise the importance of the safety of employees, contractors and members of the public. Eskom's leadership genuinely believes that all incidents are preventable, and has ensured that policies, procedures, processes, tools, and behavioural expectations are in place to assist their employees and contractors to achieve the zero harm goal. Eskom's Chief Executive sets the direction and empowers all employees to do what is necessary to achieve this goal.

Employment equity

Eskom implemented an employment-equity plan supported by a long-term, target-setting strategy (Equity 2020) to drive its transformational agenda for the three financial years leading up to 2012/13. The employment equity plan seeks to create a workplace and workforce profile that is diverse and inclusive, and to ensure that diversity becomes the "Eskom way".

Eskom company employees profile for the top four occupational levels (task grades nine and above). There are no specific targets set for each group.

Employee relations

Eskom's employee engagement model builds employee participation involving employees and executives in conversations about strategy, performance and people. Eskom has also built more productive and sustainable relationships with organised labour and continues to do so through a partnering model to guide these interactions. In addition, Eskom has embarked on a process to further strengthen the relationships with the trade unions, utilising the services of an external facilitator. To date, preliminary engagements between the facilitator and Exco, as well as between the facilitator and two of the trade unions, have taken place.

Eskom maintains direct lines of communication with recognised trade unions. Eskom and the trade unions engaged in salary and conditions of service negotiations during 2011. The parties could not reach an agreement and a dispute was referred to arbitration. The arbitrator handed down a two-year award that was still in force during the reported financial year.

Criterion 5: The COP describes effective monitoring and evaluation mechanisms of human rights integration

Human resources sustainability

Human resources (HR) is responsible for measuring and monitoring critical factors relating to the sustainability of Eskom's human resources. A human resources sustainability index is used to measure the following key aspects: employee satisfaction, employee competence, and employee health and wellness. The measurements and criteria are reviewed annually to make sure they stay applicable.

Human resources' sustainability index has reflected positively in terms of overall performance, achieving a year-to-date score of 87.9% (2010/11: 82.4%). The index weighting of work-related fatalities was increased from 4.5% in 2012 to 9.0% in 2013.

Safety performance

Eskom's safety performance is assessed in terms of the number of fatalities among employees and contractors for the year, and its lost-time incident rate. The lost-time incident rate is a proportional representation of the occurrence of lost-time injuries over 12 months per 200 000 working hours.

Improving internal transformation

Eskom's internal transformation performance is measured in terms of the key performance areas shown in the following table.

Key performance indicators for internal transformation

Indicator and unit	Target 2017/18	Actual 2012/13	Actual 2011/12	Actual 2010/11
People living with disabilities (group), %	3.00	2.43	2.36	2.36
Racial equity in senior management (company), % of black employees	74.00	58.32	53.90	52.52
Racial equity in professionals and middle management (company), % of black employees	79.00	69.57	65.69	64.05
Gender equity in senior management (company), % of female employees	38.00	28.21	24.31	23.51
Gender equity in professionals and middle management, % of female employees	42.00	34.60	32.43	31.56

Robust Labour Management Policies & Procedures

Criterion 6: The COP describes robust commitments, strategies or policies in the area of labour

Eskom supports and adheres to the labour standards outlined in the UN Global Compact. With specific reference to the effective abolition of child labour, Eskom undertakes: not to employ any person in contravention of the relevant provisions of the Basic Conditions of Employment Act, and the South African Constitution, insofar as they relate to prohibiting the employment of children.

Employee relations

Eskom complies with the relevant labour laws as set by the government. The majority of Eskom's workforce operates within the borders of South Africa.

Eskom's employee engagement model builds employee participation involving employees and executives in conversations about strategy, performance and people. Eskom has also built more productive and sustainable relationships with organised labour and continues to do so through a partnering model to guide these interactions. In addition, Eskom has embarked on a process to further strengthen the relationships with the trade unions, utilising the services of an external facilitator. To date, preliminary engagements between the facilitator and Exco, as well as between the facilitator and two of the trade unions, have taken place.

Eskom maintains direct lines of communication with recognised trade unions. Eskom and the trade unions engaged in salary and conditions of service negotiations during 2011. The parties could not reach an agreement and a dispute was referred to arbitration. The arbitrator handed down a two-year award that was still in force during the reported financial year.

Employment equity

Eskom implemented an employment-equity plan supported by a long-term, target setting strategy (Equity 2020) to drive its transformational agenda for the three financial years leading up to 2012/13. The employment equity plan seeks to create a workplace and workforce profile that is diverse and inclusive, and to ensure that diversity becomes the “Eskom way”.

Eskom company employees profile for the top four occupational levels (task grades nine and above). There are no specific targets set for each group.

People with disabilities

As per the Employment Equity Act (1998), Eskom continues to strive for fair representation of people with disabilities. The Eskom group currently has 1 137^{RA} (2012: 1 032^{RA} [company currently has 1 126^{RA} (2012: 1 022^{RA})] employees with recognised disabilities.

Criterion 7: The COP describes effective management systems to integrate the labour principles

Eskom’s Recognition Agreement

Eskom’s Recognition Agreement with the three recognised trade unions, NUM, NUMSA and Solidarity, recognises the right of employees to organise, to associate and to bargain collectively (refer to 1.1 Introduction & Preamble). Although only three trade unions are currently recognised, based on the recognition thresholds contained in the Recognition Agreement (section 2.1), employees may belong to any registered trade union.

Eskom and the three recognised trade unions have also signed an agency shop agreement (Annexure 5 of the Recognition Agreement), whereby any employee who is not a member of one of the recognised unions, is obliged to pay a monthly agency fee, which fee is proportionally allocated to each of the three unions, on the basis of their relative membership. Such an agency shop arrangement is provided for in the Labour Relations Act (section 25)

Bargaining unit

Bargaining-unit employees (all those below middle management) receive a basic salary plus benefits. Major benefits include membership of the pension and provident fund, a medical aid and an annual bonus (13th cheque). Basic salaries and conditions of service are reviewed annually through a collective bargaining process. Bargaining-unit employees also participate in an annual short-term incentive scheme.

Demobilisation at Medupi

The Medupi Leadership Initiative, led by Group Capital, was established to mitigate the impact of demobilisation at the end of the construction phase. Six feasible solutions are being debated with contractors, labour and community leaders for execution: four job-creation opportunities and two skills development initiatives. A governance framework and model under government’s Strategic Integrated Project was established to provide a sustainable programme. The demobilisation of workers at Medupi slowed down and was then delayed in the latter part of 2012 and early 2013. The outcome is that 3 000 workers will be demobilised in the next 12 months.

Remuneration

Eskom’s approach to remuneration and benefits is designed to position it as a preferred employer. Eskom aims to attract and retain skilled, high-performing employees. To achieve this, Eskom pursues the following remuneration principles:

- Ensure that business requirements determine market positioning
- Provide market-related remuneration structures, benefits and conditions of service
- Maintain external competitiveness to attract and retain key skills
- Ensure internal equity through defensible differentials in pay and benefits
- Remunerate employees in accordance with their job grade, and at least at the minimum of the applicable salary scale
- Follow a lead-lag market approach

Eskom's remuneration structures fall into four categories set out below.

Bargaining unit

Bargaining-unit employees (all those below middle management) receive a basic salary plus benefits. Major benefits include membership of the pension and provident fund, a medical aid and an annual bonus (13th cheque). Basic salaries and conditions of service are reviewed annually through a collective bargaining process. Bargaining-unit employees also participate in an annual short-term incentive scheme.

Managerial level

Managerial-level employees are remunerated on a cost-to-company/package basis. The package includes pensionable earnings, compulsory benefits and a residual cash component. Managerial employees also participate in an annual short-term incentive scheme, consisting of rewards for achieving objectives set by the chief executive and approved by board committee.

Non-executive fees

Non-executive directors' fees are paid as a fixed monthly fee, decided in accordance with the shareholder's approval. Non-executive directors are reimbursed for company-related expenses.

Executive remuneration

The chief executive, finance director and group executives have permanent employment contracts based on Eskom's standard conditions of service.

Executive remuneration is based on the organisation's performance and the individual's contribution to that performance. It consists of a basic salary augmented by short- and long-term incentives. The balance between fixed and variable remuneration and short- and long-term incentives is reviewed annually.

International and local benchmarks are considered in determining remuneration. The remuneration strategy is aligned with the shareholder guidelines.

The board approves the remuneration of the finance director and group executives. The chief executive's remuneration is approved by the shareholder. Factors taken into account include the executive's level of skill and experience, his or her contribution to organisational performance, and the group's success.

The remuneration of Executive Management committee members consists of the following:

- A guaranteed amount, consisting of a fixed cash portion and compulsory benefits. This is reviewed annually

- Short-term incentives, consisting of rewards for achieving set objectives set by the chief executive and approved by board committee (refer to the key performance indicators on page [125 – 129](#) of the integrated report)
- Long-term incentives, consisting of rewards for achieving objectives set by the shareholder (refer to the key performance indicators on page [125 – 129](#) of the integrated report)

Executive Management committee members received no increases on their guaranteed portion of earnings in 2012/13. In terms of their performance contracts, 35% of their performance rating is based on individual performance; the remaining 65% is based on Eskom's collective performance weighted towards each member's divisional responsibilities. Cognisance must be taken of the responsibilities and risk that directors and executives carry, given their broad accountability.

Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration

The following table details the employee profile in terms of gender and race for Eskom's senior management of the Eskom company workforce at March 2013.

Eskom company employee profile for the top two occupational levels:

Employee profiles	Actual 2012/13	Actual 2011/12	Actual 2010/11
Racial equity in senior management, % of black employees	58.32 ^{KA}	53.90 ^{RA}	52.52
Racial equity in professionals and middle management, % of black employees	69.57	65.69	64.05
Gender equity in senior management, % of female employees	28.21 ^{RA}	24.31 ^{RA}	23.51
Gender equity in professionals and middle management, % of female employees	34.60	32.43	31.56

People with disabilities

As per the Employment Equity Act (1998), Eskom continues to strive for fair representation of people with disabilities. The table below details Eskom's disability profile at all occupational levels.

Percentage of Eskom employees with disabilities

Employee profiles	Actual 2012/13	Actual 2011/12	Actual 2010/11
Group (%)	2.43 ^{KA}	2.36 ^{RA}	2.36
Company (%)	2.59 ^{KA}	2.49 ^{RA}	2.53

Although the actual disability figures are below the target of 3% of the workforce, they are well above the national norm of 0.7% (Employment Equity Commission's report, 2009) and the government's 2% expectation for the public service.

Robust Environmental Management Policies & Procedures

Criterion 9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship

Environmental performance

Improving environmental performance remains a focus area for Eskom. Advances continued to be made in areas such as biodiversity, environmental management systems, waste management and skills development. However, the constrained nature of the electricity system has hampered Eskom's ability to do critical maintenance and rollout projects aimed at improving particulate emissions and water usage performance at power stations. This has negatively affected 2012/13's environmental performance indicators, with emissions, water and legal contravention indicators all above desired targets.

Eskom's strategic objectives regards environmental management as listed in the Eskom corporate plan are:

- Avoid harming the natural environment and so minimise financial and legal liabilities
- Reduce the carbon footprint through efficient energy production and by diversifying the energy mix
- Reduce particulate and gaseous emissions to minimise the impact on human health and comply with regulated emission standards
- Reduce fresh-water usage by using mining water and by eliminating liquid effluent discharge to avoid damaging water resources
- Enhance waste management by reducing, reusing and recycling of waste
- Comply with environmental legislation as a minimum requirement in all activities
- Minimise the impact of Eskom's activities on ecosystems and enhance ecosystem services such as functioning wetlands, improved biodiversity, avoiding erosion by responsible land-management practices

Water

Eskom aims to reduce fresh-water usage and eliminate liquid effluent discharge. This is achieved through effective water-management processes, water conservation and water demand practices. Eskom approved a water management policy during the financial year. The policy focuses on four key areas, namely: Stakeholder Management; Corporate Water Stewardship; Assurance and Compliance; and Training and Development and work on these key areas will continue over the coming years.

Eskom has established water-management task teams to work with power stations to address the reduction of water usage and legal contraventions. Objectives of the water management task team include compiling comprehensive plans to address all aspects of water management and water use performance.

The United Nations Global Compact's CEO Water Mandate is a unique public-private initiative designed to help companies develop, implement and disclose water-sustainability policies and practices. As a signatory to the compact, Eskom is committed to the CEO Water Mandate principles and reports annually on its progress.

Air quality

Eskom aims to reduce particulate and gaseous emissions to minimise its impact on human health and comply with regulated emission standards. There has been progress in implementing the long-term air-quality strategy during 2012/13.

All power stations are equipped with emission-abatement technologies such as electrostatic precipitators or fabric filter plants to reduce particulate emissions from the flue gas. Particulates and gaseous emissions are monitored and reported on a regular basis.

All coal-fired power stations have fugitive emission-management plans in place to prevent dust dispersion from the ash-disposal sites, coal stockyards and unpaved roads. The plan requires stations to have dust-bucket monitoring at the coal stockyard and ash-disposal sites to quantify fugitive emissions. Dust-bucket monitoring has been implemented at Lethabo, Camden and Tutuka power stations, the remaining stations will implement during the next financial year.

Ambient air-quality monitoring

Monitoring is currently undertaken at 15 ambient air-quality monitoring sites that measure a range of pollutants including sulphur dioxide, nitrogen dioxide, fine particulate matter and ozone. Meteorological parameters like wind direction, wind speed, wind velocity and temperature are also monitored. Although these sites measure pollutants from many sources, they are strategically located close to power stations and at ground level to pick up the kind of pollutants most likely to come from these power stations. Some monitors are in residential areas and some in remote areas (to measure regional air quality). Monitoring equipment is calibrated against National Meteorological Laboratory standards in a laboratory accredited by the South African National Accreditation System.

Ambient air quality is impacted by emissions from a number of sources, including Eskom, and the combined results from all these sources are reflected in the concentrations measured by the network.

Generally, there is compliance with ambient air quality standards at the monitoring stations. The annual ambient PM₁₀ limit of 50µg/m³ was exceeded at Kendal, Komati and Marapong, and there was non-compliance with the daily PM₁₀ limit at four sites. The recorded exceedances could be attributed to many sources relative to each station; increased construction activity, proximity to power station, mining activity and low level sources like domestic combustion. It should be noted that power stations make only a very minor contribution to ambient PM₁₀ levels because of the abatement equipment installed at the power stations.

Biodiversity

Eskom aims to comply with environmental legislation and is constantly striving to put in place mitigation measures to ensure that its activities do not negatively affect biodiversity. Eskom has a number of complementary strategic partnerships with wildlife organisations in place. The long-standing Eskom Endangered Wildlife Trust partnership focuses on managing and monitoring wildlife interactions.

The Ingula Partnership (with conservation-orientated non-governmental organisations (NGO) BirdLife South Africa and Middelpunt Wetlands Trust) has contributed towards conserving a very important environmental biome, so helping to protect a range of critically endangered species.

The electrocution of Cape Griffon Vultures on Distribution power lines in the Eastern Cape Operating Unit was identified as a contributing factor to the local extinction of the species. The electrocutions are due to old networks which were built in the late 1970s with bird-unfriendly designs. The Operating Unit has embarked on a project to retrofit the existing designs with bird-friendly designs over the next three years. More than 900 structures out of a total of approximately 4 300 structures have been completed.

Eskom have formally endorsed the 'Best practice guidelines for avian monitoring and impact mitigation at proposed wind energy development sites in southern Africa', a guideline aimed at assisting developers in the sustainable development of renewable projects. As a member of the Bird and Wind Energy Specialist Group Eskom has committed to ensuring best business practice by supporting a sustainable development approach to renewable projects in the SADC region.

Eskom responded to a request for a partnership in greening the Mpumalanga province, in which the province identified areas for greening. Through this proposal, a total of 5 270 trees, half of which are

edible and half indigenous, have been planted by the Wildlife and Environment Society of South Africa.



Bird diverters are strung on high-voltage power lines by helicopter

Waste management

In accordance with part 7 of the National Environmental Management: Waste Act, Eskom have commenced with the voluntary implementation of Industrial Waste Management Plans which focus on the efficient recycling, reuse and recovery of all Eskom waste streams. The Industry Waste Management Plans will be completed for Generation first before being consolidated across all Eskom business Units.

Commercialisation of Ash: Eskom continues to work with the industry and the South African Coal Ash Association to pursue commercial opportunities associated with the utilisation of ash aimed at increasing the quantities of ash which is diverted from landfill, this not only reduces the environmental impact but also provides opportunities for business development.

Climate change and renewable energy

South Africa's response to climate change is guided by the National Climate Change Response policy, which was approved by Cabinet in November 2011. The policy is founded on the principles of sustainable growth and development of the country. Policy process will also guide South Africa's input to the international negotiations in terms of what the country can and cannot do with regards to mitigation. This policy process has been driven by an intergovernmental committee led by the Department of Environmental Affairs in partnership with all stakeholders, including Eskom.

Eskom has been focusing on reviewing its Climate Change strategy in line with the government's policy implementation process and international discussions. Eskom aspires to a more diverse energy mix, with the objective of reducing relative emissions until 2025 and subsequently reducing absolute emissions. Eskom has also prioritised adaptation to the impacts of climate change as this has major implications for the security of supply.

Eskom has a comprehensive climate change strategy based on six pillars:

Diversification of the generation mix to lower carbon-emitting technologies

Energy efficiency measures to reduce demand for electricity and improve the technical efficiency of plant, thereby reducing greenhouse gas and other emissions

Adaptation to the negative impacts of climate change

Innovation through research, demonstration and development

Investment through carbon market mechanism

Progression through advocacy, partnerships and collaboration

Eskom continually models electricity options that will balance the conflicting goals of affordability, economic growth, social inclusion and environmental protection in an optimal manner. There is currently no single technology option that will solve all of these challenges at the same time, so Eskom is assessing all options, including the trade-offs and the impacts thereof.

Renewable energy projects

Renewable energy plays an important role in meeting Eskom's diversification aspirations and the renewable unit focuses on large power-generation technologies, namely wind, photovoltaic and concentrating solar power. These will play an extremely important role in improving relative (emissions intensity) and reducing absolute emissions reduction.

Eskom has partnerships with a diverse set of funding institutions that are contributing to its two flagship renewable-energy projects, the Sere wind farm and the Upington concentrating solar power plant. These projects form part of South Africa's Renewable Energy Country plan, which was developed in conjunction with the Department of Public Enterprises, the Department of Environmental Affairs, the Department of Energy and the National Treasury.

Sere wind farm

The project development phase of the Sere wind farm was successfully concluded in 2012/13 with the appointment of the engineering, procurement and construction contractor for the project's main package. The 100MW wind farm is Eskom's first utility-scale renewable energy project outside its hydro-generation projects.

The project comprises 46 turbines to be erected in the Matzikama district close to the community of Koekenaap. The plant is scheduled to be commissioned in December 2014 and will, based on plant availability, save an estimated 230 000 tons of carbon emissions per annum.

Concentrating solar power demonstration plant

Significant progress was made towards developing Eskom's concentrating solar thermal power plant in the Northern Cape, near Upington, with commercial operation envisaged for 2017. The project is expected to save an estimated 450 000 tons of carbon emissions per year.

Energy storage is a key component of the project and it will provide for plant dispatch ability to meet peak demand. An owner's engineer has been appointed for technical oversight, and a process to conclude the procurement strategy is underway.

Photovoltaic technology

In 2012/13, Eskom installed photovoltaic technology at two of its power stations, Kendal and Lethabo, and at Megawatt Park head office and is developing a photovoltaic programme for the rest of its assets.

It is envisaged that an estimated 150MW of capacity will be installed on the rooftops of Eskom's power stations, offices and transmission substations for Eskom's internal use.

The potential for solar boosting (the use of solar power as an additional heating medium) is being investigated at Eskom's coal-fired power stations as a supplement to coal.

Biomass

Biomass is a renewable-energy source derived from biological material of living or recently living organisms. The plant-based material is used directly or converted into other energy products such as torrefied (moisture removed) pellets or biofuel.

As part of Eskom's biomass research programme, a System Johanssen Gasifier was constructed and installed at a rural sawmill in Melalani in the Eastern Cape in collaboration with the University of Fort Hare. It uses wood and other biomass as a fuel source to produce a virtually tar-free gas, which powers an electricity generator.

Eskom is also evaluating other biomass options, such as the use of municipal solid waste as a feedstock for power generation. Municipal solid waste not only represents a continuous source of energy that can be harnessed for generation, but its use will also significantly decrease the burden on landfill sites and processing facilities.

To reduce greenhouse-gas emissions from its coal-fired power stations, Eskom is exploring co-firing of biomass fuel. Should the business case prove feasible, Eskom aims to co-fire biomass to replace 10% of coal usage by weight in coal-fired power stations by 2026. To achieve this goal, Eskom is looking to source suitable biomass within South Africa and sub-Saharan Africa.

The project is divided into phases:

- Co-firing technology selection – Test burns will be conducted at Arnot and Kriel power stations to determine the most suitable technology and biomass fuel, selecting between the separate milling and co-milling of biomass with coal, and between co-firing white biomass pellets and torrefied biomass pellets (also known as black pellets). An order has been placed for 2 000 tons of torrefied biomass pellets
- Biomass fuel sourcing – sourcing biomass fuel for sustainable application. A contract has been placed with the Council for Scientific and Industrial Research to conduct a biomass fuel supply study. The study addresses the availability of biomass fuel in South Africa and neighbouring countries, including transport, beneficiation, quality, environmental, market conditions, fuel cost and legal/regulatory issues

Ocean energy

A 2002 Eskom study concluded that South Africa had a sufficient ocean resource to explore the option of ocean energy. A techno-economic study and technology evaluation are being performed to assess ocean energy conversion technologies and determine which technology should be researched further for possible application in South Africa.

Criterion 10: The COP describes effective management systems to integrate the environmental principles

Eskom aims to comply with all legal requirements and has initiated several activities over the past three years to address shortcomings. These include internal peer reviews, training and development and the implementation of ISO 14001 certification. Some improvements have been achieved.

ISO 14001 environmental management system standard certification

In 2012/13, the Generation division, Group Capital construction management, the telecommunications department, Rotek SOC Ltd, Roshcon SOC Ltd, Eskom Aviation and the Sustainability Systems

departments obtained ISO 14001 certification. Progress continues to be made towards achieving ISO 14001 environmental management system standard certification by March 2014.

Water

Eskom aims to reduce fresh-water usage and eliminate liquid effluent discharge. This is achieved through effective water-management processes, water conservation and water demand practices. Eskom approved a water management policy during the financial year. The policy focuses on four key areas, namely: Stakeholder Management; Corporate Water Stewardship; Assurance and Compliance; and Training and Development and work on these key areas will continue over the coming years.

Eskom has established water-management task teams to work with power stations to address the reduction of water usage and legal contraventions. Objectives of the water management task team include compiling comprehensive plans to address all aspects of water management and water use performance.

Biodiversity

Eskom aims to comply with environmental legislation and is constantly striving to put in place mitigation measures to ensure that its activities do not negatively affect biodiversity. Eskom has a number of complementary strategic partnerships with wildlife organisations in place. The long-standing Eskom Endangered Wildlife Trust partnership focuses on managing and monitoring wildlife interactions.

The Ingula Partnership (with conservation-orientated non-governmental organisations (NGO) BirdLife South Africa and Middelpunt Wetlands Trust) has contributed towards conserving a very important environmental biome, so helping to protect a range of critically endangered species.

Waste management

In accordance with part 7 of the National Environmental Management: Waste Act, Eskom have commenced with the voluntary implementation of Industrial Waste Management Plans which focus on the efficient recycling, reuse and recovery of all Eskom waste streams. The Industry Waste Management Plans will be completed for Generation first before being consolidated across all Eskom business Units.

Commercialisation of Ash: Eskom continues to work with the industry and the South African Coal Ash Association to pursue commercial opportunities associated with the utilisation of ash aimed at increasing the quantities of ash which is diverted from landfill, this not only reduces the environmental impact but also provides opportunities for business development.

Partnerships

Eskom has established an Eskom-NGO forum with the intention of creating a platform for dialogue between Eskom and members of the environmental NGO community. In the reporting year three engagements were held and there was good progress on the sharing of information, specifically on water-related issues. However, due to the recent spying allegations made against Eskom by members of the forum, Eskom has postponed these activities until such time that the investigation is concluded. These allegations have unfortunately compromised the relationship with certain members of the forum. Eskom has committed to transparently share specific outcomes of the investigation report with NGOs concerned.

Criterion 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

Compliance – legal contraventions

The number of legal contraventions has decreased from 50^{RA} in 2011/12 to 47^{RA} in 2012/13. Of the contraventions, 20 were water related (water leaks and spills, sewerage spills and ash line leaks) and 15 were for exceeding of particulate emission limits at power stations, the remaining contraventions were related to vegetation management, environmental EIA non-compliance and oil spills.

Eskom was served with three pre-compliance notices in terms of the National Environmental Management Act (1998) during 2012/13. The notices relate to inspections undertaken in 2009 and 2010 at Lethabo, Camden and Matimba power stations. Most of the issues raised in the notices have been addressed. Outstanding issues are progressing but are of a more long-term nature, requiring authorisations or modifications to plant.

Eskom's environmental indicators

Eskom's environmental indicators are displayed in the table below.

	Compact target 2012/13	Actual 2012/13	Actual 2011/12	Actual 2010/11
Relative particulate emissions (in kg/MWhSO)	<0.30	0.35 ^{RA}	0.31 ^{RA}	0.33 ^{RA}
Specific water usage (in l/kWhSO)	<1.32	1.42 ^{RA}	1.34 ^{RA}	1.35 ^{RA}
Carbon-dioxide emissions (relative)(kg/kWh) ²	–	0.98	0.99	0.99
Carbon-dioxide emissions (in Mt)	–	227.9 ^{RA}	231.9 ^{RA}	230.3 ^{RA}
Nitrogen-oxide emissions (in kt) ³	–	964.8 ^{RA}	977.0 ^{RA}	977.0 ^{RA}
Sulphur-dioxide emissions (in kt) ¹	–	1 843 ^{RA}	1 849 ^{RA}	1 810 ^{RA}
Nitrous-oxide emissions (in t)	–	2 980	2 967	2 906
Environmental legal contraventions (number) ¹	–	47 ^{RA}	50 ^{RA}	63 ^{RA}

1. Under certain conditions, contraventions of environmental legislation are classified in terms of the Eskom operational health dashboard index. These include instances where censure was received from authorities, non-reporting to authorities as may be legally required, non-reporting in Eskom, a repeat legal contravention, or when the contravention was not addressed adequately. Group or divisional executives can escalate any significant environmental legal contravention to the operational health dashboard.
2. Factor figures are calculated based on total energy generated by Eskom (but excluding electricity used by pumped-storage-scheme).
3. NO_x reported, as NO₂ is calculated using station specific emission factors, which have been measured intermittently between 1982 and 2006, and tonnages of coal.

Reducing Eskom's environmental footprint

Provisions for environmental measures (R million)

	Actual 2012/13	Actual 2011/12	Actual 2010/11
Power station related environmental restoration – nuclear plant	7 177	5 428	4 470
Power station related environmental restoration – other power plants	6 762	4 731	3 867
Mine related closure, pollution control and rehabilitation	4 309	2 476	2 037

Key performance areas for reducing Eskom's environmental footprint

Indicator and unit	Target 2017/18	Compact target 2012/13	Actual 2012/13	Actual 2011/12	Actual 2010/11
Relative particulate emissions, kg/MWh sent out	0.24	0.30	0.35	0.31	0.33
Specific water consumption, L/kWh sent out	1.21	1.32	1.42	1.34	1.35
Environmental legal contraventions, number	8	–	47	50	63

Reducing particulate and gaseous emissions

Despite making progress in implementing the strategy in 2012/13, relative particulate emissions worsened to 0.35kg/MWh sent out in 2012/13 due to coal quality issues and being unable to perform mitigating maintenance.

Eskom's strategy is to reduce particulate and gaseous emissions to minimise the impact of its operations on human health and comply with regulated emission standards.

All power stations are equipped with electrostatic precipitators, or fabric filter plants, to reduce particulate emissions from flue gas. Coal-fired power stations also have fugitive emission management plans in place to prevent dust dispersion from the ash-disposal sites, coal stockyards and unpaved roads. These plans require that the stations are equipped with dust-bucket monitoring at the coal stockyard and ash-disposal sites to quantify fugitive emissions. Dust-bucket monitoring will be implemented at all the coal-fired power stations.

Reducing water consumption

Eskom's water-management processes and practices aim to reduce fresh-water usage and eliminate liquid effluent discharge. More environmentally friendly sources of water have been identified, including mine-water recovery and effluent reuse. Investigations with mining partners are ongoing.

Specific water consumption increased to 1.42L/kWh sent out in 2012/13. The target of 1.32L/kWh sent out was missed due to many factors, including very low rainfall at critical times, the high number of start-ups, air heater washing and the inability to obtain half-station shutdowns to stop significant leaks at some stations.

Eskom addresses water management by conducting research, and implementing policies and strategies to ensure compliance with legislative requirements. It has formed water-management task teams that work with power stations to reduce water usage and legal contraventions. Refer to "Investing in appropriate technologies" on [page 65](#) for further details on research initiatives.

Reducing environmental legal contraventions

Continued focus on environmental legislative compliance has seen the number of legal contraventions drop to 47 during 2012/13, compared to 50 for 2011/12. However, the target of 25 contraventions was not achieved. Of the contraventions, 20 were water related (water leaks and spills, sewage spills and ash line leaks) and 15 involved particulate emission limits being exceeded at power stations.

The remaining contraventions were related to vegetation management, environmental impact assessment non-compliance and oil spills.

Eskom aims to achieve full compliance regarding all legal requirements and has initiated several activities over the past three years to address shortcomings, including ISO 14001 certification.

Some improvements have been achieved.

Reducing Eskom's carbon footprint

Climate change strategy

Eskom has a comprehensive climate-change strategy based on six pillars:

Diversification of the generation mix to lower carbon-emitting technologies

Energy-efficiency measures to reduce demand and greenhouse gas and other emissions

Adaptation to the negative impacts of climate change

Innovation through research, demonstration and development

Investment through carbon market mechanisms

Progress through advocacy, partnerships and collaboration

South Africa's response to climate change is guided by the National Climate Change Response policy, which was approved by Cabinet in November 2011. The National Climate Change Response aims to promote sustainable growth and development. Its policies will guide South Africa's contribution to international negotiations regarding what it can and cannot do regarding mitigation. The policy was drafted by the Department of Environmental Affairs in partnership with Eskom and other stakeholders.

Investing in renewable energy

Eskom aspires to reduce its relative emissions of carbon dioxide by diversifying its energy mix in the years leading up to 2025. After this, it plans to reduce absolute emissions of carbon dioxide.

No single technology can provide the perfect solution for economically reducing greenhouse-gas emissions, so Eskom constantly models electricity-generating options to find the optimal balance between the conflicting goals of affordability and environmental protection. Eskom's renewable energy unit focuses on large power-generation technologies – wind, photovoltaic and concentrating solar power – that will play an extremely important role in reducing both the relative and absolute emissions. “Relative emissions” is a measure of emissions intensity, which is the amount of emissions per unit of output. “Absolute emissions” refers to Eskom's total emissions, calculated in units of carbon dioxide equivalents.

The Southern Africa Development Community region has an abundance of renewable and other primary energy sources. In time, it could play a significant role in meeting the country's electricity requirements while helping to improve its energy mix and, therefore, environmental performance. A number of projects are already being advanced in neighbouring countries, with a primary focus on hydro and natural gas resources, and transmission strengthening.

The 100MW Sere wind farm will be fully commissioned by December 2014 and will save approximately 230 000 tons of carbon emissions per year. The 100MW concentrating solar thermal power plant station near Upington, due to be commissioned in 2017, will also help reduce Eskom's carbon footprint by saving about 450 000 tons of carbon emissions per year. These flagship environmental projects are funded by a diverse set of institutional partners and are being developed in line with South Africa's Clean Technology Fund Investment Plan.

Other renewable-energy projects

Photovoltaic installations

It is envisaged that an estimated 150MW of capacity will be installed on the rooftops of Eskom's power stations, offices and transmission sub-stations for Eskom's internal use.

Solar boosting

Eskom is investigating using solar boosting (using solar power as an additional heating medium) to supplement coal at its coal-fired power stations.

Biomass fuels

To reduce greenhouse-gas emissions from its coal-fired power stations, Eskom is exploring co-firing of biomass fuel. Should the business case prove feasible, Eskom aims to co-fire biomass to replace 10% of coal usage by weight in coal-fired power stations by 2026. To achieve this goal, Eskom is looking to source suitable biomass within South Africa and sub-Saharan Africa.

Eskom is also evaluating the use of municipal solid waste as biomass feedstock for power generation.

Ocean energy

A 2002 Eskom study concluded that South Africa had a sufficient ocean resource to explore the option of ocean energy. A techno-economic study and technology evaluation are being performed to assess ocean energy conversion technologies and determine which technology should be researched further for possible application in South Africa.

Future focus areas for reducing Eskom's environmental footprint and pursuing low-carbon growth

- Continue participating in international and national climate change and sustainable development platforms such as Caring for Climate, the National Climate Change committee and technical working groups for implementing the National Climate Change Response policy
- Implement a climate adaptation strategy and integrate this into Eskom's business
- Finalise Eskom's Green Financing Strategy and explore alternative funding sources
- Implement environmental recovery (water and air quality) to ensure compliance as a minimum standard
- Construct the Sere wind farm
- Retrofit fabric filter plants to decrease particulate emission discharge
- Implement the defunct mines environmental liability management plans, develop a green mining framework and an integrated logistics strategy

Robust Anti-Corruption Management Policies & Procedures

Criterion 12: The COP describes robust commitments, strategies or policies in the area of anti-corruption

Corporate governance

Eskom's corporate governance focuses on effective ethical leadership to integrate strategy, governance and sustainability. Eskom takes its strategic direction from its board of directors. The chief executive and the Executive Management committee are accountable to the board and are responsible for putting the board's decisions into effect. The chief executive and the Executive Management committee also oversee the company's day-to-day operations.

Eskom is a signatory to the United Nations Global Compact, which includes an anti-corruption clause, as well as the World Economic Forum's Partnership Against Corruption Initiative.

Criterion 13: The COP describes effective management systems to integrate the anti-corruption principle

Eskom also adheres to myriad laws, legislation and codes, including the Companies Act (2008) and the Public Finance Management Act (1999). The company amended its memorandum of incorporation to bring it in line with the Companies Act. The amended memorandum is being finalised with the Minister of Public Enterprises.

During 2011/12, Eskom implemented the compliance management charter and the compliance strategic framework. Eskom is substantially in compliance with significant legislation affecting its operations.

The Assurance and Forensic department provides independent and objective assurance, consulting and investigative services to improve Eskom's operations. It does so in collaboration with the Special Investigating Unit.

Internal control

The board, through the Audit and Risk committee, is responsible for ensuring that internal controls are effective. An integrated framework to evaluate and improve controls across the company has been approved and is being implemented.

The Assurance and Forensics (internal audit) department reviews internal control systems and reports its findings to management and the Audit and Risk committee.

It is an Eskom standard that all employees undergo Ethics training which covers anti-corruption requirements. The programme also includes an ethics help desk and whistle-blowing hotline on 0800 112 722.

Criterion 14: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

Ethical business conduct

Eskom's board is accountable to monitor the effective implementation of the group's ethics-management programme. The programme aims to assess Eskom's risks and opportunities relating to ethical business conduct, foster ethical standards and raise awareness regarding ethics through training, reporting and advice.

It is an Eskom standard that all employees undergo Ethics training which covers anti-corruption requirements. The programme also includes an ethics help desk and whistle-blowing hotline on 0800 112 722.

The Assurance and Forensics (internal audit) department reviews internal control systems and reports its findings to management and the Audit and Risk committee.

Taking Action in Support of Broader UN Goals and Issues

Criterion 15: The COP describes core business contributions to UN goals and issues

Eskom's objectives are not limited to commercial concerns. Its performance is also measured by the overall value it adds to the lives of the South African public. Eskom's developmental responsibilities range from building and maintaining power plants and networks to supplying households, schools and factories with electricity, to supporting local industries and stimulating skills and job creation. Eskom is also involved in creating a foundation on which South Africa can grow, helping to transform the lives of the large percentage of the population that lives in poverty.



The Eskom Contractor Academy provides technical and business training to suppliers

Support to economic projects for small and medium enterprises (SMEs) will continue, providing business skills, capacity building and mentoring through business incubators, the Eskom's contractor academy programme and the annual Eskom business investment competition and Business Opportunities and Franchise Expo.

Support to social projects includes support to philanthropic/welfare organisations, health organisation, support to early childhood development (ECD) centres, mathematics and science related initiatives for educators and learners in schools and further education and training colleges (FETs).

Grants and donations are considered for non-profit organisations involved in philanthropic work for the development and benefit of the disadvantaged, as well as for small and medium enterprises. The primary target groups for grants and donations are women, youths and children, as well as people with disabilities.

Electrification

More than 4.3 million households have been electrified by Eskom within its supply area since 1991, when the electrification programme started. Municipalities are responsible for electrifying households within their licensed supply areas.

Meeting universal access to electricity targets depends on the availability of funding via the integrated national electrification programme.

The electrification of schools is funded by the Department of Basic Education through the Accelerated Schools Infrastructure Delivery Initiative. The electrification of clinics is funded by the Department of Energy through the National Electrification Fund. The investment and connections targets for electrifying schools and clinics due in 2012/13 were not met due to delays in concluding agreements with farmers for the supply to schools on farmland, way leave matters and the fact that, some schools consisted of mud structures that cannot be electrified for safety reasons. Other schools had either been structurally vandalised or closed down.

Electrification of grid schools and clinics

	Unit of measure	Actual 2012/13	Actual 2011/12	Actual 2010/11
Capital investment	Rm	36	2	158
Total connections	number	142	19	854

Rural infrastructure development and food security

In 2001, Eskom undertook to support government's Integrated Sustainable Rural Development Programme (ISRDP). Since then, Eskom has continued supporting the programme through the renovation and construction of rural schools, the upgrading of community multi-purpose centres and supporting the agricultural food security initiatives. Support for agriculture projects entails empowering rural communities by enhancing their agricultural skills and by providing agricultural resources.

In the period under review, the Foundation upgraded school infrastructure in the Eastern Cape and KwaZulu-Natal. Six of these schools were completed. The Foundation's assistance in this regard provided for 4 507 beneficiaries (learners and educators), (2013: six projects with 4 507 beneficiaries; 2012: eight projects with 12 271 beneficiaries; 2011: four projects with 831 beneficiaries).

To assist with the eradication of poverty, the Foundation has also implemented agricultural food security programme in four different communities in the Eastern Cape, KwaZulu-Natal and North West on a pilot-project basis.

In addition, 57 schools were identified in rural areas in the Eastern Cape, KwaZulu-Natal, Limpopo, Mpumalanga and North West.

The magnitude of the needs varies but all the infrastructure requirements are similar. The Foundation is currently doing project feasibility studies at these schools.

Mdlazi primary school

Before the visitors could conduct an interview with the principal of the Mdlazi primary school in Boyiboyi, Portia Pearl Ngesi, she asked whether she could fetch the school's "bible" – a beautiful hardcover book that is kept in one of the lockers.

The first entry had been written by the founding principal in 1962, on the first day of the opening of the school in January that year. This is the same book that Ms Ngesi is still using to record all school visits and activities 50 years on.

Not only did Ngesi bring the "bible" to the interview, but she also brought the school file with many pictures of special events at the school, newspaper articles about the school's achievements and a pile of framed certificates of her personal and the school's achievements. "This will help me collect my thoughts and remember everything," she said, as she put more memorabilia on the table in her office.

The Mdlazi primary school is one of the beneficiaries of the Eskom Foundation's Rural Development Programme. The Foundation has committed some R6 million to building an administration block, renovating the classrooms and the kitchen and converting the current hall into a Grade R class with separate ablution facilities.

The Foundation's project managers visited the school in January 2012 as part of their site visits to all the projects that the unit is funding. Work had just begun and, according to the site foreman, Linda Khwela, the project would be completed in September.

Ngesi presented visitors with a background history of the school and some of the projects she is spearheading and has pioneered for the school and the community.

"The school was started in 1962 on a farm that was turned into a mine for carbon and lime resources. The school was then moved to Boyiboyi for health reasons and to be closer to the community. It started as a corrugated iron structure built by local men. During the introduction of the Reconstruction and development programme (RDP), government built the current structure, which houses children from Grades 1 to 7. I joined the school in 1999 and became principal in 2003," she said.

Ngesi said that when she joined the school, she encountered a number of challenges, including a high level of illiteracy in the community, as well as poverty and hunger.

"Most children are raised by unemployed single mothers. Most parents cannot even afford the R40 annual school fee. I started the vegetable garden and the soup kitchen to alleviate poverty. I arranged for health workers to be trained to help feed children both at the school and at home. Members of the community were taught organic farming. I have also initiated a makeshift library and reading project," said the award-winning principal who is also a community builder and has been profiled in a number of newspapers for her community work.

She said it was after one of the members of the community had read in a local newspaper about her projects and a plea for a library and toilets that she contacted Eskom for assistance. The school has 375 learners and eight educators.

"The good Samaritan got my telephone number and contacted me. She took my file, which profiles everything that I do, and shared it with Eskom, and then Eskom contacted me and invited me to attend workshops on administration, classroom management, financial management and discipline in the classroom. The workshops continued for three years, and in turn, I began to share the information with other principals from surrounding schools.

"One day, Eskom called me and informed me about their plans to build our school. In 2009, they

brought people to do feasibility studies, and afterwards, they showed us the plan of what they wanted to do. In October 2011, they announced that construction would start, and you can see that work has started," said the delighted principal.

Before we left the school, Ngesi reminded us to sign the "bible" to record the visit.

"It's getting full, but there are still a few more pages. I will be the last one to sign before we close it and open a new one," she said with a smile.

Early childhood development

There are fundamental inequities in the early childhood development (ECD) sector in South Africa. The majority of South Africa's children have been and continue to be severely disadvantaged by inadequate ECD programmes and education. Early childhood interventions can only be successful if they incorporate all aspects of a child's development at a critical stage for the development of educational and learning skills and other crucial aspects of development.

Early childhood development refers to a comprehensive development approach for children from birth to nine years of age, with the active participation of their parents and caregivers. Its purpose is to protect children's rights to develop their full cognitive, motional, social and physical potential. Consistent with government's Education White Paper 1 on Education and Training (1995) and the Interim Policy for Early Childhood Development (1996), ECD is defined as an umbrella term which applies to the processes by which children from birth to at least nine years grow and thrive, physically, mentally, emotionally, spiritually, morally and socially.

Kusile ECD Programme

In 2012, a total of R10 million was approved by the Eskom Development Foundation for early childhood development in communities around the Eskom Majuba rail project and the "return-to-service" power stations. This funding will benefit 107 pre-schools, 130 practitioners and 3 387 children around towns such as Ermelo, Breyten, Wakkerstroom, Volksrust, Daggakraal, Standerton, Hendrina, Bethal, Middelburg and Emalahleni.

In the 2011/2012 financial year, an early childhood development capacity-building programme was implemented in 18 pre-schools around Delmas, Ogies, Devon and Eloff and around the new-build site for the Kusile power station. A total of 45 practitioners were trained, and 1 101 children received educational material and outdoor equipment from the support provided by the Eskom Foundation.

The programme was implemented over 18 months and training was completed at the end of September 2012. Practitioners now have the capacity to manage their classrooms through proper planning, by preparing daily programmes and writing observation and progress reports.

Indoor and outdoor play activities are now planned properly, and all learners get ample well-managed time to utilise such equipment and material, regardless of skill or ability. Health and safety also play a major role in these centres.

Children with special needs can now be accommodated, and these children are being given individual attention.

The practitioners have shown personal growth as they are better organised and can work in teams, and their communication skills have improved tremendously.



Thuthukani early childhood development centre, Delmas, Mpumalanga has created a haven for young children to grow emotionally, physically and mentally in a nurturing and stimulating environment

Thuthukani is also used for ECD educator workshops

Rural school development

The Eskom Development Foundation has assisted many rural schools in the past. This section supports these schools on a regular basis, offering curriculum support and other environmental assistance. The E&S Programme therefore, “holds” the Eskom and WESSA presence at these schools through additional support.



Learners at Shri Vishnu primary school, working in their greenhouse and nursery Pietermaritzburg, KwaZulu-Natal

Active learning project

The following gives a glimpse of some of the many projects that were supported in this reporting year.

Eastern Cape – multi-partner development of a learning box of “electrical goodies”, which was used as a research project to gain an understanding of how young people responded to, or took up knowledge about, energy. This project is ongoing and is a partnership between the Indwe high school and the University of Lower Saxony, Germany.

Mpumalanga – Hhanyano high school. The school grounds resembled a desert, but have now been transformed by an indoor planting area, a school orchard, peripheral hedge planting, a medicinal herb garden and a green parking area.

Lephalale – water conservation at the Tielelo secondary school (Marapong). As there is very little water in the area, and huge demands are made on the water supplies (due to an ever-increasing population and migration to the area for work/construction and building work), E&S co-ordinators and the school have embarked on a water conservation project. Equipment has been purchased to provide the school with a rainwater harvesting tank,

which will greatly assist in times of water scarcity. In addition, the learners involved in this project have been supported to develop a portfolio to be submitted for the South African youth water prize, co-ordinated by the Department of Water Affairs.



Learners at Shri Vishnu primary school, Pietermaritzburg, KwaZulu-Natal, take an active interest in the well-being of their garden

Mathematics, science and technology programme

The Student Development department in Eskom's Human Resources Division is the custodian of the mathematics, science and technology programme. Several programmes were initiated in 2003 in support of the Dinaledi programme launched by the Department of Basic Education to improve studies in mathematics and science in South Africa.

During the 2012/13 financial year, 8 996 learners in Grade 12 from six schools participated in the Eskom mathematics, science and technology programme, as well as in the Winter School Programme.

Programme objectives

- To increase the number of learners who pass Grade 12 in mathematics and science
- To build a pipeline of future Eskom bursary holders to study science, engineering and technology
- To act as a pilot project for potential input into the Dinaledi programme
- To act as resource centre for other schools

Location of participating schools

Name of school	Town and province
Atlantis secondary school	Atlantis, Western Cape
Kgomotso comprehensive school	Soshanguve, Gauteng
Little Flower secondary school	Ixopo, KwaZulu-Natal
Makgetse high school	Hammanskraal, North West
Motse Maria secondary school	Polokwane, Limpopo
Thengwe high school	Musina, Limpopo

Many schools are situated in poverty-stricken areas of the country, which is a major reason for the learners' inadequate performance and poor results.

The success of a school's performance is based on the number of learners who pass the final school examinations, with a greater emphasis on quantity than quality.

The Dinaledi programme started with only three schools. The Department of Education then expanded the programme to 12 schools, and finally, 18 schools were incorporated into the Dinaledi programme. These schools have been recognised as excellent resource learning centres because of the improvement and progress made through Eskom's intervention. The 18-school programme has become a model for the Department of Education and has provided guidance on managing the mathematics and science programme.

Eskom identified the business need to increase the skills pool of qualified, black and female learners who were motivated to embark on technical tertiary education studies as Eskom bursary holders. In response to the needs expressed by black Eskom bursary holders, where an exceptional effort was required to overcome the poor quality of technical secondary-school education, it was decided that a short-term, more-focused initiative had to be prioritised.

The resources provided by Eskom surpassed the Dinaledi programme's initiatives and added unprecedented value to the schools and their communities.

Scope of support provided to the 18 beneficiary schools

- Two educators per school (mathematics and physical science)
- Learning material
- Teaching aids
- Science laboratory equipment
- Computers, printers and software
- Stationery

Results achieved

- Increase in the number of learners studying mathematics and science
- Increase in the number of schools offering mathematics and physical science
- High increase in girls taking mathematics and science
- Increase in pass rates
- Learner and school awards (Eskom Chairman's Awards)

Additional schools will be added to the existing number in the calendar year of 2013. The targeted schools are rural schools in the provinces of KwaZulu-Natal and Mpumalanga, the schools around Eskom's new-build areas, as well as rural schools in other provinces.



Three Crowns primary school, Lady Frere, Eastern Cape

Health programmes: support towards health clinics

In contributing to improving the quality of life in communities where Eskom operates, the Foundation has supported a number of health-care initiatives that improve the accessibility and quality of health care. These include the upgrading of community health-care centres, the provision of medical equipment and the provision of mobile primary health-care facilities to rural communities.

Thabo-Mofutsanyana district

The Thabo-Mofutsanyana district is one of the five districts in the Free State province divided into six subdistricts (Maluti-a-Phofung, Dihlabeng, Setsoto, Nketoana, Phumelela and Mantsopa) with a population of 830 084, Maluti-a-Phofung being the biggest and most rural with a population of 380 015 which comprises 46% of the whole population. The district has 74 fixed clinics, 27 mobile clinics, nine district hospitals and two regional hospitals.

The district has aligned itself with the provincial strategic plan and the provincial annual performance plan. The key objective is to make primary health-care (PHC) accessible to the community being served. The strategies employed are to increase the number of indicators achieved in order to reach the National millennium development goals (MDGs) and the key priority indicators as stipulated in the NSDA (negotiated service delivery agreement).

There is also a shortage of medical equipment at the clinics. Equipment is purchased annually, but as the funds are insufficient, generally only the old equipment is replaced, and no additional equipment is added. This has a major negative impact on the rendering of quality services.

The Department of Health: Nutrition Section, supported by the Senekal sentrum vir versorging van bejaardes (SSVB – Senekal Care Centre for the Aged), requested support from Eskom for purchasing medical equipment. The department currently faces serious challenges in purchasing basic medical equipment.

Senekal sentrum vir versorging van bejaardes*

The Senekal sentrum vir versorging van bejaardes is a registered NPO, which runs its offices from Senekal in the Free State. The centre is registered in terms of the Older Persons Act, No. 13 of 2006. The centre is an independent employer and has an independent corporate body. The centre is under the supervision and control of the management board which delivers services legally to all

communities in the Free State. The aim of the centre is to deliver care and support services to frail elderly people, to persons with disabilities, as well as to provide health-care support services to the community.

The Eskom Foundation approved funding of just over R1 million towards purchasing medical equipment.

** Senekal centre for caring for the aged*

Heideveld CDC

The Heideveld CDC started as an ARV services station two years ago, after G-F Jooste centre transferred all its ARV patients to the site. In April 2010, the patients remaining in care totalled 940, compared to April 2011 when the total was 1 314. The Heideveld CDC is housed in an old building, which is in desperate need of upgrading for the services it renders. This facility, even though it faced many challenges, still managed to admit more than 300 new patients in care over this 12-month period. The space needed will be used for consultation rooms for the ARV patients and for counselling.

The Foundation approved funding for the Heideveld CDC for purchasing sorely needed medical equipment.



Medical equipment

Disaster relief

The South African Red Cross Society (SARCS), after applying for assistance from the Eskom Development Foundation, received a sum of R700 000 to assist 700 families that had been hard hit by the floods in KwaZulu-Natal. The relief distribution started after an intense damage verification programme had been conducted by the South African Red Cross, Eskom and municipalities.

On 19 January 2013, relief in the form of food parcels and blankets was successfully distributed in the Lamontville community hall where 100 families from Mega Village were accommodated.

On 22 January 2013, food parcels were distributed for the third time, in two different areas 100 in Dassenhoek and 100 in Zwelisha/Amaoti. Once again, the Eskom Development Foundation and SARCS were commended by the community and the councillors of both areas.

The fourth distribution took place on 25 January in two different communities. Three villages, namely, KwaNyuswa, Maphephetheni and Mkhizwana, received 100 food parcels. A further 100 food parcels were distributed in a community hall in W Section of Umlazi Township. Councillor Dladla expressed appreciation to both the Eskom Development Foundation and the South African Red Cross Society.

On 26 January 2013, 100 food parcels were distributed to people in Lindelani, Ntuzuma and Entombini. Councillor Mabizela expressed appreciation on behalf of the beneficiaries and the Ethekewinini Municipality, highlighting the severity of the damage caused by the floods on 11 and 12 December 2012.

Four areas around Ladysmith benefited from the final distribution on 8 February 2013, namely, Zakheni, Limehill, Steadville and Acaciaville. The communities in all seven of the identified areas were grateful for the intervention by Eskom and SARCS.

Challenges

The damage had been severe and was far greater than the amount allocated could cover. Consequently, Eskom's criteria for selection were based on the most vulnerable households.

Criterion 16: The COP describes strategic social investments and philanthropy

The Eskom Development Foundation NPC ("Foundation") is responsible for the co-ordination and execution of Eskom's corporate social investment (CSI) strategy in support of Eskom's business imperatives. This strategy supports socio-economic development programmes by targeting primarily the communities where Eskom operates. In line with this, the Foundation considers grants and donations for registered non-profit organisations. Focus areas for the Foundation include education, health, energy and the environment, enterprise development and community development.

Philanthropy and welfare

Donations were made to 290 philanthropic and welfare causes (all registered non-profit organisations). The donations totalled R44,9 million with 367 121 beneficiaries (2012: 233 projects for R20,6 million and 387 758 beneficiaries; 2011: 225 projects for R19,7 million and 138 815 beneficiaries). These projects are conducted in sectors such as education, early childhood development, health, support of the elderly, caring for people living with HIV/Aids, environmental issues and disaster relief.

Eskom contractor academy

The Eskom contractor academy is a programme devised to develop and empower emerging contractors and suppliers, as part of Eskom's contribution to skills development, job creation and

sustainability. The programme for business owners consists of eight modules where students attend a study school for one week per month over an eight-month period.

The curriculum includes business skills and finance, project management, people management, supply chain management, as well as safety, health, the environment and quality (SHEQ).

On completion of the theoretical training, students undergo practical training at a training facility for a period of 123 days.

The objective of the academy is to equip emerging contractors and suppliers (especially black women-owned and youth-owned companies) with the entrepreneurial, legislative, management, leadership and technical skills needed to run a business successfully. The programme is facilitated by Edupark, a non-profit company of the University of Limpopo. Students who successfully complete the programme are awarded a certificate by the University of Limpopo.

During the period under review, funding was approved for the implementation of nine academies across the country.

Business incubators

Support of business incubators is one of the key programmes incorporated in the Foundation's CSI strategy. Business incubators are a tried and tested model for business development and are established under the Small Enterprise Development Agency's (SEDA) technology programme. With measurable key performance indicators and success stories, these business incubators address the need for an integrated approach to ensure interventions that are sustainable.

Business incubators are the big brothers of start-up businesses and help these small businesses grow and thrive. SEDA currently has 26 models in South Africa under its SEDA technology programme (STP) banner.

Though the service offering differs among the incubators, the most common form is to provide technical and administrative training, seed capital, inexpensive infrastructure such as office space and administrative and IT services, which are shared by the participants in the incubator.

There was an opportunity for the Foundation to partner with the SEDA technology programme (STP) in its incubator initiatives to reach and support small enterprises in the sectors that are aligned with the Foundation's CSI focus of supporting capacity building in the manufacturing, agricultural and services sectors.

To date, six incubators have been supported since the collaboration with SEDA began.

Renewable energy projects

Eskom has focused on various alternative energy initiatives to provide power. In addition, the use of alternative energy in areas or places where no electricity is available or where the cost of installation would be too high might be the answer to reducing the load from the national grid.

Eskom's initiatives are geared towards getting South Africans to think about their power consumption and to look for opportunities to help communities through alternative energy.

The Foundation has also begun rolling out socio-economic development programmes that support and enhance the use of alternative energy sources.

Further education and training college programme

The further education and training (FET) college programme was incorporated into the CSI strategy of the Foundation in 2010, with a view to supporting the developmental objectives of South Africa through an integrated education and skills development system.

The Foundation's FET programme aims at providing FET colleges with suitable and relevant equipment that will assist industry with alleviating scarce skills in sectors such as electrical engineering and diesel and mechanical engineering by providing a simulated workplace environment.

Enhlanzeni FET college in Mpumalanga

The Ehlanzeni FET college was established in 2003. Its mandate is to deliver National Certificates in vocational subjects (NCV) and NATED programmes and learnerships, including skills development programmes, in order to respond to the human resources, economic and development needs of the country.

It consists of six campuses, namely, Mlumati (Mangweni), Mapulaneng (Bushbuckridge), KaNyamazane (Msogwaba Trust), KaNyamazane (Masoyi Trust), Nelspruit and Barberton (Umjindi). Mlumati, Mapulaneng and the two KaNyamazane campuses are the only campuses that are predominantly rural. The majority of the learner population is drawn primarily from the rural areas of Mangweni, Nkomazi, Msogwaba Trust, Daanke Trust, Masoyi Trust and Tshabalala Township.

The FET provides training in:

- fitting and turning;
- welding and boiler-making;
- automotive mechanics; and
- electronics and electrical work.

The Eskom Foundation approved funding of R1.6 million towards the manufacturing, delivery and installation of electrical workshop equipment.

Criterion 17: The COP describes advocacy and public policy engagement

Integrated Resource Plan 2010

The IRP 2010 sets out South Africa's long-term energy needs and discusses the generating capacity, technologies, timing and costs associated with meeting that need. By 2030, Eskom estimates that about 16 000MW of older generating capacity is projected to be decommissioned, and 45 228MW of new generating capacity will need to be built, over and above Eskom's current capacity expansion programme.

When the IRP 2010 was published, Eskom and the Department of Public Enterprises prepared a view reflecting the potential role Eskom would play in the delivery of the new build capacity presented. The final decision on Eskom's role will be made by the Department of Energy.

The cost of its potential role was modelled as a scenario in the MYPD 3 application. The model assumed an average electricity demand growth of 2.9% up to 2030, with an average gross domestic product growth of 3.5%. The MYPD 3 application did not cover new build projects beyond Kusile, and the awarded average 8% tariff increase per year from 2013/14 to 2017/18 will not provide sufficient

revenue to improve Eskom's financial profile. Eskom will require clarity on the funding of any additional capacity that it may be expected to build.

The revised integrated resource plan is expected to be available towards the end of 2013. Nuclear power is likely to be a favourable baseload generating option. Although Cabinet appointed Eskom as the owner and operator of a future nuclear fleet in November 2012, a nuclear procurement agency has not yet been appointed.

MYPD 3 price determination

Eskom applies to NERSA, an independent regulatory body, for the revenue it needs to sustainably operate its business. NERSA assesses this application in terms of the Electricity Regulation Act (2006), and then makes a determination on the electricity price path over a number of years. MYPD 1 and 2 both spanned three years, with MYPD 2 ending on 31 March 2013. The MYPD 3 prices are effective for five years from 1 April 2013 to 31 March 2018.

Eskom's application

One of the goals of electricity price increases is to move towards more cost-reflective tariffs as defined in the Electricity Pricing Policy (EPP) to enable Eskom to keep producing electricity sustainably while securing the financing it needs to build new power stations and transmission lines.

Eskom submitted its revenue and tariff structure application for MYPD 3 to NERSA in 2012. The application was based on current regulatory rules and policy, and Eskom's mandate to keep the lights on.

Eskom applied for an average annual increase of 13% to cover its operating, input and debt servicing costs over the next five years, plus 3% a year for IPPs, for an average tariff increase of 16% per year over the period. The total revenue application came to R1.1 trillion.

The application assumed the following:

- Eskom's goal would be to provide a secure and reliable supply of electricity
- Primary energy would increase at a rate of 8.6%, with coal increasing at 10%
- Operating costs would increase at 8% per year
- Eskom's application had to comply with the Electricity Pricing Policy
- Eskom would be allowed to claim real pretax returns of at least 8.16%, the target determined in NERSA's regulation. In the event, Eskom asked for an average of less than 4% over the period, resulting in a pretax return of 7.8% only in 2017/18
- The government would continue to guarantee Eskom's debt to the value of R350 billion and Eskom would not commit itself beyond that
- Eskom would secure financing up to the completion of its current capacity expansion programme
- Eskom would reach cost reflective tariffs by the end of the MYPD 3 period
- Provision was to be made for the 3 725MW renewable energy IPP programme and the Department of Energy's 1 020MW "peaker" gas plant
- A mandatory energy conservation scheme to prompt South Africa's largest energy users to curb their usage would be put in place, but only implemented if necessary

Eskom roadshows, NERSA's public hearings and the tariff decision

Eskom held roadshows across the country to provide information on the MYPD 3 application to stakeholders. Participants were urged to provide input and ask questions.

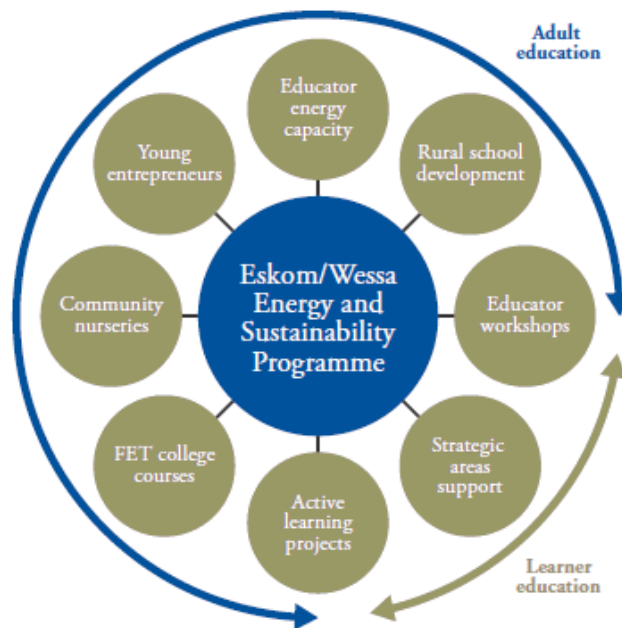
In January and February 2013, NERSA held public hearings on Eskom's MYPD 3 application in all nine provinces, during which stakeholders submitted about 200 written comments and made 162 oral representations.

On 28 February 2013, NERSA approved total revenue of R863 billion over the next five years, giving an average annual increase of 8% in electricity tariffs. The new tariffs took effect for Eskom customers from 1 April 2013, and will come into effect from 1 July 2013 for municipal customers.

Eskom energy and sustainability programme

The Eskom energy and sustainability (E&S) programme ran by NPO Wildlife and Environment Society of South Africa (WESSA) has completed its 17th year of service, supporting educators, learners and communities in promoting a sustainable lifestyle through contextual energy learning.

In recent years, the programme has undertaken support in a number of programme sections, many of which focus specifically on adult learning and support and which contribute to community development. The eight sections of the E&S programme are detailed in the diagram.



The programme is conducted nationally with regional co-ordinators supporting schools and communities in the following areas:

Western Cape (Cape Town, Mossel Bay regions, Vredendal regions, Atlantis regions)

Southern Cape (George, Plettenberg Bay)

Eastern Cape (East London, Queenstown, all areas of the former Transkei)

KwaZulu-Natal (Durban, Ixopo, Pietermaritzburg, Ladysmith regions; Drakensberg regions)

Free State (all regions)

Mpumalanga Highveld (Emalahleni regions, Middelburg regions, Steelpoort regions, Balfour regions, Standerton regions)

Mpumalanga Lowveld (Nelspruit, White River)

Limpopo (Lephalale region)

Gauteng (Johannesburg, Soweto, Alexandra)

Active learning projects

The oldest section of the programme, active learning projects, supports groups of young people to identify contextual environmental issues and to research, plan, take action, monitor and evaluate their projects. It is this section that produces many of the Eskom eta Award entries, and it is this section that assists the programme for strong visibility and for national and international award submissions.

Educator workshops

Energy misinformation is always a challenge, particularly in schools and for educators. This section assists educators to understand energy issues. The workshops, given in five specific provinces, also support educators to understand the energy components that relate to their teaching curriculums. The five specific provinces are KwaZulu-Natal, the Eastern Cape, Free State, Limpopo and Mpumalanga.

Strategic areas

These are areas that are close to Eskom plant and its new-build sites, and are designed to support communities and schools and contribute to supporting an Eskom presence in these regions. The strategic areas are the Mpumalanga Highveld (five strategic regions), KwaZulu-Natal escarpment (two strategic regions), Limpopo (one strategic region) and Western Cape (three strategic regions). Five schools in each of the strategic regions are supported, forming a total of 55 schools.

Educator accredited training

This section supports educators at E&S schools to obtain additional credits for their professional development and is designed to broaden the environmental perspectives of their teaching and to support energy learning programmes at schools.

Entrepreneurial projects

This section is small in comparison to others that E&S supports, but contributes towards community development with SME development.

Edible plant networks

One of the well-supported initiatives, the Edible plant networks (EPNs), assists the programme to make the leap from school to community by establishing large-scale school and community food gardens. There are seven EPNs nationwide, consisting of a community greenhouse/shade-house for plant propagation, vegetable beds and orchards.

Climate change courses

The climate change course is a three-day course given to young adults who are about to enter the workplace. The course material offers instruction in the science of climate change, but, what is more important, focuses on the environmental impact individual persons have each day in their work tasks and in their homes. The course brings the learner to an understanding that many of these impacts can be minimised.

Criterion 18: The COP describes partnerships and collective action

At a global level, we are participating in the Caring for Climate Initiative and the CEO Water Mandate issues specific working groups and task forces on Measuring Sustainability, Water and Peace, and Environmental and Social Governance Investor Briefings (including principles of responsible investment). We are also working with organisations such as the International Chamber of Commerce, the World Business Council for Sustainable Development and the Business Action for Sustainable Development to further the principles and action on sustainable development.

At a local level, we are actively involved in local business associations such as Business Leadership South Africa (BLSA), the National Business Initiative (NBI) and Business Unity South Africa. We are

also involved in specific initiatives such as the Industry Task Team on Climate Change, the Industry Water Task Team of South Africa, the NBI's Energy Efficiency Technical Committee and its Advisory Committee on Climate Change.

At a regional level, we participate in the Southern African Power Pool (SAPP) whose aim is to provide reliable and economical electricity supply to the consumers of each of the members the SAPP, consistent with the reasonable utilisation of natural resources and the effect on the environment. Our participation includes sharing experiences, providing technical expertise and assisting in developing regional capacity through capacity building and training interventions especially in the areas of environmental management and energy efficiency.

Eskom energy and sustainability programme

The Eskom energy and sustainability (E&S) programme ran by NPO Wildlife and Environment Society of South Africa (WESSA) has completed its 17th year of service, supporting educators, learners and communities in promoting a sustainable lifestyle through contextual energy learning.

In recent years, the programme has undertaken support in a number of programme sections, many of which focus specifically on adult learning and support and which contribute to community development.

Biodiversity

Eskom has a number of complementary strategic partnerships with wildlife organisations in place. The long-standing Eskom Endangered Wildlife Trust partnership focuses on managing and monitoring wildlife interactions.

The Ingula Partnership (with conservation-orientated non-governmental organisations (NGO) BirdLife South Africa and Middelpunt Wetlands Trust) has contributed towards conserving a very important environmental biome, so helping to protect a range of critically endangered species.

The electrocution of Cape Griffon Vultures on Distribution power lines in the Eastern Cape Operating Unit was identified as a contributing factor to the local extinction of the species. The electrocutions are due to old networks which were built in the late 1970s with bird-unfriendly designs. The Operating Unit has embarked on a project to retrofit the existing designs with bird-friendly designs over the next three years. More than 900 structures out of a total of approximately 4 300 structures have been completed.

Corporate Sustainability Governance and Leadership

Criterion 19: The COP describes CEO commitment and leadership

Please see the CEO's letter on page 2 of the COP for the statement of support

Executive Management and other board committees

The board delegates authority to executive structures and board committees. A framework to facilitate this delegation without diluting the board's accountability is in place. This delegation of authority has been revised and approved by the board. Training is being provided and standard delegations have been developed for groups and divisions.

Board committees exercise their authority in accordance with approved terms of reference.

The management of day-to-day operations is delegated to the chief executive. The chief executive is supported by the Executive Management committee and its subcommittees.

Each board committee is governed by terms of reference that define their composition, role, responsibilities and authority. These terms of reference are aligned with regulatory requirements and best governance practices, and are reviewed each year. Board committees also adhere to board-approved policies.

Board committees consist of a majority of independent non-executive directors.

Executive structure and board committees



Executive remuneration

The chief executive, finance director and group executives have permanent employment contracts based on Eskom’s standard conditions of service.

Executive remuneration is based on the organisation’s performance and the individual’s contribution to that performance. It consists of a basic salary augmented by short- and long-term incentives. The balance between fixed and variable remuneration and short- and long-term incentives is reviewed annually.

International and local benchmarks are considered in determining remuneration. The remuneration strategy is aligned with the shareholder guidelines.

Criterion 20: The COP describes Board adoption and oversight

Corporate governance

Eskom’s corporate governance focuses on effective ethical leadership to integrate strategy, governance and sustainability. Eskom takes its strategic direction from its board of directors. The chief executive and the Executive Management committee are accountable to the board and are responsible for putting the board’s decisions into effect. The chief executive and the Executive Management committee also oversee the company’s day-to-day operations.

Eskom has a unitary board structure, meaning it consists of a single board with both executive and non-executive directors. The board’s chairperson, chief executive, finance director and non-executive directors are appointed by the shareholder.

Eskom’s directors are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the board. These skills are supplemented by external members at committee

level. Their contributions to the board, consisting of a wide range of qualifications and experience, are invaluable.

The performance of the board and individual directors is evaluated each year. The term of office of non-executive directors is three years, subject to review at the annual general meeting. Retiring directors are eligible for reappointment.

Executive Management and other board committees

The board delegates authority to executive structures and board committees. A framework to facilitate this delegation without diluting the board's accountability is in place. This delegation of authority has been revised and approved by the board. Training is being provided and standard delegations have been developed for groups and divisions.

Board committees exercise their authority in accordance with approved terms of reference.

The management of day-to-day operations is delegated to the chief executive. The chief executive is supported by the Executive Management committee and its subcommittees.

Each board committee is governed by terms of reference that define their composition, role, responsibilities and authority. These terms of reference are aligned with regulatory requirements and best governance practices, and are reviewed each year. Board committees also adhere to board-approved policies.

Board committees consist of a majority of independent non-executive directors.

Executive structure and board committees



The board held nine meetings during the year. The board committees held the following number of meetings:

Audit and Risk committee:	8
Investment and Finance committee:	7
Tender committee:	12
Social Ethics and Sustainability committee:	6
People and Governance committee:	4

In April 2013, the Board Build Programme Review committee was established to provide a governance, monitoring and review-oversight role for the capacity expansion programme.

Please see http://www.overendstudio.co.za/online_reports/eskom_ar2013/divisional/gro-gov.php#105 for more information on the committees and their activities throughout the year.

For the report of the Audit and Risk committee, please refer to [page 3](#) of the annual financial statements which can be found at http://www.overendstudio.co.za/online_reports/eskom_ar2013/financials/fin-risk.php.

Director induction and orientation

A comprehensive programme is in place to train and orientate new directors and external committee members on an ongoing basis.

Executive Management committee

The Executive Management committee is a committee established by the chief executive and helps the chief executive guide the overall direction of the business and exercise executive control in managing day-to-day operations. The Executive Management committee held 16 meetings during 2012/13. Refer to [page 38](#) of the integrated report for Eskom's operational structure as well as the related Executive Management committee member responsible for each function.

Other than the chief executive and finance director, who are executive directors and are therefore appointed by the shareholder, Eskom's group executives are appointed by the board. Group executives are full-time employees subject to Eskom's conditions of service.

Please see http://www.overendstudio.co.za/online_reports/eskom_ar2013/divisional/gro-gov.php for Executive Management committee members' qualifications, significant directorships and appointment dates.

Changes in Executive Management committee composition in 2012/13

There were no changes to the Executive Management committee during 2012/13. Paul O'Flaherty, the finance director and group executive for Group Capital, has tendered his resignation as finance director and will leave his post at the conclusion of Eskom's annual general meeting on 10 July 2013. The process to fill both vacancies is in progress in line with the succession planning programme.

Criterion 21: The COP describes stakeholder engagement

The question of what is "material" has been determined through extensive consultation with the company's stakeholders, while taking into consideration Eskom's strategic objectives and the way in which its value chain operates.

Material items are those that are of high concern to stakeholders and have a significant impact on the business. Eskom studied the following to determine its material items:

- Reports submitted to the board and Executive Management committee for discussion or approval
- The shareholder's compact
- Eskom's corporate plan, its long-term strategic objectives and key focus areas for 2012/13
- Eskom's key risks, as identified by its integrated risk management process
- Policies and initiatives relevant to Eskom's business
- The NERSA MYPD 3 public hearings

- Parliamentary questions received
- The content of government portfolio committee engagements
- Both formal and informal stakeholder feedback, including media coverage

As a state-owned company and South Africa's primary electricity provider, Eskom is subject to regulation of many aspects of its operations. These include licensing, tariff structure, trade commitments and environmental impacts. Issues regarding regulation were also considered in determining materiality.

Stakeholder materiality matrix

The issues that surfaced were aggregated and summarised into a materiality matrix, divided according to Eskom's strategic objectives. This matrix served as a framework for Eskom to identify the material items to be included in this report. The material items in this report are those that:

- Have such relevance and significance that they could substantively influence the decisions of stakeholders
- Pose a significant risk to the operations of the business in the short-, medium- and long-term
- May impact the sustained value creation executed through Eskom's activities


Low






Impact on Eskom from low to high









High


High





Stakeholder concerns from low to high

- Directors' remuneration 

- International sales 
- Cost of liquid fuels 
- Protecting the poor from high tariffs and providing free basic electricity 
- Outstanding electricity debtors 
- Impact of carbon tax 

- Technical performance and maintenance of generation, distribution and transmission plant 
- Efficiency of generating plant 
- Load-shedding 
- Coal stock at power stations 
- Energy losses, theft of equipment and illegal connections 
- Medupi increase in cost, delays and labour unrest 
- High tariffs impacting businesses and customers 
- Commodity linked pricing agreements 

- Fraud and governance 

- Shortage of technicians, artisans and engineers 
- Customer service 
- Electrification 
- Employment equity numbers 
- Procurement from black-, black women and black youth-owned businesses 
- Localisation 
- Decision regarding future nuclear stations 
- Improve research and innovation 

- Increase productivity 
- Safety of public and the transport of coal on the roads 
- Safety plans for Koeberg nuclear power station 
- Handling of nuclear waste 
- Increase use of renewables to reduce emissions 
- Energy efficiency 
- Environmental contraventions and water licences 
- Availability of coal and water at a fair price and of acceptable quality 
- Private-sector participation through IPPs 
- Creation of an Independent System Market Operator (ISMO) 
- IRP 2010 allocation after Kusile 

Low

- Business continuity and disaster management ✓

Eskom’s stakeholders include the public; the private sector, especially energy-intensive industries like mining, lenders and the government, especially national and local government. All stakeholders were concerned about avoiding load-shedding and meeting the country’s future energy needs, while electricity tariffs were of particular interest to the public and the private sector

Eskom’s Integrated Report Steering committee prioritised these items to form a stakeholder materiality matrix, as outlined in the following table. While Eskom considers all the items raised, these are not all necessarily addressed in this report.

Stakeholder concerns that are ranked as having a “high” or “medium” impact on Eskom (the last two columns of the stakeholder matrix) are regarded as having the potential to significantly affect the company’s achievement of its strategic objectives. As such, they have been included in this integrated report under the “Performance on strategic objectives and future focus areas” section.

Eskom’s stakeholders include the public; the private sector, especially energy-intensive industries like mining, lenders and the government, especially national and local government. All stakeholders were concerned about avoiding load-shedding and meeting the country’s future energy needs, while electricity tariffs were of particular interest to the public and the private sector.



Eskom runs a very comprehensive energy efficiency awareness campaign across all media

The following table details Eskom’s interaction with its stakeholders:

Eskom strategic objective	Employees and unions	Government, Parliament and regulators ¹	Lenders, analysts and investors	Customers	Industry experts, academics, media	Business groups, civil society and NGOs	Suppliers and contractors
Becoming a high-performance organisation	✓	✓	✓	✓	✓	✓	✓
Leading and partnering to keep the lights on	✓	✓	✓	✓		✓	✓
Reducing Eskom’s environmental footprint and pursuing low-carbon growth opportunities	✓	✓	✓	✓	✓	✓	✓
Securing Eskom’s future resource requirements	✓	✓	✓	✓	✓	✓	✓
Implement coal haulage and the road-to-rail migration plan	✓	✓	✓	✓		✓	
Pursuing private sector participation	✓	✓				✓	
Maximising Eskom’s socio-economic contribution and internal transformation	✓	✓	✓		✓	✓	✓
Ensuring financial sustainability	✓	✓	✓	✓	✓	✓	✓

1. Includes NERSA and the NERSA public hearings.

The methods adopted by Eskom to interact with its stakeholders are stated in the following table:

Stakeholders	Method of interaction
Employees and unions	Provincial employee engagement; policies; collective bargaining practices; pre- and post-interim and annual results; regular meetings.
Government, Parliament and regulators	One-on-one meetings, appearances at parliamentary portfolio committees; Eskom websites; monthly, quarterly and annual reports; annual general meeting; industry associations and task teams; site visits; public hearings.
Lenders, analysts, and investors	Roadshows; meetings; annual and interim reports; results presentations; webcasts; annual general meeting; site visits; Eskom websites; teleconferences.
Customers	Formal presentation website; roadshows; company announcements and reports; site visits; quarterly forums.
Industry experts, academics, media	Industry associations and task teams; forums and committees; emails and Eskom websites; interviews; roadshows; quarterly briefings; company reports; articles.
Business groups, civil society and non-government organisations	Roadshows; annual results presentation; community forums; stakeholder forums; peer educators; industry partnership; wellness campaigns and HIV/Aids awareness; skills development programmes; advertising in local newspapers.
Suppliers and contractors	Roadshows; one-on-one meetings; preferential procurement programmes; open days; contracts and service agreements; workshops; presentations; training; project steering.

Glossary of terms

B-BBEE	Broad-based black economic empowerment
IPP	Independent power producer (see glossary)
IRP 2010	Integrated Resource Plan 2010
King III	The third King Commission: Code of Corporate Governance
kt	Kiloton (1 000 tons)
kWh	Kilowatt hour (see glossary)
Mt	Million tons
MW	Megawatt (1 million watts)
MWh	Megawatt-hour (1 000kWh)
MYPD	Multi-year price determination
NERSA	National Energy Regulator of South Africa
Billion	A thousand million (1 000 000 000)
Decommission	To remove a facility (such as a reactor) from service and store it safely
Energy efficiency	Programmes to reduce energy used by specific end-use devices and systems, typically without affecting services provided
Free basic electricity	Amount of electricity deemed sufficient to provide basic electricity services to a poor household (usually about 50kWh/ month)
Independent non-executive director	<p>Someone who is:</p> <ul style="list-style-type: none"> • Not a full-time salaried employee of the company or its subsidiary • 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 • Not a professional advisor to the company • Not a significant supplier or customer
Independent power producer	Any entity, other than Eskom, that owns or operates, in whole or in part, one or more power-production 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; one kilowatt-hour is 1 000 watt-hours.
Load	Amount of electric power delivered or required at any specific point on a system
Load-shedding	Scheduled and controlled power cuts by rotating available capacity between all customers when demand is greater than supply to avoid blackouts
Lost-time incident rate	Proportional representation of the occurrence of lost-time injuries over 200 000 hours in a 12-

	month period
Outage	Period in which a generating unit, transmission line or other facility is out of service
Off-peak	Period of relatively low system demand
Peak demand	Maximum power used in a given period, traditionally between 07:00 – 10:00 and 18:00 – 21:00
Primary energy	Energy in natural resources (eg coal, liquid fuels, sunlight, wind, uranium)
Way leave	A right of way over another's ground or property to access electricity infrastructure