

	<p align="center">Framework</p>	<p align="center">Group Sustainability, Climate Change, and Sustainable Development</p>
---	--	--

Title: **Sustainability Mapping at Eskom: Eskom's Sustainable Development Framework**

Document Identifier: **240-101385485**

Alternative Reference Number:

Area of Applicability: **Eskom Holdings SOC Ltd**

Functional Area: **Climate Change and Sustainable Development**

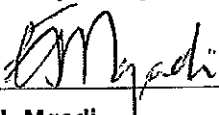
Revision: 1

Total Pages: 43

Next Review Date: **042018**

Disclosure Classification: **Controlled Disclosure**

Compiled by



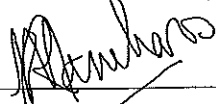
L Mqadi

Senior Consultant: Climate Change and Sustainable Development

Date:

05/07/16

Recommended by



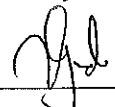
M Rambharos

Senior Manager: Climate Change and Sustainable Development

Date:

05 July 2016

Approved by



T Govender

Group Executive: Transmission and Sustainability

Date:

05/07/16

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Table of content	Pages
1. Introduction.....	3
2. Eskom's sustainable development vision.....	4
2.1 Eskom's sustainable development values	5
2.2 Objectives of Eskom's Sustainable Development Framework	5
2.3 Sustainability mapping process at Eskom	5
3. Applicability	6
3.1 Effective date	6
3.2 Normative/informative references.....	6
3.2.1 Normative.....	6
3.2.2 Informative	7
3.3 Definitions	8
3.4 Abbreviations	10
3.5 Roles and responsibilities.....	11
3.6 Process for monitoring	11
4. Eskom and sustainable development	12
4.1 Additional Eskom guiding principles	12
4.2 Sustainable development challenges – 2004 to date.....	13
5. The Eskom approach to sustainable development.....	14
5.1 Historical drivers of the Eskom strategy.....	17
6. Sustainability mapping exercise.....	18
6.1 Result: sustainability mapping	22
7. Governance, reporting, and stakeholder map	27
8. Conclusion/way forward.....	28
9. Acceptance.....	28
10. Revisions.....	28
11. Development team	29
12. List of Eskom strategies (as of 31 March 2016)	30
Annexures	31
1. National Development Plan	31
2. National Sustainable Development Framework	34
3. South Africa's National Strategy for Sustainable Development and Action Plan (NSSD1) for 2011-2014	35
4. Key performance indicator reporting criteria	38

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015627/30.

1. Introduction

Sustainable development¹ is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". It also implies the selection and implementation of a development option, which allows for appropriate and justifiable social and economic goals to be achieved, based on the meeting the basic needs, while ensuring equity throughout the system and without compromising the natural system on which it is based. Sustainable development is, therefore, a process that is followed to achieve the goal of sustainability.

Eskom's vision remains "*Sustainable power for a better future*", and its mission is "*Providing sustainable electricity solutions to grow the economy and improve the quality of life of people in South Africa and in the region*". The vision and mission are guided by the Shareholder Strategic Intent Statement, Shareholder Compact, relevant legislation and policies such as the National Development Plan 2030, the Energy White Paper of 1998, and current government position as and when reflected in the annual state of the nation address or any other official pronouncement.

In terms of organisational strategy, the purpose of the Eskom organisational strategy is to achieve the Eskom vision and mission, aligned with the mandate as given by the shareholder, while the evolving business model determines business direction for the organisational strategy. As such, Eskom's organisational strategy is aimed at addressing constraints and uncertainties, without compromising Eskom's long-term sustainability focus, that is, to stabilise the business and to re-energise for longer-term sustainability and growth. The set objectives of the organisational strategy are achieved through strategies and activities resourced through the Corporate Plan.

Eskom's Corporate Plan outlines the strategic and operational direction of Eskom in line with its Strategic Intent Statement (as prescribed by the shareholder) and captures the necessary financial, operational, and resource plans to support this direction in the short term. The

¹ World Commission on Environment and Development's (the Brundtland Commission) report 'Our Common Future' (Oxford: Oxford University Press, 1987)

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

newly developed Eskom long-term plan focuses on long-term implementation plans as directed by various strategies within the Eskom business.

Eskom’s organisational strategic objectives are referred to as the Eskom Sustainable Development Framework, consisting of **eight sustainability dimensions**, which aim to stabilise and sustain the business. These are financial sustainability, operational sustainability, sustainable asset creation, revenue and customer sustainability, environmental and climate change sustainability, sustainable human capital, transformation and social sustainability, and building a solid reputation (Figure 1). These eight dimensions, therefore, constitute the Eskom Sustainable Development Framework, as they reflect all of Eskom’s long-term sustainability goals.

This framework is, thus, aimed at outlining how the Eskom sustainability dimensions are internally defined by Eskom in terms of national and international sustainable development imperatives.

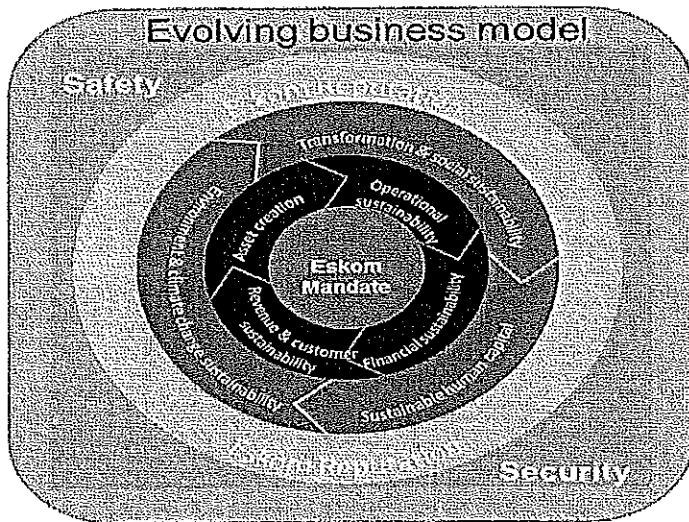


Figure 1: Eskom sustainability dimensions

2. Eskom’s sustainable development vision

Eskom strives to ensure that sustainable development principles and practices are entrenched in the organisation and are reflected in the current and future business models.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

2.1 Eskom's sustainable development values

- Eskom aligns itself with, and is guided by, its mandate and by the requirements of the national development policies and strategic plans, that is, the National Development Plan, the National Growth Path, the National Framework for Sustainable Development in South Africa (NSFSD), and the Sustainability Framework for State-owned Companies as set by the Department of Public Enterprises.
- Internationally, Eskom aims to support the implementation of the United Nations Sustainable Development Goals (SDGs) agreed to in the new 2015 Agenda.

2.2 Objectives of Eskom's Sustainable Development Framework

- To influence and guide Eskom's strategic objectives (that is, sustainability dimensions), which are aimed at contributing to the national objectives and priorities for sustainable development, including the newly adopted global Agenda 2030 for Sustainable Development² at international levels.
- To further inform Eskom's Corporate Plan and to influence Eskom's long-term planning processes.
- To illustrate integration points with key national and international sustainable development policies and plans, that is, sustainability mapping.
- To determine future trends, best practice, and lead indicators for sustainable development to ensure that Eskom stays abreast of developments in this regard, as far as it is practically possible.

2.3 Sustainability mapping process at Eskom

To meet the above-mentioned objectives, a process of identifying integration points and gaps between international and national sustainable development goals applicable and in line with Eskom's sustainability dimensions will be undertaken (Figure 2).

² Process Control Manual (PCM) for Climate Change and Sustainable Development [240-47560156]

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

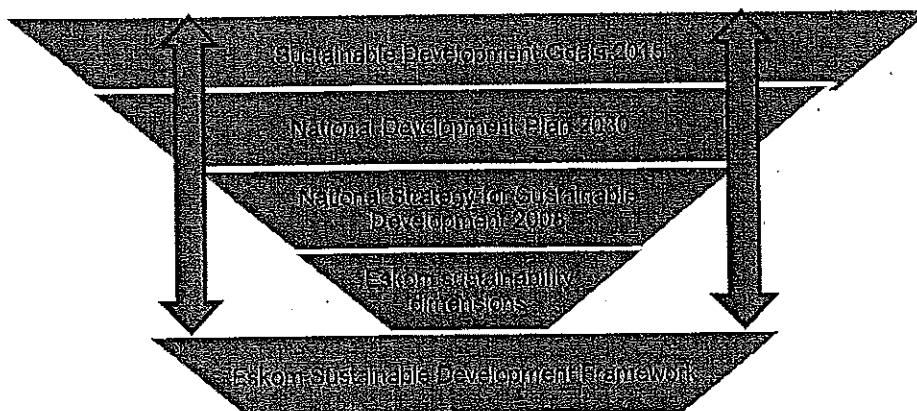


Figure 2: Proposed process of integrating sustainable development in Eskom

3. Applicability

This document shall apply throughout Eskom Holdings SOC Ltd.

3.1 Effective date

The effective date of this document is on the date of authorisation.

3.2 Normative/informative references

Parties using this document shall apply the most recent edition of the documents listed in the following paragraphs.

3.2.1 Normative

- [1] Sustainable Development Goals 2015³
- [2] A National Framework for Sustainable Development in South Africa 2008⁴
- [3] National Strategy for Sustainable Development and Action Plan 2011-2014⁵

³ Transforming Our World: The 2030 Agenda for Sustainable Development, <https://sustainabledevelopment.un.org/post2015/transformingourworld>

⁴ https://www.environment.gov.za/sites/default/files/docs/2008nationalframeworkfor_sustainabledevelopment.pdf

⁵ https://www.environment.gov.za/sites/default/files/docs/sustainabledevelopment_actionplan_strategy.pdf

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

- [4] Eskom's Corporate Plan 2015/16-2019/20⁶
- [5] Eskom's Sustainability Dimensions⁷
- [6] Act 108 of 1996, Constitution of the Republic of South Africa
- [7] Act 107 of 1998, National Environmental Management Act (NEMA)⁸
- [8] 32-186 Eskom Corporate Social Investment Policy
- [9] 32-1155 Eskom Standard Project Life-Cycle Model Policy
- [10] 240-42872690 Eskom Project Management Policy
- [11] The New Growth Path Framework, South Africa (NGP)⁹
- [12] National Planning Commission – National Development Plan 2030 (NDP)¹⁰
- [13] National Economic Development and Labour Council (Nedlac) Code of Practice¹¹
- [14] SANS 26000:2010 Guidance on Social Responsibility Standard

3.2.2 Informative

- [15] New Growth Path: Accord 4 – Green Economy Accord¹²
- [16] Integrated Resources Plan 2010¹³
- [17] National Climate Change Response White Paper, 2011
- [18] The King Report and Code on Corporate Governance (King III), 2009
- [19] The South African Medium-term Strategic Framework 2010/11-2012/13

⁶ <http://intranet2010.eskom.co.za/NoticeBoard/Pages/CorporatePlan.aspx>

⁸ <http://www.environment.co.za/documents/legislation/NEMA-National-Environmental-Management-Act-107-1998-G-19519.pdf>

⁹ <http://www.economic.gov.za/communications/publications/new-growth-path-series>

¹⁰ <http://www.poa.gov.za/news/Documents/NPC%20National%20Development%20Plan%20Vision%202030%20lo-res.pdf>

¹¹ <http://new.nedlac.org.za/?p=240>

¹² http://www.gov.za/sites/www.gov.za/files/Accord_GREEN.pdf

¹³ http://www.sapvia.co.za/57AC46F8-4ECF-40DC-93EF-2F1E152FF928/FinalDownload/DownloadId-A5BF77A3C4875E2B8B1AC6C0C889F6E6/57AC46F8-4ECF-40DC-93EF-2F1E152FF928/wp-content/uploads/2014/02/IRP2010_updatea.pdf

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

[20] G4 Sustainability Reporting Guidelines¹⁴

[21] 32-727: Safety, Health, Environment, and Quality Policy

[22] 32- 1032: Eskom Corporate Social Investment Strategy

[23] 32-86: Eskom Integrated Risk Management Policy

[24] Eskom Draft Supplier Development Strategy 2011-2014

[25] Eskom Supplier Development and Localisation Plan 2012 to 2016

3.3 Definitions

- **Corporate social investment (CSI)** means a social intervention with a developmental intent that is external to the core business function and is not in direct pursuit of revenue or profit, but can cater for the interests of the business.
- **Corporate social responsibility** means a concept where companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders. It may be considered as a way of doing business towards sustainable development.
- **Framework** means a basic conceptual structure used to solve or address complex issues. It is a well-defined tactic used, with simplicity, to master the complex environment of an organisation. It allows the uniform handling of different business units and increases management discipline. In the Eskom context, the framework is developed to guide and address a specific complex issue, in this instance, sustainable development, in terms of how Eskom can integrate and embed sustainable development, while highlighting how it can be managed and monitored within Eskom.
- **The Environment Department within Sustainability Systems under Group Sustainability** focuses on the physical environment in which Eskom operates, the environmental impacts of Eskom operations and activities, and the environmental management of the impacts as guided and required by the National Environmental Management Act to maintain Eskom's licence to operate. Its mandate is to provide a strategic direction (shaping) and assurance (safeguarding) role in respect of

¹⁴ <https://www.globalreporting.org/standards/g4/Pages/default.aspx>

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

environmental management, and as such, it is accountable for assuring and ensuring implementation of environmental policies and procedures across Eskom. In some instances, it is also mandated to provide direct services/support, for example, managing specific environmental authorisation processes.

- **Climate Change and Sustainable Development** is a department within Group Sustainability Division that develops, integrates, and entrenches climate change and sustainable development issues and best practice into business decision-making and external positioning of the company.
- **Socio-economic development** is a broad term related to the process of social and economic development in society that is aimed at improving the quality of life of the communities directly affected (immediate and surrounding) by a third party's actions.
- **Stakeholder** means a person, group, or organisation that has a direct or an indirect stake in an organisation because it can affect, or be affected by, the organisation's actions, objectives, and policies. Key stakeholders in a business organisation include creditors, customers, directors, employees, government, shareholders, suppliers, unions, and the community from which the business draws its resources.
- **Sustainable development** means meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development is also defined as a process that is followed to achieve the goal of sustainability. Sustainable development for Eskom includes providing affordable energy and related services by integration and consideration of economic development, environmental quality, and social equity in business practices in order to continually improve performance and underpin development.
- **Sustainability** is a goal that is reached after the integration of sustainable development in the business strategy, practices, and operations.
- **Sustainability mapping** refers to the process of identifying integration points and gaps between international, national, and organisational sustainable development goals. It also includes identification of strategies and policies, including associated key performance indicators, put in place at organisational levels to ensure integration and embed sustainable development practices.
- **Sustainability in Eskom** refers to the ultimate goal that Eskom aims to reach in terms of

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

providing affordable energy and related services, while embedding sustainable development in the Eskom business practices without compromising performance.

- **Value chain** means Eskom's value chain, which extends across the entire electricity value chain, and includes the construction of facilities, the sourcing of primary resources, and the generating, transmitting, distributing, and selling of electricity.

3.4 Abbreviations

Abbreviation	Explanation
AsgiSA	Accelerated and Shared Growth Initiative for Southern Africa
A&F	Audit and Forensic
CSI	Corporate social investment
GRI	Global Reporting Initiative
JPOI	Johannesburg Plan of Implementation
KPI	Key performance indicator
MDGs	Millennium Development Goals
MSDs	Measurement specification documents
Nedlac	National Economic Development and Labour Council
NEMA	National Environmental Management Act
NDP	National Development Plan
NGP	National Growth Path
NFSD	National Framework for Sustainable Development
NSSD	National Strategy for Sustainable Development
NCSD	National Committee on Sustainable Development
OCGT	Open-cycle gas turbine
OHS	Occupational health and safety
PCM	Process control model
SDGs	Sustainable development goals
SED	Socio-economic development

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Abbreviation	Explanation
WSSD	World Summit on Sustainable Development

3.5 Roles and responsibilities

- **The Group Chief Executive** has the overall accountability for ensuring that Eskom's Sustainable Development Framework is implemented.
- **The Group Executive for the Group Sustainability Division** is accountable for shaping and safeguarding Eskom's sustainable development strategic direction.
- **Divisional Executives** shall be responsible and accountable for the development, implementation, reporting, and performance of appropriate sustainability dimensions as guided by Eskom's Corporate Plan and long-term planning process.
- **The Climate Change and Sustainable Development Department** is responsible for shaping and safeguarding Eskom's sustainable development strategic direction and providing assurance in this regard. In doing this, it will also carry out a coordinating role in ensuring that Eskom business units understand the concepts of sustainable development. It will be responsible for ensuring alignment of Eskom's Sustainability Framework with national and relevant international sustainable development goals (that is, provide business intelligence in terms of sustainability and sustainable development) and undertake all relevant sustainability mapping for the Eskom business.
- **The Organisational Strategy and Corporate Planning Departments** will ensure that sustainability dimensions and associated sustainable development principles and practices drive Eskom's strategic short-term and long-term direction (that is, current and future business models) as informed by the sustainability mapping outputs. They will also ensure synergies and incorporation of all these sustainability directives in Eskom's organisational strategy and Corporate Plan.

3.6 Process for monitoring

The Eskom Audit and Forensic (A&F) Department will conduct internal audits and monitor, and report on, performance in accordance with an agreed audit programme and established procedures for reporting on business performance related to the implementation and progress made on the Eskom sustainability dimensions.

The Senior Manager: Climate Change and Sustainable Development Management,
CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

supported by the A&F Department and by the Group Finance CoE: Enterprise Performance Management, will track progress through various key performance indicators (KPIs) and associated measurement specification documents (MSDs) and will also provide an oversight management role for the external audit of these KPIs.

4. Eskom and sustainable development

The National Strategy for Sustainable Development and Action Plan (see Annexure 3) – also referred to as NSSD1 (2011-2014) – built on the 2008 National Strategy Framework for Sustainable Development (NFSD) (see Annexure 2). The updates on the NSSD1 have been reflected in the National Development Plan 2030 (see Annex 1), which is currently being implemented by the National Development Commission. The principles of the NFSD serve as the “compass” to ensure that South Africa’s development path unfolds in the direction of sustainability.

The NFSD principles also inform Eskom’s approach to sustainable development as a state-owned company with the mandate to provide electricity in an efficient and sustainable manner, including its generation, transmission, distribution, and sale. Eskom is a critical and strategic contributor to the South African government’s goal of security of electricity supply in the country as well as economic growth and prosperity.

For any company to be sustainable, all three dimensions of sustainable development (economic, environmental, and social) need to be managed in an equal and complementary manner. Sustainability in the Eskom context emphasises the need for a framework or process to include economic development, environmental quality, and social equity in the Eskom business practices. As early as 2004, Eskom developed its Sustainability Strategy to guide and integrate the organisation’s economic, social, and environmental goals to ensure the evolution and integration of best practices in terms of sustainable development. As part of Eskom’s Sustainability Strategy (2004), additional guiding principles for sustainable development were identified, while associated challenges for integrating sustainable development into the business were also outlined to inform the strategic initiatives.

4.1 Additional Eskom guiding principles

In addition to the three pillars of sustainable development, the 2004 Sustainability Strategy also covered cross-cutting issues such as:

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

- technical issues, including plant performance and long-term decommissioning options;
- health;
- safety;
- quality;
- skills development;
- integrated risk management; and
- research and development (as an important component of the Sustainability Strategy, as the research programme stretches across all areas).

4.2 Sustainable development challenges – 2004 to date

Subsequent to identifying pillars of sustainable development in the context of Eskom, the following sustainable development challenges facing Eskom¹⁶ were outlined:

- Supply chain management needs to secure supply while competing globally for skills, supplier capacity, materials, and finance, taking into account the global expansion in infrastructure projects – this while realising objectives in respect of cost, quality, and capability development.
- The escalating cost of primary energy such as coal, oil, and gas
- The availability and quality of water (a limited resource in South Africa)
- The need for Eskom to contribute to AsgiSA by enabling an accelerated economic growth rate and promoting second-economy development
- Increasing environmental performance expectations, including climate change response strategies, energy efficiency, air quality, and water management
- Environmental impact assessments and their uncertain timelines
- Optimising the energy mix – the move towards energy diversification, particularly nuclear and renewables
- Access to capital and the ability to raise sufficient funds at favourable rates

¹⁶ Eskom Annual Report 2007

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

- Regulatory approval of cost-reflective tariffs
- Intensified demand-side management and energy efficiency, including the encouragement of self-generation initiatives by industry, and the purchase of surplus electricity from these schemes

Eskom operates within the terms of numerous laws and regulations, including conditions relating to tariffs, expansion activities, environmental compliance, and regulatory and licence conditions. In addition, and taking cognisance of the current constrained and vulnerable power system and funding shortfalls, Eskom faces challenges that affect its operations, financial sustainability, infrastructure programme, and its ability to contribute to national priorities such as skills development. Some of these challenges include:

- significant pressure on liquidity and going-concern status following the MYPD3 tariff determination;
- uncertainty in the price path for electricity tariffs;
- aging plant, declining and volatile plant/technical performance, and increases in unplanned breakdowns;
- delay in delivering on the new build programme, which is impacting security of supply;
- environmental compliance with regard to the New Atmospheric Emissions Standards and the impacts on additional water resource requirements, which need to be balanced;
- financial challenges with regard to the costs of fuel for the open-cycle gas turbine (OCGT) stations;
- availability of local coal;
- insufficient capex investment in network strengthening and refurbishment;
- increasing municipal debt; and
- challenges in retaining and deploying skills optimally.

5. The Eskom approach to sustainable development

Eskom's sustainable development approach uses a strategic framework that consists of the evolving business model (EBM), which sets the strategic direction for various sustainability dimensions through which the strategy is executed, as detailed in Figure 3 below.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

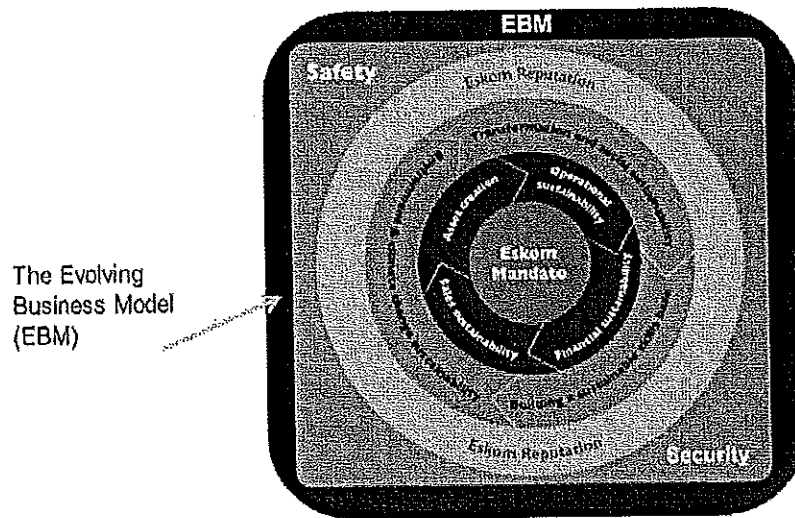


Figure 3: Eskom strategy (sustainability) framework

The Eskom sustainability dimensions are the key strategic imperatives to support South Africa's National Framework on Sustainable Development:

- Transformation and social sustainability
- Sales sustainability dimension
- Sustainable asset creation sustainability dimension
- Operational sustainability dimension
- Revenue and customer sustainability dimension
- Financial sustainability dimension
- Building a sustainable skills base sustainability dimension
- Environment and climate change sustainability dimension

These sustainability dimensions are the driving force in ensuring that Eskom's mandate and key role are achieved in accordance with the requirements as set out in the Stakeholder (Department of Public Enterprises) Strategic Intent Statement.

Eskom's key role is to assist in lowering the cost of doing business in South Africa and enabling economic growth and security of supply through providing electricity in an efficient and sustainable manner, including its generation, transmission, and distribution, while

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

ensuring that this is done within acceptable benchmark standards.¹⁶ The Strategic Intent Statement sets the following five strategic objectives:

- Achieving and ensuring security and reliability of electricity supply
- Achieving and ensuring business and financial sustainability of Eskom
- Reducing Eskom's carbon footprint and environmental impact by, among other actions, setting out and implementing a clear roadmap towards compliance with environmental legislation and pursuing low-carbon-emitting opportunities
- Supporting and aligning with government's strategic initiatives, such as facilitating the introduction of independent power producers and pursuing regional integration of the energy sector
- Driving industrialisation and transformation of the economy and procurement landscape.

The Eskom strategy aims to keep a consistent framework of sustainability dimensions across time through which a set of strategic objectives are achieved. Key strategies are identified to take Eskom through phases of stabilisation, re-energisation, and growth. Annex 12 summarises the key strategies developed to date. The evolving business model initiates projects on a no-regret basis, with the aim of supporting Eskom's long-term strategy.

Eskom's strategy integrates integrated risk management through continual reassessment of the impact of external and internal environments, ensuring that meaningful progress is made against strategic objectives (Figure 4).

¹⁶ Eskom Statement of Strategic Intent 2016/17-2018/19, Department of Public Enterprises

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

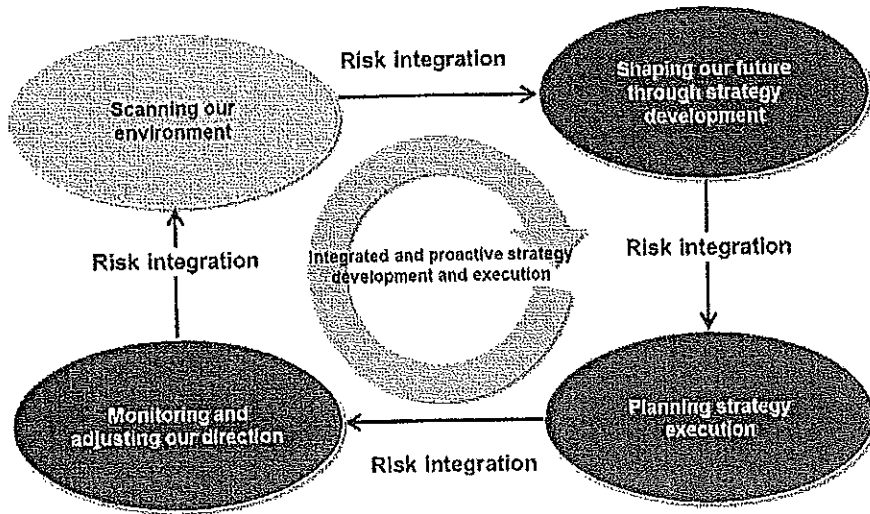


Figure 4: Strategy development and review process Integrating with risk

5.1 Historical drivers of the Eskom strategy

Eskom’s strategy has evolved over the last few decades in alignment with the then government policy, as detailed in Figure 5 below. Today, Eskom has come full circle and finds itself in a similar, distressed situation to that of the 1980s. The following chart indicates the different drivers, responses, and strategies that have evolved over the past 35 years.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

	1980's	1990's	2000-2005	2006-2007	2008-2009	2010-2011	2012-2013	2014-2015
Driver	De Villiers Commission of Inquiry into Eskom Government guarantees for Eskom	Energy White Paper finalised Discussion on REDs starts Low cost electricity for energy intensive growth	Eskom becomes a company Eskom told no new build then decision reversed a few years later	ASGISA BEE and transformation in related legislation	Cabinet agenda ED restructure MYPB and engagement with IPP's	REIPP launched IRP 2010 (2 revision) set the agenda for energy mix Draft ISMO Bill	REIPP Phases 2 and 3 National Development Plan	Sovereign rating downgraded by Fitch and S&P agencies REIPP Phase 4 Government War Room initiated SARGEM withdrawn
Eskom action	Potential Future African Grid Large capital expansion Electrification begins	Electrification at its peak Excess capacity - 3 stations mothballed and Marketing Strategy implemented Eskom Enterprises Established and expands into services	Eskom brands disbanded Industry structure studies begun Eskom starts setting up for new build	Generation and Customer Network Businesses established New build begins to accelerate	MYPD1 approved National Load Shedding (Coal Supply shortage)	No new build mandate/budget beyond Kusile MYPD2 approved Funding gap resolved Centralised restructuring	Medupi delays announced MYPD3 - 8% tariff granted BPP	Load shedding Government support package Eskom Turnaround
Strategy	SADC growth	Electricity for all Low cost electricity	Pre-eminent African energy business	Building for growth	Supporting developmental state	Keeping the lights on	Lock-in, protect, growth & agility	Stabilise, re-energise and grow

Figure 5: History of Eskom strategy

6. Sustainability mapping exercise

Step 1: illustrate integration points, gaps, and linkages that have been established to highlight sustainable development goals, National Development Plan priorities, and Eskom sustainability dimensions that are aligned with, or that aim to meet, the defined similar goals, priorities, and dimensions (Table 1).

Step 2: illustrate how Eskom is monitoring materiality and actual performance of the Eskom business against the Shareholder Compact as set by the Department of Public Enterprises (Table 2). The Shareholder Compact outlines the mandate that Eskom has to fulfil on behalf of the DPE and the South African government through set key performance areas and key performance indicators. A sustainability audit is undertaken on an annual basis to audit progress, materiality, and actual performance. Eskom's sustainability performance is then presented to the public through its annual integrated report.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Table 1: Step 1 – sustainability mapping outputs: integration of SDGs, the NDP, and Eskom sustainability dimensions

Sustainable Development Goals 2015	NDP goals	Sustainability dimensions	Sustainability dimensions
<ul style="list-style-type: none"> ▪ Goal 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. 	Economy and employment	<ul style="list-style-type: none"> ▪ Financial sustainability ▪ Transformation and social sustainability ▪ Building a sustainable skills base 	<ul style="list-style-type: none"> ▪ The Constitution of South Africa ▪ New Growth Path ▪ South Africa Decent Work Country Programme ▪ The National Industrial Policy Framework ▪ Industrial Policy Action Plan (IPAP) ▪ The Reconstruction and Development Programme (RDP)
<ul style="list-style-type: none"> ▪ Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation. 	Economic Infrastructure	<ul style="list-style-type: none"> ▪ Sustainable asset creation ▪ Financial sustainability ▪ Operational sustainability ▪ Building a solid reputation 	<ul style="list-style-type: none"> ▪ Broad-based Black Economic Empowerment Act, 2003 ▪ Infrastructure Development Act, 2014 ▪ Technology Innovation Agency Act, 2008

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

<ul style="list-style-type: none"> ▪ Goal 6. Ensure availability and sustainable management of water and sanitation for all. ▪ Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all. ▪ Goal 15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss. ▪ Goal 14. Conserve and sustainably use the oceans, seas, and marine resources for sustainable development. ▪ Goal 13. Take urgent action to combat climate change and its impacts.* 	<p>Environmental sustainability and resilience</p>	<ul style="list-style-type: none"> ▪ Environment and climate change sustainability ▪ Financial sustainability ▪ Operational sustainability 	<ul style="list-style-type: none"> ▪ <u>National Water Act, 1998</u> ▪ <u>Water Services Act, 1997</u> ▪ <u>Mineral and Petroleum Resources Development Act, 2002</u> ▪ <u>National Environmental Management Act, 1998</u> ▪ <u>National Environmental Management: Biodiversity Act, 2004</u> ▪ <u>South African Maritime and Aeronautical Search and Rescue Act, 2002</u> ▪ <u>Marine Pollution (Control and Civil Liability) Act, 1981</u> ▪ <u>National Environment Management: Air Quality Act, 2004</u>
<ul style="list-style-type: none"> ▪ Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture. ▪ Goal 10. Reduce inequality within and among countries. ▪ Goal 5. Achieve gender equality, and empower all women and girls. 	<p>Inclusive rural economy</p>	<ul style="list-style-type: none"> ▪ Transformation and social sustainability 	<ul style="list-style-type: none"> ▪ <u>The Constitution of South Africa</u> ▪ <u>South Africa's New Growth Path</u> ▪ <u>National Development Plan</u> ▪ <u>Protection from Harassment Act, 2010</u> ▪ <u>The Reconstruction and Development Programme</u>

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

			(RDP)
<ul style="list-style-type: none"> Goal 11. Make cities and human settlements inclusive, safe, resilient, and sustainable. 	Transforming human settlements	<ul style="list-style-type: none"> Transformation and social sustainability 	<ul style="list-style-type: none"> The Constitution of South Africa <u>Housing Act, 1997</u> Comprehensive Housing Plan The National Development Plan
<ul style="list-style-type: none"> Goal 4. Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all. 	Improving education, training, and innovation	<ul style="list-style-type: none"> Transformation and social sustainability 	<ul style="list-style-type: none"> The Constitution of South Africa <u>South African Schools Act, 1996</u> Further Education and Training Act, 1998
<ul style="list-style-type: none"> Goal 3. Ensure healthy lives, and promote well-being for all at all ages. 	Healthcare for all	<ul style="list-style-type: none"> Transformation and social sustainability 	<ul style="list-style-type: none"> The Constitution of South Africa National Health Act, 2003
<ul style="list-style-type: none"> Goal 1. End poverty in all its forms everywhere. Goal 12. Ensure sustainable consumption and production patterns. Goal 10. Reduce inequality within and among countries. 	Social protection	<ul style="list-style-type: none"> Transformation and social sustainability Building a solid reputation 	<ul style="list-style-type: none"> The Constitution of South Africa The National Development Plan The Reconstruction and Development Programme (RDP)
<ul style="list-style-type: none"> Goal 6. Ensure availability and sustainable management of water and sanitation for all. Goal 10. Reduce inequality within and among countries. 	Building a capable and developmental state	<ul style="list-style-type: none"> Environment and climate change sustainability Transformation and social sustainability Building a solid reputation 	<ul style="list-style-type: none"> <u>National Water Act, 1998</u> Water Services Act, 1997

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

<ul style="list-style-type: none"> ▪ Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels. 	Fighting corruption	<ul style="list-style-type: none"> ▪ Financial sustainability ▪ Building a solid reputation ▪ Transformation and social sustainability 	<ul style="list-style-type: none"> ▪ The Constitution of South Africa ▪ <u>Promotion of Equality and Prevention of Unfair Discrimination Act, 2000</u>
<ul style="list-style-type: none"> ▪ Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels. ▪ Goal 5. Achieve gender equality, and empower all women and girls. 	Nation building and social cohesion	<ul style="list-style-type: none"> ▪ Transformation and social sustainability ▪ Building a solid reputation 	<ul style="list-style-type: none"> ▪ The Constitution of South Africa ▪ Promotion of Equality and Prevention of Unfair Discrimination Act, 2000
	Building safer communities	<ul style="list-style-type: none"> ▪ Transformation and social sustainability 	
<ul style="list-style-type: none"> ▪ Goal 17. Strengthen the means of implementation, and revitalise the global partnership for sustainable development. 	South Africa in the region and the world	<ul style="list-style-type: none"> ▪ Sustainable asset creation ▪ Transformation and social sustainability ▪ Financial sustainability ▪ Building a solid reputation 	<ul style="list-style-type: none"> ▪ National Framework for Sustainable Development ▪ National Strategy for Sustainable Development and Action Plan (NSSD1)

6.1 Result: sustainability mapping

Eskom's sustainability dimensions contribute directly to the National Development Plan 2030 and the Sustainable Development Goals 2030. Due to the nature of its business, it contributes more to some than others, while, in some sectors, it has very limited contributions, for example, health care.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Table 2: Step 2 – sustainability mapping exercise: monitoring Eskom performance

This section highlights how all the sustainability dimensions are monitored within Eskom in terms of key performance areas and indicators. This allows for tracking in terms of implementation. Annexure 4 provides Eskom key performance indicator reporting criteria. These can be related back to the National Development Plan and the SDG 2015, respectively.

Sustainability dimensions	Shareholder Compact Key performance areas (KPIs)	Sustainability KPIs Key performance indicators (KPIs)	Units
Financial sustainability	<ul style="list-style-type: none"> Ensure financial sustainability. 	<ul style="list-style-type: none"> Training expenditure as a percentage of gross employee benefit costs Operating costs per MWh (excluding depreciation) Interest cover Debt equity ratio Free funds from operations Business Productivity Programme savings Coal purchase price reduction per ton 	<ul style="list-style-type: none"> % Rand per MW Ratio Ratio As % of gross debt Rand Rand
Operational sustainability	<ul style="list-style-type: none"> Improve operations. Implement coal haulage and road-to-rail migration plan. 	<ul style="list-style-type: none"> Normal unplanned capability loss factor (UCLF) Energy availability factor (EAF) System average interruption duration index (SAIDI) System average interruption frequency index (SAIFI) System minutes < 1 (SM < 1) Migration of coal delivery volume from road to rail 	<ul style="list-style-type: none"> % % Hours Number Minutes Mt
Sustainable asset	<ul style="list-style-type: none"> Build a sustainable asset 	<ul style="list-style-type: none"> Internal energy efficiency: non-essential consumption 	<ul style="list-style-type: none"> GWh

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

creation	<ul style="list-style-type: none"> base while ensuring security of supply. Deliver capital expansion. 	<ul style="list-style-type: none"> Generation capacity installed and commissioned Transmission lines installed Transmission transformer capacity installed and commissioned Ingula Unit 3 and 4 synchronisation Total electrification connections 	<ul style="list-style-type: none"> MW km MVA
----------	---	--	---

Table 2 (continued): Step 2 – sustainability mapping exercise: monitoring Eskom performance

Sustainability dimensions	Shareholder Compact	Sustainability KPIs	Units
Revenue and customer sustainability	Key performance areas (KPAs)	Key performance indicators (KPIs)	
Environmental and climate change sustainability	<ul style="list-style-type: none"> Put customer at the centre. Reduce environmental footprint in existing fleet. 	<ul style="list-style-type: none"> Eskom KeyCare Enhanced MaxCare/PreCare Relative particulate emissions Specific water consumption Carbon dioxide emissions 	<ul style="list-style-type: none"> % kg/MWh Lite per kWh
Building a sustainable skills base Transformation and social sustainability	<ul style="list-style-type: none"> Human capital Economic impact 	<ul style="list-style-type: none"> Training expenditure as a percentage of gross employee benefit costs Learner throughput or qualifying Technology transfer – skills development Disability equity Racial equity senior management Gender equity senior management Racial equity in professional and middle 	<ul style="list-style-type: none"> % Number % % % %

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

		<ul style="list-style-type: none"> ▪ management ▪ Gender equity in professional and middle management ▪ Local content contracted (New Build Programmes) ▪ Local content contracted (company) ▪ Percentage of broad-based black economic empowerment: attributable spend against TMPS ▪ Percentage of black-owned-attributable spend against TMPS ▪ Percentage of black-women-owned-attributable spend against TMPS 	<ul style="list-style-type: none"> ▪ % ▪ % ▪ % ▪ % ▪ % ▪ %
--	--	---	--

Table 2 (continued): Step 2 – sustainability mapping exercise: monitoring Eskom performance

Sustainability dimensions	Shareholder Compact Key performance areas (KPIs)	Sustainability KPIs Key performance indicators (KPIs)	Units
Building a sustainable skills base Transformation and social sustainability	<ul style="list-style-type: none"> ▪ Human capital ▪ Economic impact 	<ul style="list-style-type: none"> ▪ Percentage of black-youth-owned-attributable spend against TMPS ▪ Percentage of black people with disabilities-attributable spend against TMPS ▪ Percentage of qualifying small enterprises (QSE)-attributable spend against TMPS ▪ Percentage of exempted micro-enterprises (EME)-attributable spend against TMPS ▪ Technology transfer – acquisition of intellectual property 	<ul style="list-style-type: none"> ▪ % ▪ % ▪ % ▪ %

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd. Reg. No. 2002/015527/30.

		<ul style="list-style-type: none"> ▪ Technology transfer – skills development ▪ Technology transfer – job creation 	
Building a solid reputation	<ul style="list-style-type: none"> ▪ Economic impact 	<ul style="list-style-type: none"> ▪ Technology transfer – job creation ▪ Total electrification connections 	<ul style="list-style-type: none"> ▪ Number
Safety and security	<ul style="list-style-type: none"> ▪ Focus on safety ▪ Implementing coal haulage and road-to-rail migration plan 	<ul style="list-style-type: none"> ▪ Lost-time injury rate (employee) 	<ul style="list-style-type: none"> ▪ Index

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

7. Governance, reporting, and stakeholder map

The Climate Change and Sustainable Development Department is the custodian of sustainable development for the organisation. The Sustainable Development Advisory Committee (SDAC) is the guiding and advising platform of sustainable development activities across Eskom and reports to the Board SES Subcommittee. The primary purpose of SDAC is to provide assistance to the Climate Change and Sustainable Development Department in the content development and implementation of all sustainable-development-related positions, initiatives, projects, policy, and strategy. This assistance may be in the form of advice, guidance, specific input, and resources. The committee further advises on matters related to this mandate, including, *inter alia*:

- strategy, policy, project, initiative, and action plan development and implementation;
- benchmarking, KPIs, and target setting;
- sustainable development performance;
- development of positions for national and international business interventions as well as government interventions;
- responding to legislation;
- research required to support the mandate; and
- communication and stakeholder engagement.

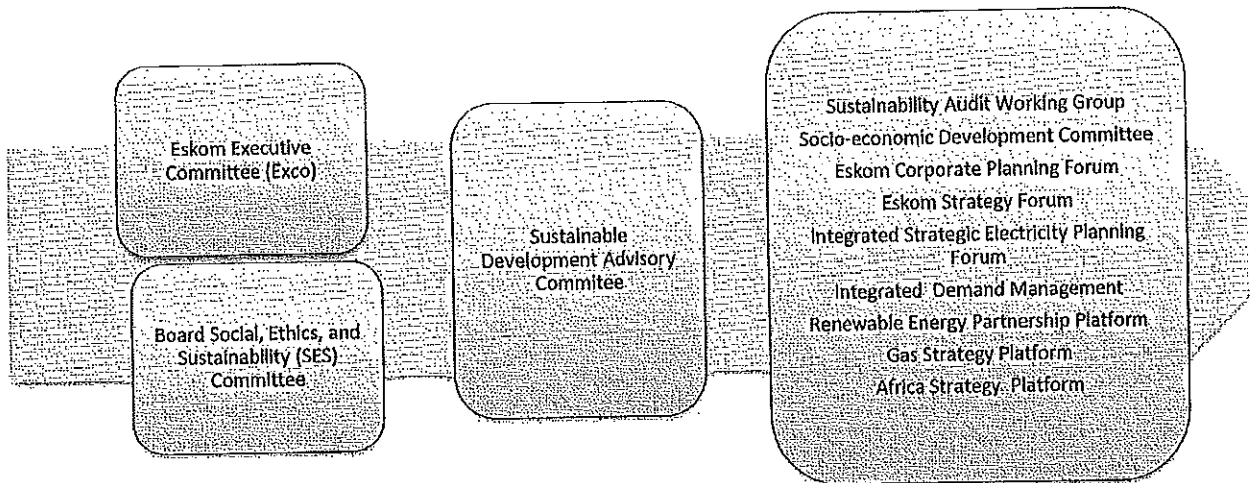


Figure 6: Governance structures for Eskom's sustainable-development-related activities

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015627/30.

8. Conclusion/way forward

The sustainability mapping exercise undertaken has highlighted how Eskom's sustainability dimensions, that is, the Sustainable Development Framework, are contributing to the country's National Development Plan 2030 and the international SDGs 2015, including the gaps. This exercise has, furthermore, illustrated how monitoring and reporting are currently in terms of the lagging sustainability KPIs.

It is envisaged that future Eskom integrated report(s) will be based on this integrated view of sustainable development, ensuring that linkages with national and international sustainable development priorities are highlighted and, where appropriate, reported on. This will be to further define, contribute, and further highlight the leadership role that Eskom plays as a state-owned company towards South Africa's sustainable development.

As part of the process, the integrated reporting requirements and improvements (in addition to King 3 or 4 in terms of corporate governance and Global Reporting Initiative (GRI) 4 guidelines) will be continuously assessed, and where applicable, Eskom will implement these improvements.

The following immediate activities are planned to meet the objectives of the Eskom Sustainable Development Framework:

- Development and assignment of leading sustainability KPIs (to complement the current lagging sustainability KPIs) as part of sustainability monitoring, while further reporting from a sustainable development perspective, will be undertaken to ensure integration and acceleration of Eskom's sustainability goals.
- Partnerships at national levels with other SOCs and the private sector to benchmark and learn in terms of sustainable development entrenchment, improvement, and reporting will be prioritised.
- Benchmarking of Eskom's sustainability journey through platforms such as the Johannesburg Stock Exchange (JSE), sustainability reporting indices (SRI), and/or the international benchmarking agencies, for example, Dow Jones.

9. Acceptance

This document has been seen and accepted by:

Name	Designation
Mandy Rambharos	Senior Manager, Climate Change and Sustainable Development
Thava Govender	(Acting) Group Executive, Risk and Sustainability

10. Revisions

Date	Rev.	Compiler	Remarks
April 2016	1	Lwandle Mqadi and Maria Couto	<ul style="list-style-type: none"> ▪ As a requirement of Department of Public Enterprises Sustainability Framework for State-owned Companies ▪ To guide Eskom's long-term sustainability processes

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

11. Development team

The following people were involved in the development of this document:

- Lwandle Mqadi
- Maria Couto
- Rethabile Mbokodi
- Slya Ben Mazwi
- Mandy Rambharos

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

12. List of Eskom strategies (as of 31 March 2016)

Strategy Name	Sponsor
Adaptation	Sustainability
Advocacy	CAD
Africa Strategy	SAE
Air quality strategy	Sustainability
Capex allocation strategy	Finance
Climate Change Strategy	Sustainability
Commercial	Group Commercial
Corporate affairs strategy	CAD
Corporate Social Investment Strategy	CAD
Customer Services Strategy	Distribution
Debt recovery strategy	Finance
Environmental Strategy	Sustainability
Eskom Enterprises strategy	Eskom Enterprises
Evolving Business model	OCE
Finance Strategy including BPP	Finance
Gas Strategy	Fin
Generation sustainability Strategy	Gx
Human Resource Strategy	HR
Integrated logistics strategy	PED
Integrated Socio Economic Development Strategy	Sustainability
IT Strategy	CIO
Long Term Coal Sourcing Strategy	PED
New Capacity Strategy	Technology
Outage management and asset management	Technology, Generation, Transmission and Distribution
Pricing strategy	Distribution and Transmission (Customer services)
PTM&C Technology Plan & Strategy	Technology
Quality strategy	Sustainability
Regulatory and Funding Strategy	Finance
Renewable Energy Strategy	Renewables
Research, Testing and Development strategy	Sustainability
Safety strategy	Sustainability
Sales and Revenue strategy	Group Customer Service
Smart Grid strategy	Enterprise development
Supplier Development and Localisation strategy	Group Commercial
Technology Strategy	Technology
Turnaround strategy	OCE
Water Strategy	Sustainability

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd.
Reg. No. 2002/015527/30.

Annexures

1. National Development Plan

South Africa's National Development Plan¹⁷ aims to eliminate poverty, that is, reduce the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39% to zero and reduce inequality; that is, the Gini coefficient should fall from 0.69 to 0.6 by 2030. Furthermore, nine primary challenges have been identified as facing South Africa. These include the following:

- Too few people work.
- The quality of school education for black people is poor.
- Infrastructure is poorly located, inadequate, and undermaintained.
- Spatial divides hobble inclusive development.
- The economy is unsustainably resource-intensive.
- The public health system cannot meet demand or sustain quality.
- Public services are uneven and often of poor quality.
- Corruption levels are high.
- South Africa remains a divided society.

Given the complexity of national development, the plan sets out 13 objectives and actions for the country, as depicted in Figure 4. Refer to Annex 14 for a brief overview of the National Development Plan.

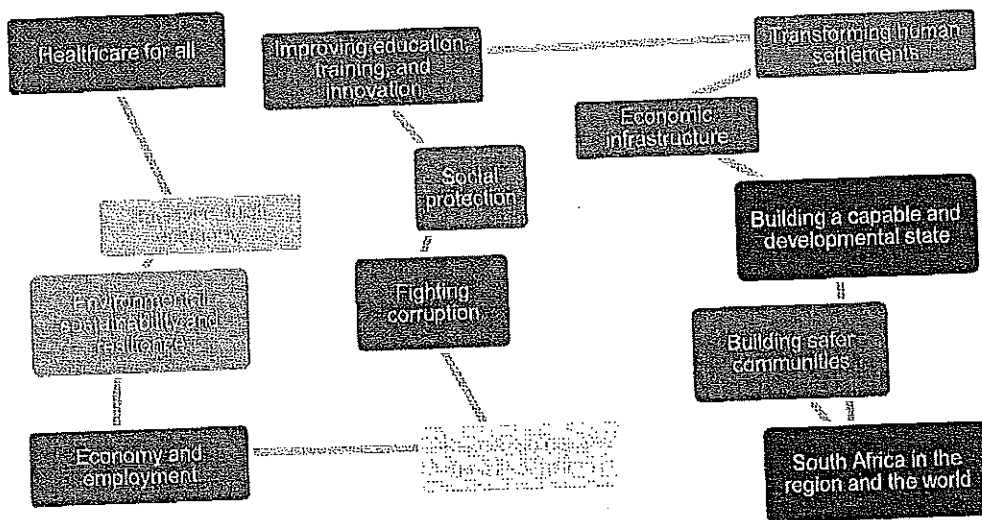


Figure 4: The National Development Plan objectives and actions 2030¹⁸

¹⁷ <http://www.gov.za/sites/www.gov.za/files/Executive%20Summary-NDP%202030%20-%20Our%20future%20-%20make%20it%20work.pdf>

¹⁸ <http://www.gov.za/issues/national-development-plan-2030>

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

National Development Plan 2030 in brief**By 2030**

- Eliminate income poverty; reduce the proportion of households with a monthly income below R419 per person (in 2009-prices) from 39% to zero.
- Reduce inequality; the Gini coefficient should fall from 0.69 to 0.6.
- Enable milestones.
- Increase employment from 13 million in 2010 to 24 million in 2030.
- Raise per capita income from R50 000 in 2010 to R120 000 by 2030.
- Increase the share of national income of the bottom 40% from 6% to 10%.
- Establish a competitive base of infrastructure, human resources, and regulatory frameworks.
- Ensure that skilled, technical, professional, and managerial posts better reflect the country's racial, gender, and disability make-up.
- Broaden ownership of assets to historically disadvantaged groups.
- Increase the quality of education, so that all children have at least two years of preschool education and all children in Grade 3 can read and write.
- Provide affordable access to quality healthcare, while promoting health and well-being.
- Establish effective, safe, and affordable public transport.
- Produce sufficient energy to support industry at competitive prices, ensuring access for poor households, while reducing carbon emissions per unit of power by about one-third.
- Ensure that all South Africans have access to clean running water in their homes.
- Make high-speed broadband Internet universally available at competitive prices.
- Realise a food trade surplus, with one-third produced by small-scale farmers or households.
- Ensure household food and nutrition security.
- Entrench a social security system covering all working people, with social protection for the poor and others.

Critical actions

- Create a social compact to reduce poverty and inequality, and raise employment and investment.
 - Create a strategy to address poverty and its impacts by broadening access to employment, strengthening the social wage, improving public transport, and raising rural incomes.
 - Institute steps by the state to professionalise the public service, strengthen accountability, improve coordination, and prosecute corruption.
 - Boost private investment in labour-intensive areas, competitiveness, and exports, with adjustments to lower the risk of hiring younger workers.
 - Establish an education accountability chain, with lines of responsibility from state to classroom.
-

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

- Phase in national health insurance, with a focus on upgrading public health facilities, producing more health professionals, and reducing the relative cost of private healthcare.
- Ensure public infrastructure investment at 10% of gross domestic product (GDP) financed through tariffs, public-private partnerships, taxes, and loans and focused on transport, energy, and water.
- Implement interventions to ensure environmental sustainability and resilience to future shocks.
- Establish new spatial norms and standards – density in cities, improving transport, locating jobs where people live, upgrading informal settlements, and fixing housing market gaps.
- Reduce crime by strengthening criminal justice and improving community environments.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

2. National Sustainable Development Framework

The South African government is further guided by the following principles from the National Sustainable Development Framework (NSFD) (2008) in order to achieve the national vision of sustainable development. The principles are divided into three broad categories, namely, the "first order" or fundamental principles, the substantive principles, and the process principles.

a. The fundamental principles

These principles relate to fundamental human rights that are guaranteed in the Constitution and underpin the nature of our society and system of governance. These are:

- human dignity and social equity;
- justice and fairness; and
- democratic governance.

b. The substantive principles

This set of principles addresses the content or conditions that must be met in order to have a sustainable society. These are:

- efficient and sustainable use of natural resources;
- socio-economic systems that are embedded within, and dependent on, ecosystems; and
- that basic human needs must be met to ensure that resources necessary for long-term survival are not destroyed for short-term gain.

c. The process principles

The process principles apply specifically to the implementation of the National Framework for Sustainable Development. The principles are:

- integration and innovation;
- consultation and participation; and
- implementation in a phased manner.

The above-mentioned principles serve as the "compass" to ensure that South Africa's development path unfolds in the direction of sustainability. The National Strategy for Sustainable Development and Action Plan – also referred to as NSSD1 (2011-2014) – built on the 2008 NSFD (see Annex 15). The updates on the NSSD1 are reflected in the National Development Plan, which is currently being implemented by the National Development Commission.

The above-mentioned principles also inform Eskom's approach to sustainable development as a state-owned company with the mandate to provide electricity in an efficient and sustainable manner, including its generation, transmission, distribution, and sale. Eskom is a critical and strategic contributor to the South African government's goal of security of electricity supply in the country as well as economic growth and prosperity.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg

3. South Africa's National Strategy for Sustainable Development and Action Plan (NSSD1) for 2011-2014

Table 1: South Africa's National Strategy for Sustainable Development and Action Plan (NSSD1) for 2011-2014¹⁹

<p>Vision: South Africa aspires to be a sustainable, economically prosperous, and self-reliant nation state that safeguards its democracy by meeting the fundamental human needs of its people, by managing its limited ecological resources responsibly for current and future generations, and by advancing efficient and effective integrated planning and governance through national, regional, and global collaboration.</p>
<p>Goals:</p> <ul style="list-style-type: none"> ▪ Develop and promote new social and economic goals based on ecological sustainability, and build a culture that recognises that socio-economic systems are dependent on, and embedded in, ecosystems. ▪ Increase awareness and understanding of the value of ecosystem services to human well-being. ▪ Ensure effective integration of sustainability principles into all policies, planning, and decision-making at national, provincial, and local levels. ▪ Ensure effective system-wide integration and collaboration across all functions and sectors. ▪ Monitor, evaluate; and report performance and progress in respect of ecological sustainability in relation to socio-economic goals.
<p>Governance: National Committee on Sustainable Development (NCSDD): spheres of government, civil society, private sector, academia, multi-stakeholder, and independent review.</p>
<p>Strategic priorities</p>

¹⁹ https://www.environment.gov.za/sites/default/files/docs/sustainabledevelopment_actionplan_strategy.pdf

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

1) Enhancing systems for integrated planning and implementation	2) Sustaining our ecosystems and using natural resources efficiently	3) Towards a green economy	4) Building sustainable communities	5) Responding effectively to climate change
---	--	----------------------------	-------------------------------------	---

Objectives				
<ul style="list-style-type: none"> Enhance effective governance, institutional structures, and mechanisms to achieve sustainable development and meet the Millennium Development Goals (MDGs) and Johannesburg Plan of Implementation (JPOI) goals and targets. Strengthen monitoring and reporting for improved environmental performance by government and the private sector. 	<ul style="list-style-type: none"> Value, protect, and continually enhance environmental assets and natural resources. 	<ul style="list-style-type: none"> Make a just transition towards a resource-efficient, low-carbon, and pro-employment growth path. 	<ul style="list-style-type: none"> Create community awareness and participation, and work together to protect the environment through changing attitudes and behaviour in consuming resources sustainably and responsibly. Develop and support quality housing projects/ programmes, including building community self-sufficient farming strategies, indigenous 	<ul style="list-style-type: none"> Make a fair contribution to the global effort to achieve the stabilisation of greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. Effectively adapt to, and manage, unavoidable and potentially damaging climate change impacts through interventions that build and sustain

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Eskom Sustainable Development Framework

Unique Identifier: 240-101385485
Revision: 1
Page: 37 of 43

			knowledge, the sustainable production of herbs and traditional medicine, and businesses, to secure societal equity and cohesion.	South Africa's social, economic, and environmental resilience and emergency response capacity.
--	--	--	--	--

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

4. Key performance indicator reporting criteria

Eskom key performance indicator reporting criteria for the year ended 31 March 2016		
Key performance areas	Key performance indicators	KPI definition
Focus on safety.	Lost-time injury rate (employee) (LTIR)	The employee lost-time injury rate (LTIR) is a proportional representation of the occurrence of lost-time injuries per 200 000 working hours over a period of 12 months. This includes work-related fatalities and occupational diseases, but excludes third-party-at-fault incidents and all passengers in commuting incidents.
Create a sustainable asset base while ensuring security of supply.	Internal energy efficiency	Internal energy efficiency consists of energy savings regarding non-essential internal consumption by Eskom, brought about by specific actions taken and measures implemented, specifically regarding the use of non-renewable energy resources.
Put the customer at the centre.	Eskom KeyCare	Eskom KeyCare measures the perceptions of Eskom's national key customers regarding specific aspects of Eskom's service.
	Enhanced MaxiCare	The Enhanced MaxiCare/PreCare total quality index (TQI) measures the perceived satisfaction of Eskom's residential, small, and medium Distribution customers.
Improve operations.	Unplanned capability loss factor (UCLF)	The unplanned capability loss factor (UCLF) measures energy losses resulting from unplanned equipment failures and other plant conditions (unplanned shutdowns, outage extensions, or load reductions due to causes under plant management control) – the energy that was not produced due to unplanned plant unavailability.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Deliver capital expansion.	Energy availability factor (EAF)	The energy availability factor (EAF) measures plant availability and takes account of planned and unplanned unavailability and energy losses not under the control of plant management (OCLF). It is the ratio of available energy over the nominal energy and refers to the energy that could have been produced at available capacity for the reference period over the nominal energy for the same period.
	System average interruption duration index (SAIDI)	The SAIDI of a network indicates the average duration in hours of a sustained interruption the connected customer would experience per annum.
	System average interruption frequency index (SAIFI)	SAIFI indicates how many times the average customer experiences a sustained interruption during a 12-month period.
	Total system minutes lost for events < 1 minute	This measure is the total system minutes lost for interruptions other than major incidents. Only interruptions less than 1 system minute and interruptions caused by Transmission are counted. Interruptions less than, or equal to, 22 kV are not included.
Deliver capital expansion.	Generation capacity installed and commissioned (commercial operation)	Generation capacity (MW) installed and commissioned on the Eskom network.
	Inguila Unit 3 and 4 synchronisation	The KPI measures the date of synchronisation of Inguila Units 3 and 4 to the system. Synchronisation requires the plant to be connected to the transmission system, but when it is not yet commercially operable.
	Transmission lines installed	The length of transmission lines (km) installed on the Eskom network.
Deliver capital expansion.	Transmission transformers capacity installed and commissioned	The amount of transmission transformer capacity (MVA) installed and commissioned on the Eskom network.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

	Electrification connection*	<p>Electrification connections are the number of direct electrical connections, funded by the Department of Energy and Eskom, that are connected to the grid/network and that have been uploaded on the Customer Care and Billing (CC&B) system. These include households, farm dwellings, and direct connections by Eskom on behalf of municipalities.</p>
Reduce environmental footprint in existing fleet.	<p>Relative particulate emissions (kg/MWh sent out)</p> <p>Water usage – litres per kWh sent out</p> <p>Carbon dioxide emissions*</p>	<p>The mass of particulates (ash) emitted from the stacks of all Eskom's coal-fired power stations per unit of electricity generated by Eskom, measured in kilograms per megawatt-hour sent out or kg/MWh SO (excluding power stations in their first year of operation).</p> <p>The amount of water (litres) used per unit of energy (kWh) sent out by all power stations, measured in litres per kilowatt-hour (excluding power stations not in commercial operation).</p> <p>Mass of carbon dioxide (CO₂), measured in millions of tons, emitted from Eskom's power stations from the combustion of coal, fuel oil, liquid fuel (kerosene and diesel), and the flaring of underground coal gasification (UCG) gas.</p>
Implement coal haulage and the road-to-rail migration plan.	<p>Migration of coal delivery volume from road to rail</p> <p>Operating cost per MWh (excluding depreciation)</p> <p>Interest cover</p> <p>Debt equity ratio</p> <p>Free funds from operations (FFO) as percentage of gross debt</p> <p>Business Productivity Programme (BPP) savings</p>	<p>The road-to-rail migration calculates the amount, in million tons, of coal that has been migrated from road to rail transport.</p> <p>Total operational cost per MWh sold, excluding depreciation. Electricity-related costs (primary energy costs, employee benefit costs, plus impairment loss, and other operating expenses) divided by total electricity sales in GWh multiplied by 1 000.</p> <p>Measure of the company's ability to satisfy the interest burden on its borrowings by utilising cash generated from operating activities. EBIT divided by (gross finance cost less gross finance income).</p> <p>The ratio indicates the relative proportion of shareholders' equity and debt used to finance the company's assets. Debt/equity (including long-term provisions) – net financial assets and liabilities plus non-current retirement benefit obligations and non-current provisions divided by total equity.</p> <p>This is a measure of the company's ability to pay its debts using its operating cash flows alone. Cash generated from operations adjusted for working capital expressed as a percentage of gross debt.</p>
Ensure financial sustainability.		<p>Quantum of savings that is driven by the business through initiatives related to the Business Productivity Programme (BPP). The cash savings in respect of operating and capital expenditure, including working capital, and the generating of other income.</p>

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Eskom key performance indicator reporting criteria for the year ended 31 March 2016		
Key performance areas	Key performance indicators	KPI definition
Human capital	Training spend as percentage of gross manpower costs	Training and development expenditure within Eskom over a period of time, as a percentage of the gross employee benefit costs.
	Learner throughput or qualifying	The total number of learners (engineers, technicians, and artisans) who have successfully completed their final year at an academic institution.
	Disability equity in total workforce	The representation of people with disabilities in the workplace as per the Employment Equity Act. Expressed as a percentage of the total workforce.
	Racial equity in senior management	The racial equity representation of black employees (excluding foreign nationals) in senior management as per the Employment Equity Act. Expressed as a percentage of total employees in senior management.
	Gender equity in senior management	The gender equity representation (female employees, excluding foreign nationals) in senior management as per the Employment Equity Act. Expressed as a percentage of total employees in senior management.
	Racial equity in professional and middle management	The racial equity representation of black employees (excluding foreign nationals) in professional/middle management as per the Employment Equity Act. Expressed as a percentage of total employees in professional/middle management.
	Gender equity in professional and middle management	The gender equity representation (female employees, excluding foreign nationals) in professional/middle management as per the Employment Equity Act. Expressed as a percentage of total employees in professional/middle management.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Percentage of local content contracted in new build	The contractor-committed value that will be spent in South Africa, as a percentage of the total contract value, awarded to contractors for new build programmes only.
Percentage of local sourcing in procurement (Eskom-wide)	The contractor-committed value that will be spent in South Africa, as a percentage of the total contract value, awarded to a contractor for all Eskom-wide contracts at Eskom company level.
Percentage of B-BBEE-attributable spend against TMPS	Eskom's broad-based black economic empowerment (B-BBEE) procurement spend from all empowering suppliers, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Percentage of BO-attributable spend against TMPS	Eskom's black-owned (BO) procurement spend from empowering suppliers that are at least 51% black owned, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Percentage of BWO-attributable spend against TMPS	Eskom's black-women-owned (BWO) procurement spend from empowering suppliers that are at least 30% black women owned, based on the applicable B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Percentage of BYO-attributable spend against TMPS	Eskom's black-youth-owned (BYO) procurement spend, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Percentage of BPLWD-attributable spend against TMPS	Eskom's black people living with disabilities (BPLWD) procurement spend, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.

No part of this document may be reproduced without the express consent of the copy/right holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.

Eskom Sustainable Development Framework

Unique Identifier: 240-101385485
 Revision: 1
 Page: 43 of 43

Percentage of QSE-attributable spend against TMPS	Eskom's qualifying small enterprises (QSE) procurement spend, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Percentage of EME-attributable spend against TMPS	Eskom's exempted micro-enterprises (EME) procurement spend, based on the B-BBEE procurement recognition levels, as a percentage of total measurable procurement spend (TMPS) according to section 9 of the Broad-based Black Economic Empowerment Act of 2003.
Acquisition of Intellectual property	Rand value spent on acquisition of intellectual property and know-how.
Skills development	The number of internal people undergoing skills transfer related to intellectual property and know-how acquired.
Job creation	The number of jobs created and maintained by suppliers as a direct result of Eskom projects and/or contracts whereby the intellectual property acquired was applied.
* -- not in the Shareholder Compact	

CONTROLLED DISCLOSURE

When downloaded from the document management system, this document is uncontrolled, and the responsibility rests with the user to ensure that it is in line with the authorised version on the system.
 No part of this document may be reproduced without the express consent of the copyright holder, Eskom Holdings SOC Ltd, Reg. No. 2002/015527/30.