



2019 INTEGRATED REPORT

BUILDING TOWARDS A SUSTAINABLE FUTURE




THE SIX CAPITALS

Our financial, human, manufactured, intellectual, social and relationship and natural capitals facilitate every aspect of our business and our ability to optimise our investments to deliver benefits for our members.

We have accordingly defined our structure, activities and performance against our strategic objectives in this report in terms of these six capitals, as described within the International Integrated Reporting Council (IIRC) framework as follows, and they can be identified in the narrative by these accompanying icons:

-  **Financial capital** – This comprises both the contributions from our members and investment returns which enable us to sustainably grow our assets and our organisation.
-  **Human capital** – This resides in our employees, who are also members of the Fund and have a strong alignment with the rest of the EPPF members. In addition, the attraction and retention of talent is a core value in our Formula for Success, and is demonstrated not only by the calibre of our staff, but by our commitment to their development.
-  **Manufactured capital** – This comprises our governance, business processes, leading systems as well as our physical and Information Technology (IT) infrastructure that together enable us to manage the organisation in a prudent and professional manner.
-  **Intellectual capital** – This lies in the Fund's reputation. Institutional knowledge and experience are intangible assets that have been built over time and have instilled confidence in us among our stakeholders.
-  **Social and relationship capital** – This comprises the relationships that we have with our key stakeholders – our members, employees, the Board, the Financial Sector Conduct Authority (FSCA), participating employers, Eskom Holdings SOC Ltd (Eskom) and its subsidiaries, our service providers and the retirement fund industry.
-  **Natural capital** – This is the effect of our operations on the environment.

Related information

-  This refers readers to related information elsewhere in this report
-  This indicates that additional information is available on our website at www.eppf.co.za
-  This indicates that the report is available on www.eppf.co.za, or email info@eppf.co.za for an electronic copy

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ABOUT THIS REPORT

This integrated report to our stakeholders outlines the issues, activities, relationships, interactions and performance of the Eskom Pension and Provident Fund (the Fund or EPPF) within its operating and investing context during the financial year from 1 July 2018 to 30 June 2019 (FY2019). The aim of the report is to provide the Fund's stakeholders with balanced and integrated insight into the Fund's ability to create value in the short, medium and long term.

SCOPE, BOUNDARY AND REPORTING THEME

While the scope and boundary of the report remain unchanged from those of the prior year, in covering 2019 the report refers to the material matters as outlined from page 22. We define material matters for reporting purposes as those issues that have the capacity to substantially affect our ability to create and sustain value over the short, medium and long term, which we further define as being respectively one to two years, two to five years, and five to 10 years and beyond. Our material issues are reported on with reference to the six capitals – financial, manufactured, intellectual, human, social and relationship, and natural – as outlined in the International Integrated Reporting Council (IIRC) framework.

REPORTING PRINCIPLES AND APPROACH

The information provided in this integrated report has been guided by best practice and legislation requirements, including:

- The Pension Funds Act No 24 of 1956
- King IV Report on Corporate Governance (King IV™)
- Regulatory Reporting Requirements for Retirement Funds in South Africa
- Circular PF130 issued by the Financial Sector Conduct Authority (previously known as the Registrar of Pension Funds)

ASSURANCE

The Fund applies a combined assurance approach with four levels of defence:

1. Management of the Fund oversees the daily internal controls and implements the risk management strategy of the Board of Fund.
 2. The internal legal, risk and compliance functions ensure that the Fund adheres to the requirements of applicable legislative frameworks.
 3. Our internal auditor function assesses the effectiveness of the internal controls, governance and risk management.
- The Audit and Risk Committee (ARC) of the Fund applies a

THE AIM OF OUR STRATEGY IS TO ACHIEVE
MEMBER-CENTRICITY – THROUGH
TECHNOLOGICAL IMPROVEMENTS, RESPONSIBLE
INVESTING, IMPROVED GOVERNANCE AND
CONSISTENT INVESTMENTS RETURNS – TO
BECOME THE MOST ADMIRABLE PENSION FUND
IN SOUTH AFRICA.

coordinated approach to the combined assurance provided. The Board of Fund, also known as the Board of Trustees (the Board), serves as the ultimate fiduciary control.

4. Our external auditors, PricewaterhouseCoopers Inc., express an opinion on our regulatory annual financial statements. The Fund's valuator, Willis Towers Watson, provides assurance on the solvency and sustainability of the Fund. External legal counsel and consulting actuaries are used when it is deemed appropriate.

FORWARD-LOOKING STATEMENTS

Certain forward-looking statements are made in the report, in particular the statements with regard to the impact on the Fund of geopolitical developments as well as global and domestic economic conditions, investments and performance. These forward-looking statements involve both known and as yet unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

STATEMENT OF RESPONSIBILITY BY THE CHAIRMAN OF THE BOARD AND CHAIRMAN OF THE AUDIT AND RISK COMMITTEE (ARC)

The Board, through the ARC, is responsible for overseeing the integrity of this integrated report and acknowledge its responsibility in this regard. The Board has applied its collective mind in the presentation and preparation of this report and believes it to be a fair representation of the performance of the Fund and its material matters.

The Board accordingly approved this integrated report on 22 November 2019.

Ms Mantuka Maisela
Chairman of the Board

Mr Mandla Maleka
Chairman (ARC)

2019 HIGHLIGHTS



R3 807 MILLION
contributions for the year
(2018: R3 793 million)



R5 141 MILLION
benefits paid for the year
(2018: R4 661 million)



2 376
deferred pensioners
(2018: 2 535)



43 570
active members
(2018: 45 672)



33 299
pensioners
(2018: 33 315)



2.99%
actual fund return for period
ended 30 June 2019
(2018: 7.05%)



R144.7 BILLION
assets under management
(2018: R140.7 billion)



3 075
other beneficiaries
(2018: 3 235)



115%
funding ratio
(2018: 113%)



109
permanent employees
(2018: 106)



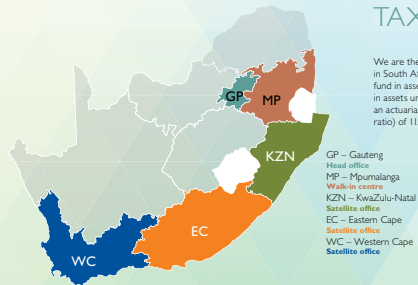
R261 MILLION
administration expenses
(2018: R207 million)



R178 MILLION
discretionary bonus payments made
to pensioners and beneficiaries
(2018: R169 million)

WHO WE ARE

THE EPPF IS REGISTERED AS A SELF-ADMINISTERED DEFINED BENEFIT (DB) PENSION FUND IN TERMS OF THE PENSION FUNDS ACT OF 1956. ESTABLISHED IN 1950 AND REGISTERED AS A PRIVATELY ADMINISTERED PENSION FUND ON 21 APRIL 1958, IN TERMS OF THE PENSION FUNDS ACT, THE FUND WAS APPROVED AS A PENSION FUND IN TERMS OF THE INCOME TAX ACT OF 1962.



We are the largest self-administered retirement fund in South Africa, and the second largest retirement fund in asset size in South Africa, with R144.7 billion in assets under management as at 30 June 2019, and an actuarial funding level (also known as the funding ratio) of 115%.

OUR CORE PURPOSE

The core purpose of the EPPF is to serve as an independent provider of retirement benefits, providing administrative and asset management services to the Fund, Eskom and its subsidiaries, from which our members are exclusively drawn.

Our purpose is to provide exemplary administrative and member aftercare services as well as to manage the investments of members' retirement funds in order to optimise the benefits we deliver to our members. We manage investments through internal and external asset managers, and deliver a quality and cost-effective administration service to our members.

OUR VISION

Our vision is to be the most admired pension fund, as rated by our members and industry peers.

OUR MISSION

To become a member-centric pension fund that is able to enter new markets in 2024.

WHAT WE DO

As one of the largest FSCA-regulated retirement funds in South Africa, we have a benefit structure that offers members:

- Retirement benefits
- Ill-health or disability benefits
- Death benefits
- Withdrawal benefits

MEMBERSHIP

At 30 June 2019, the Fund had 43 570 active/contributing members (2018: 45 672), 33 299 pensioners (2018: 33 315), 2 376 deferred pensioners (2018: 2 535) and 3 075 other beneficiaries (2018: 3 235).

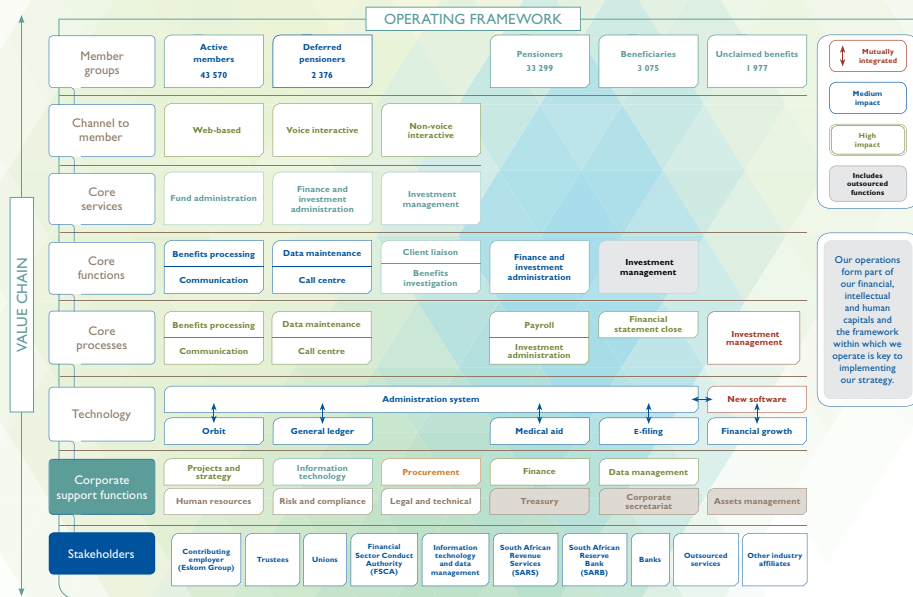
The Fund has an employee contribution rate of 7.3% and an employer contribution rate of 13.5%. While our head office is in Bryanston, Johannesburg, South Africa, we maintain walk-in centres and satellite offices in:

- Emalahleni in Mpumalanga
- Bellville in the Western Cape
- East London in the Eastern Cape
- Durban in KwaZulu-Natal

WHO WE ARE



OUR OPERATING FRAMEWORK



OUR OPERATING ENVIRONMENT

The environment in which we operate, invest fund assets and make payments to our beneficiaries can be categorised into five main areas.

Operating environment	Realities and trends	Impact on strategic objectives
1 The global investment industry	<p>The global investment industry continued to be affected during the year under review by geopolitical issues characterised by:</p> <ul style="list-style-type: none"> 2019 being a year with one of the lowest returns from domestic equities since the global financial crisis of 2008 International global trade confrontations, particularly between the US and China, with the latter remaining by far the largest emerging market risk Most currencies weakened against the US dollar 	<ul style="list-style-type: none"> Requires maintaining the confidence of members in the Fund's sustainability A diversified investment portfolio
2 The South African investment industry	<p>The industry was characterised during the year under review by:</p> <ul style="list-style-type: none"> Low investment returns, especially across the domestic equity asset class Continued low GDP growth, political uncertainty, and the ongoing threat of a credit rating agency downgrade The weakening of the rand 	<ul style="list-style-type: none"> Requires maintaining the confidence of members in ensuring Fund sustainability
3 The South African socio-economic environment	<p>Within this context the following domestic socio-economic factors had an influence on economic and investment performance, and a related impact on the investment decisions of asset owners:</p> <ul style="list-style-type: none"> Unemployment, inequality and poverty Low economic growth Political risks and its impacts on policy 	<ul style="list-style-type: none"> Requires South African asset owners to incorporate social impact into their investment decision-making
4 The South African regulatory environment	<p>We are subject to regulations prescribed by:</p> <ul style="list-style-type: none"> The Pension Funds Act No 24 of 1956 Regulatory reporting requirements for retirement funds in South Africa Circular PF130 issued by the Financial Sector Conduct Authority (previously known as the Registrar of Pension Funds) <p>Regulatory events during the year under review primarily related to:</p> <ul style="list-style-type: none"> A supervisory on-site inspection by the FSCA to look into various issues of regulatory compliance concerning the Fund Ensuring readiness within the Fund's technical, administrative, investment and payment activities with a view to introducing the Protection of Personal Information Act No 4 of 2013 (POPIA) scheduled for full compliance by the end of 2019 	<ul style="list-style-type: none"> Requires earning trust in our brand and reputation
5 Internal EPF environment	<p>Internally, there were four main issues that impacted the Fund's operations during the year under review:</p> <ul style="list-style-type: none"> The regularisation of issues of eligibility for membership of the Fund that have arisen; these were regularised through legal and administrative process reviews The litigation processes relating to the payment of benefits to the former Eskom Group CEO. The former Eskom Group CEO sought to challenge the decision of the High Court that set aside his retirement and ordered the repayment of any funds paid to him by the Fund. The Constitutional Court dismissed his application in July 2019 and the Fund has subsequently embarked on a legal process to ensure the recovery of these funds Ongoing speculation concerning the potential unbundling and or restructuring of Eskom, increased by the appointment of a part-time Chief Restructuring Officer IT adequacy and the possible replacement of the current pension administration system licence, which expires in April 2020 	<ul style="list-style-type: none"> Requires building our platform to serve our members better Requires earning trust in our brand and reputation

WHO WE ARE CONTINUED

INVESTMENT RETURNS

THE IMPACT OF THE GLOBAL LOW-RETURN ENVIRONMENT

A key feature of the operating environment for the year under review is the persistent low investment returns within domestic markets and those markets in the rest of Africa. The following table illustrates the investment performances of the asset classes in which we invest over various periods:

Asset class	Benchmark	1 Year %	3 Years %	5 Years %	10 Years %	15 Years %	17 Years %	18 Years %
SA cash	SteFi	7.3	7.4	7.1	6.6	7.3	7.8	7.9
Nominal bonds	ALBI	11.5	9.9	8.6	9.0	9.1	9.8	9.6
Inflation-linked bonds	CILI	4.2	2.0	3.9	7.1			
SA equity	SWIX	1.2	4.3	5.4	13.5	15.9	14.7	
Capped SWIX	SWIX	1.1	2.8	4.3				
SA listed property	SAPY	0.8	(2.3)	5.6	13.0	17.1	18.5	
All property	ALPI	(5.1)	(4.7)	3.3	11.7			
EPF equity benchmark	SWIX – SAPY	1.6	4.1	5.1	13.6	15.7	14.1	13.9
Global equity	MSCI ACWI	9.2	10.7	12.9	17.6	13.6	10.0	10.0
Emerging equity	MSCI EM	4.3	9.5	8.8	12.8	15.2	12.3	13.2
Africa equity	MSCI EFM Africa Ex ZA	(3.7)	3.3	0.7	7.3			
Inflation +4.5%	CPI+4.5%	8.96	9.21	9.53	9.69	10.19	9.98	10.12



MESSAGE FROM THE CHAIRMAN



Message from THE CHAIRMAN

As the Board drove its strategic planning agenda, with an emphasis on laying the foundations for a competitive and diverse fund that is able to take its place in the open market by 2024, our human and intellectual capitals continued to show their value, despite the Fund operating in a protracted low-return environment.

Indeed, our member-centric strategic thrust is a full acknowledgement of our commitment to them. The steps that the Board has taken during the year under review in the areas of technology, strategy, communications and investment are a testament to our determination to strengthen and build our brand and value proposition into the future.

To this end, the Board and its committees have overseen, with great effectiveness and diligence, the process of growing the confidence of our valued members, of building our platform to serve better, of delivering member-centricity through operational excellence, of unlocking the talent of our human capital, and of earning trust in our brand and reputation.

The work that the EPPF performs is done for the ultimate benefit of all its members. Nonetheless, it is pleasing to take a moment to ponder on the positive impact and thought leadership that the Fund has demonstrated in South Africa and the world at large. This has been validated through the Fund's win of the NASP (National Association of Securities Professionals) Obama-Mandela Bridge Builder of the year 2019, hosted in Baltimore, USA. The award recognises the consistent and significant role the Fund has played in bringing American and African pension funds to invest in real assets across the African continent.

In addition, our Manager Development Programme (MDP) has been further recognised with the Fund's inclusion as a signatory in the inaugural Principles for Responsible Investments (PRI) Leader Group for 2019.

NEW EXECUTIVE LEADERSHIP

While searching for a Chief Executive and Principal Officer, the Board had the pleasure of appointing Mr Shafeeq Abrahams as Acting Chief Executive for six months. The Board joins me in thanking Shafeeq for the leadership he has provided during that time.

On behalf of the Board, I would also like to extend a congratulatory welcome to Ms Linda Mateza, who was appointed as the Fund's new Chief Executive and Principal Officer, effective 1 September 2019. We wish her every success in her leadership role.

NEW COMMUNICATIONS COMMITTEE

During the year under review, the Board established a new Communications Committee to fulfill the need for our members to be kept abreast of all matters relating to the Fund's operations.

The Committee has commenced its work and I am confident that it will continue to grow its oversight of this crucial aspect of the Fund's activities.

SKILLS ENHANCEMENT

This year saw a focus on the enhancement of the skills and knowledge of Trustees through their attendance at both local and international industry-specific conferences. These events proved to be most productive and informative. Board breakaways and the ongoing productive relationship with management continued to bear fruit, to the benefit of the Fund's capacity and efficiency, as well as its ability to respond to the challenges facing it and the industry in general.

REGULATION AND COMPLIANCE

The Fund continues to review and improve its Governance Framework to ensure that the Board and its sub-committees have appropriate oversight and decision-making authority on matters of this nature. In addition, the retirement administration processes have been improved to ensure that the employment contracts of all new members admitted into the Fund are scrutinised for accuracy of information received from the employer. With regard to the regularisation of identified ineligible members, the legal processes are at an advanced stage and we anticipate the finalisation of these matters during the course of the next financial year.

We remain as committed as ever to diligent, transparent and effective governance that will underpin the long-term sustainability of the Fund, and to continue to earn the trust not only of regulators, but of the Fund's key stakeholders: our active members and pensioners.

ACKNOWLEDGEMENTS

The current Board term concludes at the end of May 2020, and the Fund is therefore currently embarking on an election process for trustees for a new Board to assume office from 1 June 2020. I would like to take this opportunity to thank all the members of the Board for their unstinting support, their wise and skilled leadership and their diligent pursuit of good, transparent and effective governance. I have been privileged to have led an extremely capable group of people whose only interest has been the long-term sustainability of the Fund for the benefit of our members and pensioners.

My gratitude goes also to all our members for their trust, their willingness to hear and be heard, and their support over the years. I am confident that their trust will continue to be earned. To the management team, who have calmly, expertly and skilfully applied their talents to the effective, efficient and sustainable administration of the Fund, I would like to express my sincere gratitude for their support, their teamwork and their commitment to the ideals and meaning of member-centricity.

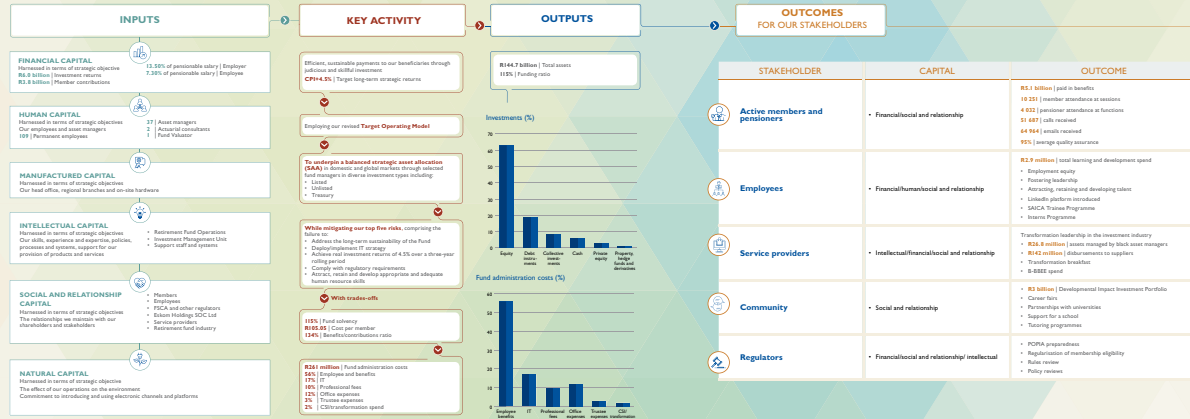
Ms Mantuka Maisela
Chairman

22 November 2019

THE EPPF, AS A SELF-ADMINISTERED DB FUND WITH OVER 82 000 MEMBERS, AND ASSETS WORTH OVER R144 BILLION, IS THE SECOND LARGEST PENSION FUND IN SOUTH AFRICA. IT IS INDEED GRATIFYING TO NOTE THAT DESPITE SOME ONGOING TURBULENT HEADWINDS DURING THE YEAR UNDER REVIEW, WE NEVERTHELESS CONTINUED TO JUSTIFY THE CONFIDENCE OF THOSE WHO TRUST US – THE VALUABLE MEMBERS AND PENSIONERS WHOM WE SERVE.



OUR VALUE-CREATING BUSINESS MODEL



DELIVERING VALUE CONTINUED

THESE OUTPUTS, OFFSET BY CERTAIN TRADE-OFFS, ARE ACHIEVED THROUGH JUDICIOUS AND SKILLFUL INVESTMENTS, TARGETING LONG-TERM ROLLING RETURNS OF CPI+4.5%, IN ORDER TO DELIVER BENEFICIAL OUTCOMES FOR KEY STAKEHOLDERS.

WE CREATE VALUE THROUGH STRATEGIC AND FORWARD-LOOKING THINKING, WHICH IS THE FOUNDATION FOR OUR BUSINESS MODEL. THE BUSINESS MODEL ACCORDINGLY CONVERTS THE INPUTS OF OUR SIX CAPITALS IN TERMS OF OUR FIVE DEFINED STRATEGIC OBJECTIVES INTO THE OUTPUTS OF FUND GROWTH AND LONG-TERM SUSTAINABILITY.

FOCUS AREAS 2018/19



13

ESKOM PENSION AND PROVIDENT FUND

14

ESKOM PENSION AND PROVIDENT FUND



BUILDING VALUE THROUGH STRATEGY

The Fund established key priorities for 2019 that were agreed on by the Board. During the year under review, our member-centric approach continued to form the backbone of our strategic thinking.

On the basis of this we identified ongoing inputs which were taken into account in fine-tuning our strategy for 2019, and into the medium term to take us to a desired positioning of the Fund in 2024. We further defined these as the four strategic change drivers that will have a pervasive influence on the Fund and its ecosystem in the short to medium term:

OUR FOUR STRATEGIC DRIVERS



OUR STRATEGIC OBJECTIVES: 2020 – 2024



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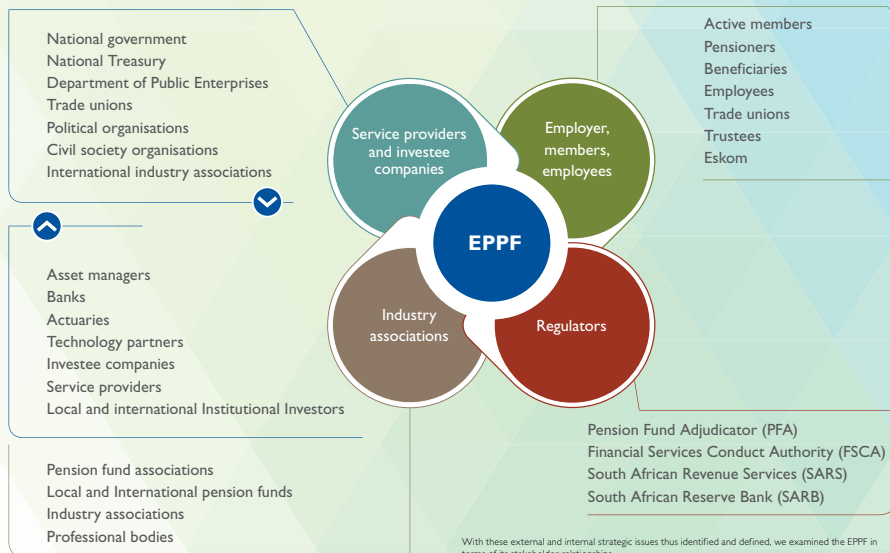
2019 INTEGRATED REPORT



OUR STRATEGY FORMS THE FOUNDATION OF OUR INTELLECTUAL CAPITAL, AND IS INTEGRAL TO THE OPERATION, PERFORMANCE, POLICIES AND PROCEDURES OF THE FUND. DEVELOPMENTS AND DEMANDS IN OUR EXTERNAL AND INTERNAL OPERATING ENVIRONMENTS, INCREASED REGULATORY REQUIREMENTS BOTH DOMESTICALLY AND GLOBALLY, AND THE OVERARCHING NEED TO ENSURE THE LONG-TERM SUSTAINABILITY OF THE FUND ARE ALL INPUTS INTO THE ONGOING REVIEW, DEVELOPMENT AND IMPLEMENTATION OF OUR STRATEGY.

DELIVERING VALUE CONTINUED

OUR ECO SYSTEM



With these external and internal strategic issues thus identified and defined, we examined the EPPF in terms of its stakeholder relationships.
For more on our stakeholders, please see page 18.

BUILDING A MEMBER-CENTRIC ORGANISATION

By considering our external and internal issues together with the context of the Fund's ecosystem, we posed the strategic question of where the Fund should be at the end of the next five years. Based on our fundamental strategic commitment to member-centricity, we produced a horizon-based project view of our strategic journey.

In this scheme, our project view provides us with:

- A distinctive value proposition in **MEMBER-CENTRICITY**
- A reputable, cost-effective, efficient producer of services under a reputable **BRAND**
- Readiness to compete in open markets by 2024
- A combination of **TECHNOLOGY, LEADERSHIP, SKILL AND CULTURE, REPUTATION** and **STRATEGIC EXECUTION CAPABILITIES**

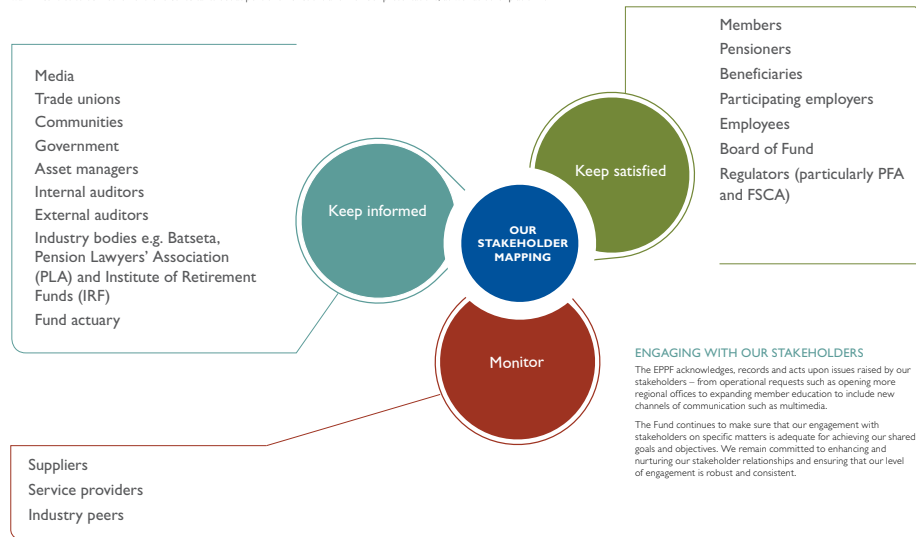
This capacity will provide us with the ability to deliver a newly driven, agile, competitive and value-creating EPPF, based on our reason for existence, vision and mission.



DELIVERING VALUE CONTINUED

OUR STAKEHOLDERS AND THEIR NEEDS

Our relationship with our stakeholders form part of our social and relationship capital, an important element of our integrated communications strategy for brand and reputation management. Engagements are held at various levels throughout the organisation from interactions at our walk-in centres to our retirement fund consultants out at pensioner functions and member presentations, as well as other platforms.



ENGAGING WITH OUR STAKEHOLDERS

















The EPPF acknowledges, records and acts upon issues raised by our stakeholders – from operational requests such as opening more regional offices to expanding member education to include new channels of communication such as multimedia.

The Fund continues to make sure that our engagement with stakeholders on specific matters is adequate for achieving our shared goals and objectives. We remain committed to enhancing and nurturing our stakeholder relationships and ensuring that our level of engagement is robust and consistent.



DELIVERING VALUE CONTINUED

OUR KEY STAKEHOLDER ENGAGEMENTS

	Material issues	Our response	Strategic objective
Pensioners (including deferred pensioners) Members Beneficiaries  Relationship status 3/5	Fund sustainability and stability	Regular communication including presentations at special pensioner engagements	
	Transparent and timely communication on key matters	Increased communication and expansion on range of topics covered in face-to-face presentations, emails and publications	
	Fund investment performance	Implementation of the strategic asset allocation (SAA); transparency in communication and inclusion of external asset managers' and domestic performance in Integrated Report	
	Safety of Fund assets and prescribed assets mandate	Communication via email and publishing of the Fund's official position on prescribed assets via the EPPF website and compliance with Regulation 28 limits	
	Overall Fund governance	Training and development of Trustees and EPPF executives	
	Benefits (including bonus and increases for pensioners)	Member education around benefits in brochures, publications and face-to-face interactions	
	Fair treatment of members relating to member benefits	Complaints management processes defined and documented aligned with treating customers fairly (TCF)	
	Operational cost containment	Minimising costs by decreasing referrals to service providers and negotiating reduced rates	
Participating employers  Relationship status 3/5	Fund sustainability and stability	Engagements between EPPF and Eskom leadership	
	Fund investment performance	Transparency in communication and inclusion of external asset managers' and domestic performance in Integrated Report	
	Eskom/EPPF service level agreement	Service level agreement between the employer and the Fund	
	Overall Fund governance	Well-defined governance framework enabled by clear terms of reference and delegation of authority, amongst others	
	Finalisation of Fund Rules amendment	Fund Rules amended and workshopped with employer	
	Member education and empowerment	Increased communication and expansion on range of topics covered in face-to-face presentations, emails and publications; member portal enhance including a benefits calculator	




















KEY



Investment returns


 Target Operating Model – Channel strategy and information technology
 – Operational efficiency
 – Channel strategy

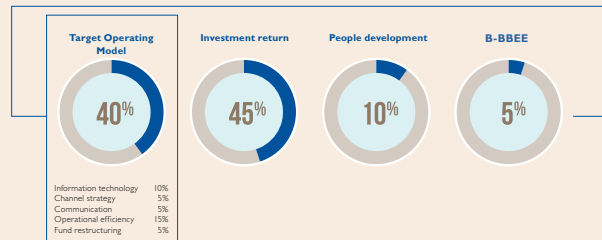

People development

	Material issues	Our response	Strategic objective
EPPF employees  Relationship status 4/5	Fund sustainability and stability	Regular communication including quarterly sessions with leadership	
	Transparent and timely communication on key matters i.e. impact of POPIA legislation	Increased communication distributed every two weeks	
	Fund investment performance	Transparency in communication and inclusion of external asset managers' and domestic performance in Integrated Report	
	Safety of Fund assets and prescribed assets mandate	Communication via email and publishing of Fund's official position on prescribed assets internally and compliance with Regulation 28 requirements	
	Job/role clarity and capacity across the business	The Fund has identified the need for an Organisational Design project which will inform how the Fund will be resourced in the future (to be executed by Human Resources)	
	Eskom/EPPF service level agreement	Service level agreement between the employer and the Fund	
	Learning and development needs	eLearning platform launched and Phase 1 rolled out successfully (pilot); Leadership Charter and leadership conversations currently in progress	
	Governance at the Fund	Ethics and compliance awareness training and Fraud Survey conducted – compliance with governance framework and delegation of authority	
Board of Fund  Relationship status 4/5	Fund sustainability and stability	Quarterly reporting to the Board at simple board meetings and various Board committees	
	Transparent and timely communication on key matters affecting Fund brand and reputation	Quarterly reporting to the Board and establishment of Communications Committee	
	Fund investment performance	Implementation plan of the approved strategic asset allocation and regular reporting on the Fund performance	
	Fund operations (efficiency and alignment)	Fund Rules amended and workshopped with employer; regularisation of eligibility matter: Default Regulations training	
Regulators – FSCA and PFA 	Compliance with legislation	Implementation of POPIA compliance and awareness campaign: FSCA on-site inspection: appointment of legal advisors panel	
	Application of TCF principles	Complaints management processes defined and documented	
	Governance at the Fund	Fund Rules amendment submitted to FSCA for approval	
	Compliance with legislation	Default Regulations exemption application submitted and Disclosures of Interest completed	

DELIVERING VALUE CONTINUED

KEY OPERATING PRIORITIES FOR 2019

The Board approved the Fund's key priorities for the year under review with the weightings as indicated in the graphic below.



MATERIAL MATTERS

WE DEFINE OUR MATERIAL MATTERS AS THOSE ISSUES THAT HAVE THE CAPACITY TO AFFECT THE ULTIMATE SUSTAINABILITY OF THE FUND, AS WELL AS ITS ABILITY TO CREATE VALUE OVER THE SHORT, MEDIUM AND LONG TERM.

We maintain an ongoing process of determining our material matters by regularly addressing, reviewing and assessing the effect, efficiency and implementation of the policies, procedures, observations and developments that occur within the operating context of the Fund. Most importantly, we conduct this reviewing process with regard to the five strategic objectives we have developed to enable us to take the Fund forward to open-market readiness by 2024, and within the parameters demanded of our member-centric approach.

Involved in this process are, at management level, the Risk Management Committee and the Executive Committee (Exco). These deliberations are then escalated to Board level where they are debated by the Audit and Risk Committee (ARC) and the Board itself.

Responsible body	Frequency of meeting
Exco	Monthly
Risk Management Committee	Bi-monthly
ARC	Quarterly
Board	Quarterly, Board Breakaways (annually or more often) as required

During the year under review, the following material matters, their nature, potential impacts and the risks to which they are related, were identified and prioritised.

Material matter and underlying strategic objective	Rank	Nature	Impact	Related risk
Fund sustainability	1 2018: 1	The question of whether the Fund can remain a sustainable defined benefit (DB) pension fund into the future	The ability of the Fund to continue to exist in the medium to long term	Failure to address the long-term sustainability of the Fund
Employer restructuring or unbundling	2 2018: 2	The mooted restructuring and/or unbundling of Eskom	Decrease in Fund membership resulting in a decrease in contributions received	Failure to address the long-term sustainability of the Fund
Volatility of the economic environment and investment markets	3 2018: 3	Low investment returns	Lower investment returns than required, leading to assets not meeting liabilities over the longer term	<ul style="list-style-type: none"> Maintaining minimum investment performance Failure to address the long-term sustainability of the Fund
Rapid technological changes	4 2018: 5	A palpable change in the needs of members to be serviced interactively and self-sufficiently	The ability for the Fund to remain relevant and deliver on its strategic imperatives	Failure to adequately implement the IT strategy
Fund membership eligibility	5 2018: 4	The threat of ineligible employees being members of the Fund	Reputational, legal and regulatory damage	Negative impact on reputation and stakeholders

11

For more on strategy see page 14.
For more on stakeholders, see page 18.
For more on IT, see page 34.
For more on investment, see page 48.

DELIVERING VALUE CONTINUED

MITIGATING RISK

OUR ENTERPRISE-WIDE APPROACH

Our risk management practice and methodology is informed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) risk management framework. It is both a top-down and bottom-up process.

Bottom-up: This process depends on risk champions who have been identified and installed at each functional area of the Fund – areas in which they are both knowledgeable and experienced. These risk champions are tasked with the first line of defence in our risk management effort and they meet monthly to examine the reports.

Their information and analysis is then passed up to the Risk Management Committee, a sub-committee of Exco that appraises

the risk landscape in terms of an ongoing examination of the strategic risk register.

Top-down: This process involves the Board's monitoring of risk on a quarterly basis through the ARC, whose role as a committee is to interrogate the identified risks and to examine any developments and changes.

¹¹ For more on the Audit and Risk Committee, see page 66.

OUR TOP FIVE RISKS

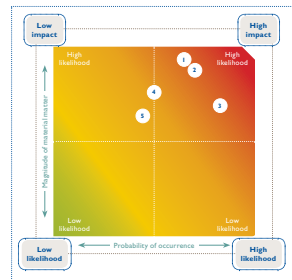
1 2018: 1	Failure to address the long-term sustainability of the Fund	Failure of assets to match liabilities in the long term	Inability to identify and implement a sustainable solution to address the long-term sustainability of the Fund	<ul style="list-style-type: none"> The Fund is structured as a DB fund, which places a limitation on the obligation of the employer and its employees to contributions only – i.e. there is no explicit underwriting by the employer in the event that liabilities exceed assets and/or the cost of providing the benefit exceeds the contributions received 	<ul style="list-style-type: none"> Implement a risk monitoring system that monitors market value of assets to liabilities on a monthly basis Conduct detailed actuarial valuations on an annual basis Conduct an asset liability matching exercise on an annual basis to inform the Investment Policy Statement Activate a pre-approved response plan, which directs the actions to be implemented in the event that funding levels (market value of investment assets to liabilities) fall to predetermined levels, using the outcomes in the first two points above. This includes, amongst others, a possible review of contribution rates and/or a decrease in benefits (in compliance with the Rules of the Fund); employer alternatives and employee consultations (such as a defined contribution fund); and a review of the applicability of the SAA
2 New	Failure to deploy/implement an IT strategy that enables the Fund's strategic direction	Failure to implement the IT strategy within the organisation	Failure to achieve operational and cost efficiencies and meet member expectations of being serviced interactively and self-sufficiently	<ul style="list-style-type: none"> Failure to adequately implement a new pension administration system (PAS) that enables a member-centric approach to pension administration activities The inability to conduct pension administration activities easily, speedily and cost-efficiently 	<ul style="list-style-type: none"> Develop an Enterprise Architecture that enables the five-year strategic roadmap of the Fund, supported by a Technology Blueprint and Roadmap; a Process Optimisation Roadmap; Data Architecture; Security Architecture; Digital Enablement, and Skills Blueprint Using the above roadmaps and architecture, select and implement an appropriate PAS and related technologies Develop a project management capability to oversee the implementation of the strategic plan, which includes the Technology Roadmap and more specifically the PAS, among others

No	Risk	Related risk	Description	Root causes	Mitigation measures
3 2019: 2	Failure to achieve a real investment return of 4.5% over a three-year rolling period	<ul style="list-style-type: none"> Failure of assets to match liabilities Failure to achieve investment returns of 4.5% over a three-year rolling period 	Failure to achieve real investment return objective of 4.5% over a one-year period, and rolling three-year and longer periods Inability to fund pension increases at CPI and meet contractual benefits for members	<ul style="list-style-type: none"> Unfavourable market conditions Inappropriate investment strategy Incorrect implementation of the investment strategy (including asset manager selection) Failure to attract and retain relevant investment skills Failure to institute appropriate tools (systems and risk budgeting framework) to implement correct asset allocation Failure to conduct annual due diligence on service providers who manage assets on behalf of the Fund 	<ul style="list-style-type: none"> Conduct an annual ALM exercise to model the liability profile; review and update capital market assumptions; and formulate a liability-driven investment strategy and related SAA Implement the SAA enabled through the necessary asset manager research, due diligences and manager selection Implement an asset allocation overlay and positioning to minimise impact Conduct continuous reviews of the investment strategy by Fund Actuary and an independent expert Conduct continuous tracking, reviewing and reporting of investment performance against applicable performance benchmarks to Exco, Strategic Investment Committee and the Board Conduct continuous monitoring of compliance with investment mandates by asset managers and internal teams
4 2019: 4	Non-compliance with regulatory requirements	<ul style="list-style-type: none"> Inability to deliver member-centricity through operational excellence Brand and reputational damage 	Non-compliance with regulatory and governance requirements	<ul style="list-style-type: none"> Failure to approve new rules and rule amendments of the Fund timely and in a regulatory compliant manner Incorrect application of the Rules of the Fund Failure to comply with FSCA financial reporting and statutory requirements Failure to comply with applicable legislation and regulations Changes to the regulatory landscape or regulatory developments Insufficient capacity (e.g. people, skills, processes and systems) to ensure compliance with applicable legislative and regulatory requirements Failure to adhere to sound corporate governance principles 	<ul style="list-style-type: none"> Institute stringent governance and operating processes to increase compliance levels with Fund Rules and applicable laws and regulations Conduct training of staff and trustees on new regulatory requirements Improve protocols on information received from participating employers to ensure increased accuracy and compliance to Fund Rules and regulatory requirements Improve liaison and communication with FSCA on regulatory matters
5 New	Failure to attract, retain and develop appropriate and adequate skills	Failure to ensure the long-term sustainability of the Fund	Failure to attract appropriate and adequate HR skills into the organisation, and to retain and develop them	<ul style="list-style-type: none"> Inability to appropriately position the Fund's employee value proposition and employer brand in the market in order to attract the requisite talent Inadequacies in the human capital strategy and related value chain activities that should be able to attract, grow and retain talent on a sustainable basis 	<ul style="list-style-type: none"> Proactively position the Fund as an employer of choice through the use of social media platforms Improve talent management, performance management, recognition and reward strategies Implement initiatives to embed an employee-centric culture Implement internal SAICA and intern programmes to support the entry and growth of talent

¹¹ For more on operating environment, see page 5.
 For more on strategy, see page 14.
 For more on HR, see page 30.
 For more on IT, see page 34.
 For more on investment, see page 48.
 For more on governance, see page 65.

DELIVERING VALUE CONTINUED

OUR RISK HEAT MAP



This heat map depicts the Fund's top five risks as described on the previous page

OPERATIONAL VALUE CREATION

RETIREMENT FUND OPERATIONS (RFO) FORMS AN IMPORTANT PART OF OUR INTELLECTUAL AND MANUFACTURED CAPITALS. THE ACTIVITIES OF THE DEPARTMENT ARE FOUNDED ON OUR STRATEGIC OBJECTIVES OF BUILDING OUR PLATFORM TO SERVE BETTER, AND PROMOTE TRUST IN OUR BRAND AND REPUTATION.

MEMBERSHIP ELIGIBILITY

A major focus within RFO during the year under review was on membership eligibility, with the department ensuring that from a governance perspective all the necessary processes, procedures and employer contracts were in place. An exhaustive exercise was undertaken to compare the Fund's data against that of the participating employers in order to confirm the permanent status of employers.

With this assurance in place, declarator orders defining membership eligibility were successfully pursued for those members who were found to be ineligible and did not accept the termination of their membership and the consequent pay-outs of their contributions. The department was able to provide confidence to both the Board and the FSCA that the necessary steps had been taken, and that contracts for every level of employment had been scrutinised to confirm permanent employment by Eskom Holdings SOC Ltd, EPPF and Eskom Rotek Industries SOC Ltd, the participating employers.

ENTERPRISE ARCHITECTURE

With the Fund's vision of becoming the most admired pension fund by 2024 as rated by our members and industry peers, and the five strategic objectives defined as enablers of that journey, it is necessary that the operational capacity be sturdily and correctly aligned through a redesigning of our Enterprise Architecture. The process of defining the structure of the business in the light of the desired strategic and capacitive outcomes was therefore embarked upon.

A capability heat map was developed to inform the transformation of existing capacity and the introduction of new capabilities. This Enterprise Architecture Reference Model incorporates the inputs of strategy and leadership services and strategy execution services through the interlinked customer services, asset management, fund administration and corporate support services, which together constitute the activities of the Fund.

11 For more on our business model, see page 11.

RFO INITIATIVES – 2019

Driven by the Fund's strategic objectives, RFO was engaged in a number of other initiatives during the year under review, including:

Initiative and related strategic objective	Description
Unclaimed benefits reduction	<p>We have been focusing on reducing the number of unclaimed benefits within the Fund, which extend over a period of 30 years. During the year, significant effort was on cleaning out the relevant data and having these records audited.</p> <p>An extensive desktop tracing exercise was conducted, and documentation of the participating employers has been retrieved. The next steps will be focusing on paying out members identified within the first 10 years of exiting from their respective employers.</p>
Self-service information updates	<p>With a view to creating efficiencies and ensuring the accuracy of our member information, we have enabled additional functionality via our website that enables members and pensioners to update information with ease. This functionality takes into consideration the requirements of both the POPIA and the necessary security measures, which ensures the confidentiality of member information.</p>
Benefits calculator	<p>The Fund is in the process of instituting a benefits calculator that will assist members with their retirement projections. The calculator will enable members to make comparisons on the level of growth they can expect from the Fund versus other external markets. Two phases have been outlined for the introduction of this service:</p> <ul style="list-style-type: none"> • Phase 1 – Projections • Phase 2 – AVC and net replacement
Complaints management	<p>In line with the FSCA requirements for the fair treatment of customers, outcome six of the framework focuses on complaints management.</p> <p>The objective of our initiative is the effective management and reporting of member complaints during the course of the financial year. The call centre team accordingly focused on aligning our policies and procedures to those of the framework. With the Enterprise Architecture having been completed, the next phase will focus on streamlining the systems to cater for this requirement.*</p>
eLearning	<p>The Fund embarked on a journey to develop fit-for-purpose learning interventions for the RFO team. The aim is to continuously assess and grow our team's leadership, and behavioural and technical capabilities in line with our strategic objectives.</p> <p>We therefore partnered with the Johannesburg School of Finance to help with the design and implementation of various e-Learning initiatives, spanning the various functional areas of RFO.</p> <p>The School's longstanding relationship with EPPF stakeholders and extensive knowledge of the EPPF Rules and pension fund industry have enabled a customised approach, promoting a culture of learning, growth, and performance. The management team has also closely collaborated with the School in ensuring that the content is relevant and meaningful to our environment.*</p>
Fund Rules amendment	<p>The Rules were amended in response to the needs of members and to bridge identified gaps in order to make them less complicated and easier to read.*</p>
Corporate video	<p>A corporate video was commissioned and produced to target the general public with the aim of positioning the Fund as an industry leader and employer of choice.</p>

DELIVERING VALUE CONTINUED

Initiative and related strategic objective	Description
Social media	LinkedIn was identified as an ideal platform to launch phase 1 of our social media project. On the platform, the Fund now shares information concerning vacancies, Fund events, campaigns, awards, procurement requests and any other content with the aim of building the EPPF brand and reputation.
Intranet	EPPF Connect, the Fund's intranet channel, is aimed at simplifying workplace access for internal stakeholders. With the intranet in place, internal stakeholders can now easily locate all the Fund's documents such as policies, procedures and forms, view images from previous events, and access the Fund's supplier directory and business applications.
Member education	Additional voluntary contributions (AVC) and deferred pensioner one-page leaflets were produced, aimed at ensuring that the schemes are framed in a readily accessible and easy-to-understand manner. The leaflets promote the benefits of members deferring their pensions and making additional contributions.*
Communications strategy update	The Fund's communications strategy is an integrated communications roadmap and blueprint that guides our communications activities and efforts. The strategy comprises: <ul style="list-style-type: none"> • Brand and reputation management • Strategic internal communications • Digital marketing and member engagement*



*For more on stakeholders, see page 18.



COMMUNICATIONS

The objectives of the communications and channel strategy are:

- Sharing of relevant information with the membership
- Positioning the Fund as an industry thought leader
- Increasing the accessibility and transparency of the EPPF to its stakeholders
- Building the brand
- Positioning the EPPF as an employer of choice

LinkedIn

The aim of introducing the LinkedIn platform was to:

- Position the Fund as an employer of choice among prospective employees
- Share thought-leadership pieces with industry and other players

Call centre

During the year under review, the channel continued to function well, with the call centre affected by two major issues:

- The Fund's actuary determined that the calculation method of the Member Individual Reserve needed to be reviewed. This, however, reduces the benefit, and as a result our call centre experienced a significant increase in calls. The consultants were appropriately trained to address this matter and responded accordingly.
- The issuing of consent forms for POPIA purposes as well the need to collate Evidence of Survival forms placed pressure on the Fund's resources leading to frustrations being experienced by pensioners and negatively impacting the call centre. The Fund has reflected on the matter and has extracted insights to improve its performance in this area.

The call centre was able to achieve 100% of its service level agreement (SLA) on information mails and 85% on calls throughout 2019, with two notable successes:

- The turnaround time on information mail enquiries was reduced to 5 hours and 30 minutes, significantly down from 2018: 48 hours
- Average quality assurance stands at 95%



DELIVERING VALUE CONTINUED

MAXIMISING OUR HUMAN CAPITAL

OUR HUMAN RESOURCES (HR) FUNCTION IS RESPONSIBLE FOR MAXIMISING THE POTENTIAL AND STRENGTHS OF OUR PEOPLE, AND IN DOING SO IT FOCUSES ON THE FOURTH STRATEGIC PILLAR – TO DEVELOP THE TALENT OF OUR HUMAN CAPITAL.

During the year under review, the priority was on becoming more employee-centric and in turn positioning the EPPF as an employer of choice. This included embarking on a number of projects and initiatives to achieve the employee-centric aspiration.

We recognise that current capabilities and the workforce profile need to be fully capacitated to be able to deliver against the strategic aspirations aligned to the Fund's Enterprise Architecture. This together with an accelerated pace in adapting to change, in order to facilitate the attraction and retention of talent and contribute to the long-term sustainability of the Fund.

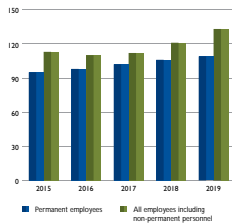
In addition, key HR performance areas were identified during the year under review:

- Organisational effectiveness
- Transformation to future skill sets
- Building an agile learning organisation
- Employee experience – culture, engagement and beyond
- Evolving performance management

WITHIN THE STRATEGIC FOCUS AREAS FOR THE YEAR UNDER REVIEW, WE WERE ABLE TO ACHIEVE THE FOLLOWING:

1	Proactive positioning of the Fund as an employer of choice	<ul style="list-style-type: none"> • Enhancing the Fund's talent acquisition process through leveraging social media platforms • Utilising LinkedIn as a talent attraction platform and profiling Fund employees as ambassadors • Enhancing EPPF employee benefits
2	Embedding talent management	<ul style="list-style-type: none"> • Positioning the Talent Management Journey (framework, principles, approach, talent calendar) with business – to continue into FY2020 and beyond
3	Creating segmented employee engagement	<ul style="list-style-type: none"> • Increasing engagement platforms (Gen Why, Leadership Conversations)
4	Embracing technology	<ul style="list-style-type: none"> • Automating HR processes such as recruitment, performance, e-Learning and termination
5	Building a positive employee experience	<ul style="list-style-type: none"> • Revising the entire onboarding process and approach with instant onboarding from engagement date, and a seamless transition for new joiners on the intranet • Onboarding videos to replace traditional two-day classroom sessions • Onboarding Breakfast with the executive team
6	Cultivating a learning culture	<ul style="list-style-type: none"> • Rolling out learning initiatives in line with the Fund's core capabilities • Strengthening our SAICA and internship programmes
7	Proactive risk management	<ul style="list-style-type: none"> • Development of HR-wide spectrum of policies to enable compliance with legislation and protection against unfair employment practices by closing previously identified gaps

Permanent vs non-permanent employees



We therefore developed an HR roadmap to define the stages on our journey towards embedding talent management within the Fund.



DELIVERING VALUE CONTINUED



PROACTIVE POSITIONING OF FUND AS EMPLOYER OF CHOICE

The business climate continues to evolve and there is increasing competition for talent especially those with scarce and desirable skills, knowledge and experience. Therefore, the effective resourcing, engagement and retention of human capital are strategic issues for the Fund's survival and adaptation. Knowing this, during the previous financial year the HR team embarked on a project to proactively position the Fund as employer of choice, through enhancing the base of our Employee Value Proposition (EVP). The EVP represents the Fund's values, Formula for Success as well as our revamped benefits, which are benchmarked against other organisations within similar industries.

Moreover, the technology era has created opportunities within the talent acquisition space, where different talent-sourcing softwares can be utilised to break down geographic barriers thus increasing the talent pool when attracting candidates. By using career sites, such as LinkedIn, Indeed and Career24, the Fund has been able to recruit diversified candidates from the market, further promoting transformation in the workplace. Through direct sourcing strategies, recruitment spend has decreased significantly, while placing high calibre candidates into positions. The year under review saw a slight reduction in the attrition rate compared with the prior financial year, and better than the market attrition rate average.

EMBEDDING TALENT MANAGEMENT

In order to ensure the right people are in the right roles at the right time to enable the business to deliver on its strategy now and in the future, talent management becomes a critical priority of the human capital deliverables. The Fund has already embarked on talent management activities, which included understanding critical roles and talent across the organisation.

The management of talent is an ongoing business process, necessitating continuous engagement and assessment in line with changing employee and organisational requirements.

We therefore developed a talent roadmap to define the stages on our journey towards embedding talent management within the Fund.

CREATING SEGMENTED EMPLOYEE ENGAGEMENT

With the understanding that our diverse workforce has different engagement requirements, during the year under review, a number of segmented employee were developed to promote an employee-centric culture.

Leadership conversations

- Initiating continuous engagements with our leadership team to gain strategic and transformational skills in the new digital economy of Industry 4.0.
- Inviting guest speakers
- Female guest speaker to engage women at the Fund on issues such as leadership and personal branding

Generation 'Why' breakfast

A Generation 'Why' engagement session – as we have dubbed our millennials for their insistence on reasons and answers – was hosted with the aim of encouraging rigorous conversations and debates around topics that resonate with them. The team is encouraged to bring their creativity, insights and new ways of thinking to the table, as they share experiences and ways of improving the way we do things at the EPPF. These sessions will continue into the future as platforms to engage our younger workforce.

Strategic engagements included:

- Partnering with business to develop human capital talent
- Inviting different business units to the HR Breakaways to plan and implement strategic priorities that improves alignment to their overall business objectives.

EMBRACING TECHNOLOGY

During the year under review, HR embarked on a journey of automating various processes within the HR value chain, in order to leverage technology and create a compelling employee experience. The focus will be to continuously assess business needs in order to identify opportunities to create a digital workplace.

BUILDING A POSITIVE EMPLOYEE EXPERIENCE

- In our drive towards creating a seamless employee journey enabled through simple, digital and readily available processes, the HR team in partnership with the Communications department, repositioned the Fund's onboarding process for all new employees. This included the following:
 - Onboarding videos comprising an overview of the various departments across the Fund, enabling our new joiners to settle in quicker by obtaining a clearer view of what we do and how we do it.
 - The onboarding videos replaced the conventional two-day classroom onboarding approach to improve efficiencies and quick accessibility of information.
 - All company-related documents, such as policies, procedures, reports, and forms were made available to new joiners on the intranet.
 - Electronic surveys have been developed to acknowledge the completion of onboarding videos and familiarising self with Fund-relevant documentation.
 - In order to ensure we don't take away leadership involvement and the personal touch in any employee experience, the Fund has introduced onboarding breakfasts with all new joiners, as an opportunity to interact with the leadership.

CULTIVATING A LEARNING CULTURE

Learning goes beyond just training. It underpins capabilities that are key in strategic business delivery initiatives and building the talent pipeline, and requires each employee to take ownership in driving their own career. In line with our diamond-learning concept, the Fund must similarly embrace continuous transformation. We therefore aim to deliver learning and development (L&D) interventions that support the delivery of business priorities, meet individual career development needs and ensure that the right people are in the right place, at the right time, and working in an agile learning environment.



Below are some of the learning interventions that we embarked on during the year under review.

Leadership development

- The Wits Business School Executive Leadership Programme was completed and efficiently capacitated the executive leadership to deal with leading through complex and changing landscapes

Other HR development initiatives

- The Fund's prioritised L&D capabilities requirements were also focused on building cross-cutting skills, technical skills, and strove towards supporting employees in attaining their formal qualifications and professional designations. Below are some of the learning interventions implemented:
 - Management 101 Courses in Managing Discipline and Talent Management training were rolled out
 - EPPF e-Learning for Retirement Fund Operations (RFO) has been rolled out, with the aim of implementing it across other departments

- Various employees attended conferences for updates on industry trends and best practice
- A notable increase in formal studies and accreditations in line with the Fund's critical/score skills demands and strategic priorities (e.g. Postgraduate Diploma in Accounting Sciences, Certified Financial Analyst Programme, Financial Risk Management, etc.)

Internship and learnership programmes

- Our intern intake during the year under review increased from eight in 2018, to 15 in 2019, whilst our learner intake during the year under review increased from one in 2018, to four in 2019.
- A holistic training plan was also implemented for the interns and learners, with some of the training included Investment Fundamentals and Professionalism in the workplace.
- This reflected our growing capability in enhancing corporate social development initiatives and contribution to introducing skills into the economy.
- In our CSI focus, HR has also developed a partnership with a disadvantaged school in order to contribute to education and skills development in our country.

CA(SA) training programme

- With SAICA having approved the appointment of 10 CA trainees over a three-year period, the programme currently comprises five trainees, with an additional two new trainees to be appointed in the 2020 intake.

PROACTIVE RISK MANAGEMENT

- The EPPF workforce is becoming more diverse, cutting across different generational segments. This highlights the importance of tailoring its policies, processes and benefits to meet this evolving workforce.
- HR has therefore embarked on a journey of aligning various solutions to the needs of our employees, labour relations regulations and the future world of work.

DELIVERING VALUE CONTINUED

OPTIMISING TECHNOLOGY

INFORMATION TECHNOLOGY (IT) FORMS AN INTEGRAL PART OF OUR INTELLECTUAL, FINANCIAL AND MANUFACTURED CAPITALS. OUR IT FUNCTION IS DRIVEN BY OUR STRATEGIC OBJECTIVES OF BUILDING OUR PLATFORM TO SERVE BETTER, AND DELIVERING MEMBER-CENTRICITY THROUGH OPERATIONAL EXCELLENCE.

Our IT infrastructure is of critical importance to the efficient and effective functioning of the Fund. The IT operating model is based on an outsourced Application Service Provider (ASP) model, complemented by a lean internal IT organisation, and where a large portion of IT products and services are provided by external service providers. Core systems that support business processes are hosted externally by various service providers, with only a few support systems/applications being hosted and maintained internally.

THE CLOUD AND SECURITY

The Fund's current server infrastructure is outdated and is in need of upgrading. While there is a widespread desire in business to make use of Cloud services, we are nevertheless cognisant of POPIA privacy

requirements, and are seeking to employ a hybrid model of data storage, retrieval and utilisation, as well as a careful appraisal of risks associated with security in general.

As we move to the Microsoft Office 365 system, with much information being directed to the Cloud, our main concern as we define the implementation of an upgraded system in the short to medium term, was our ability to remain relevant and effective in respect of our clients.

In respect of physical storage, a feasibility study was undertaken on the efficacy of a third party being engaged to build a warehouse for data storage, and another to manage the system.

BUILDING TRUSTED RELATIONSHIPS

Given our overarching strategic goal of member-centricity, our primary stakeholders are our active members, pensioners and beneficiaries. During the year under review, we increased our efforts in reaching out to them, communicating as diligently as possible, and expanding the methods and frequency of engagement, specifically targeting issues that were of mutual concern, which we identified as:

- Informing our members of the ongoing legal process pertaining to the former Eskom CEO, and its impact on the brand and reputation of the Fund
- Sharing the Fund's position on the prescribed asset debate that is currently taking place within the industry
- Sharing the Fund's investment performance, challenges and initiatives implemented
- Discussing the Fund's service levels and communication efforts, with a view to improving this area of our business

In order to form closer relationships with our members and to get a better understanding of the key issues that concern them, we initiated focus group discussions with members.

These were special engagements, over and above our regular member meetings, and met with success.

MEMBER EDUCATION

Two new efforts, which constituted important communications developments and necessitated some changes to our customary methodology, were well received during the year:

- An important drive that included the use of brochures to communicate additional voluntary deferred schemes, with products added to the benefit allowing an increased contribution above the standard. Related to this was the Fund's understanding that members were seeking more frequent communication in a single page format, in addition to the quarterly newsletters. Information was also consistently posted to the website.
- A corporate video presenting the vision, activities and efficacy of the Fund to a broad range of external stakeholders.

FACE-TO-FACE ENGAGEMENT

The year under review saw an overall increase, as indicated below, both in visits from our client liaison teams, and in attendance at member sessions. Pensioner functions also saw significant attendance numbers during 2019.

OUR STAKEHOLDERS FORM A FUNDAMENTAL PART OF OUR SOCIAL AND RELATIONSHIP CAPITAL, AND WE RECOGNISE THE IMPACT THAT THEIR CONCERNS HAVE ON OUR ABILITY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM, AND THE EFFECT THEIR INTERESTS HAVE ON OUR STRATEGIC OBJECTIVE OF GROWING THE CONFIDENCE OF OUR MEMBERS BY ENSURING THE SUSTAINABILITY OF THE FUND.

TOM layers		Initiatives	Potential benefits	Impact
Processes	1	Optimise business processes <ul style="list-style-type: none"> • Standardise and maximise automation of processes (calculations, letters, workflow) • Re-engineer closing and procurement processes • Continuously optimise processes through Lean and Six Sigma methodologies • Develop a single data warehouse for internal and external reporting 	<ul style="list-style-type: none"> • Process automation reduces errors and key person dependencies, and improves productivity and efficiency • Improved closing timelines, accuracy and transparency • Automation facilitates real-time access to fund information for the members • Improved controls and accountability by standardising policies and procedures to govern processes • Single source of information through a data warehouse 	●
People	2	Align roles and performance metrics to business focus strategy <ul style="list-style-type: none"> • Equip and train all pensions administration staff to be knowledgeable about the scheme, process, risk and regulation 	<ul style="list-style-type: none"> • Improved overall business performance through aligning performance with the organisation strategy and objectives • Continuous development and technical training will improve the capability of all the staff and their ability to respond to change 	●
Member groups	3	Develop and implement segmentation model <ul style="list-style-type: none"> • Define and develop segmentation model • Develop a member treatment strategy • Upskill front office staff to enable them to effectively respond to members' needs • Address consistent branding and member-focused approach 	<ul style="list-style-type: none"> • Improved member service levels through aligning the resources of the business to effectively respond to the members' needs • Productive utilisation of the communications channels • Segmentation will inform investment strategy in DC • Strong brand supports future growth aspirations 	●
Functions	4	Align functions and performance metrics to the value chain <ul style="list-style-type: none"> • Streamline and automate key processes 	<ul style="list-style-type: none"> • Promotes an integrated EPPF business model • Enhances strong leadership and performance management that is required to align accountabilities 	●
Services	5	<ul style="list-style-type: none"> • Once the organisation has been fully optimised, consider outsourcing OR hybrid options 	<ul style="list-style-type: none"> • Outsourcing allows business to achieve economies of scale • An external provider can quickly ramp up/down operations (e.g. adjust staffing to meet call volume) 	●

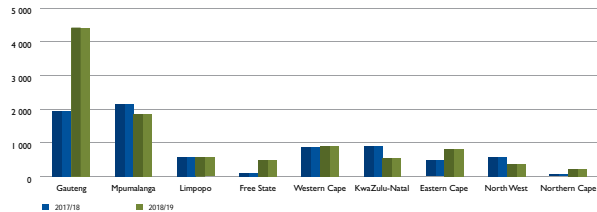
● Minimum

● Moderate

● Significant

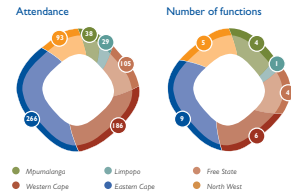
DELIVERING VALUE CONTINUED

Member/pensioner event attendance: 2017/18 vs 2018/19 comparison

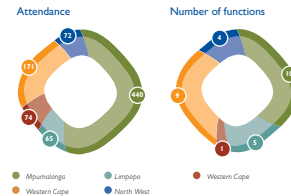


With the Board membership due to be changed in 2020, a series of presentations was made in a Trustee Election roadshow to both members and pensioners, with attendance as indicated below.

TRUSTEE ELECTION ROADSHOW – MEMBER ATTENDANCE



TRUSTEE ELECTION ROADSHOW – PENSIONER ATTENDANCE





Message from the CHIEF EXECUTIVE

CHANGE AND PURPOSE

The operating landscape for the period proved to be challenging, one in which the low investment return environment continued to persist. The ongoing trade wars between the United States of America and China introduced additional volatility into global markets. Back at home, the financial sustainability of Eskom remained a concern, for both the South African economy and, more importantly, the future of the Fund.

As a starting point, in navigating this landscape, the Fund reflected on its purpose and reason for existence and defined it as follows: "To be entrusted with the life savings of our members that will contribute to their financial comfort during their retirement." Using this as our guide and reference point, the Fund crafted the following strategic objectives to serve as navigational beacon as it advances in strategically positioning itself:

1. To grow the confidence of our members by ensuring the sustainability of the Fund;
2. To build our operating platforms to serve our members better;
3. To deliver member-centricity through operational excellence;
4. To unlock the talent of our Human Capital; and
5. To earn trust in our brand and reputation.

BRAND AND REPUTATION

Given these strategic objectives, we engaged our members with strengthened resolve to build trust, confidence and admiration in the Fund, its brand and reputation. Through face-to-face engagements, we have been able to transparently communicate and share information on matters that concern our members. More importantly, these engagements, which we aim to continue in the future, has enabled us

to bring the Fund closer to its members, to hear their voices on matters of importance and, more importantly, to create a space where our members can feel free to engage with the Fund. We recognise that not only are our members the primary reason why the Fund exists, but they also serve as brand ambassadors for the Fund.

REGULATORY COMPLIANCE AND GOVERNANCE

Related to the issue of brand and reputation management was the matter of regulatory compliance and governance. We invested significant effort in this area of the Fund's operations, and we remain committed to a transparent administration and the exercising of sound governance over the funds entrusted to us.

We have made significant progress during the year in reviewing the Fund Rules; and have improved our governance and operating processes to ensure greater compliance with the Fund Rules and applicable laws and regulations. This included, inter alia, making significant progress in the legal processes required to secure the necessary declaratory orders for ineligible members. We recognise that there are still matters that require resolution, and we remain focused on resolving these in the new financial year.

³⁸ For more on governance, see page 65.

On the matter of the repayment of the pay-out received by the former Eskom GCEO during the period under review, continued to challenge the decision of the High Court which set aside his retirement and directed him to repay all funds received by him as a result of that retirement. The Constitutional Court dismissed his challenge in July 2019 and we are at an advanced stage of the legal process to recover all funds due to the Fund.

We are very aware that the prolonged resolution of the matter remains a concern for our members, with an ongoing negative impact to our brand and reputation.

POSSIBLE ESKOM RESTRUCTURING AND ITS IMPACT ON THE FUND

The third focus area was the need to understand the various scenarios that might arise vis-à-vis the future plans of Eskom. The potential restructuring or unbundling of Eskom and indeed its financial position all have a bearing on the way in which the Fund addresses its own strategy in the short, medium and long term. Our actuaries have modelled various scenarios involving a potential reduction of employees at Eskom, as well as its potential impact on the sustainability and funding ratios of the Fund. The outcome of this exercise indicates that while contributions received are likely to decline due to a potential reduction in Eskom employees, this will not cause our funding ratio to deteriorate materially. The Fund therefore remains sustainable in the event of a retrenchment scenario.

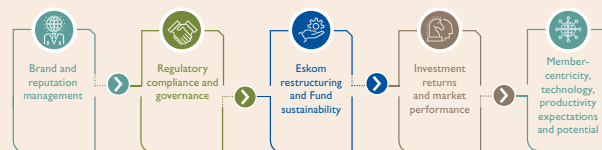
INVESTMENT RETURNS AND MARKET PERFORMANCE

The fourth key area of focus during the year under review was the ongoing low-return environment in which we have been operating for some time. Domestically, our returns have been below target as a result of the low GDP growth, domestic political uncertainty and while global issues such as the US-China trade wars are geopolitical issues, the economic effects are certainly felt at home as well.

Nevertheless, the Fund takes a long-term view, and our performance over a 10-year rolling period remains good, and is meeting expectations. We nonetheless recognise that we need to plant the seeds of tomorrow now, so that this trend will continue.

Key to this, we see an inclusion of a Real Assets mandate with a specific emphasis on a portfolio consisting of real estate and infrastructure investments. In addition, we are looking at increasing the allocation to private equity (PE) both locally and globally. Thus, when public listings are down, we are still optimistic about possible PE returns, as they are not directly related, while at the same time we have more diversity in our portfolio.

This approach is aligned to our asset and liability management processes and will be funded from the approved strategic asset allocation (SAA).



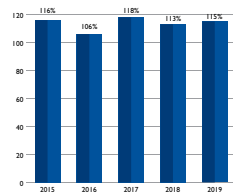
THE YEAR UNDER REVIEW, WHILE REMAINING A CHALLENGING PERIOD WITH REGARD TO THE INVESTMENT ENVIRONMENT, NEVERTHELESS PRODUCED THE SUCCESSFUL COMPLETION OF SOME OF THE IMPORTANT INITIATIVES WHICH THE FUND HAS UNDERTAKEN IN ORDER TO GROW THE CONFIDENCE OF OUR MEMBERS BY ENSURING ITS SUSTAINABILITY, IN ACCORDANCE WITH OUR FIRST STRATEGIC OBJECTIVE.

MESSAGE FROM THE CHIEF EXECUTIVE CONTINUED

FUNDING RATIO

We are pleased to note again that our funding ratio, which measures the extent to which investment assets are able to cover benefit obligations and related contingencies, remains high at 115% (2018: 113%) – one of the highest globally, even in comparison with some OECD countries. This indeed augurs well for our long-term sustainability, and related confidence in the Fund.

EPPF funding level (after provisioning for contingencies)



MEMBER-CENTRICITY

During the year under review, this key focus area remained a central driver for all our strategic efforts. We formulated different future options for the future of the Fund beyond Eskom as a stand-alone customer, and narrowed those down to two options to yield a sustainable future for EPPF. All of these options are founded on member-centricity being the distinct value proposition for the EPPF.

In order to enable member-centricity, we designed a new TOM, as well as new a technology landscape for the Fund. The next stage will be the implementation of the new technology platform. The new financial year will see the replacement of the Pension Administrator System (PAS) as the first, and key cornerstone, of this journey. The year under review was thus taken up with design rather than implementation.

For more on IT, see page 34.

We recognise that in some form our future will have to take into account more than Eskom. We understand that this will require a definitive value proposition to enable us to take our products and services to the open market. This understanding is what underpins our member-centric theme, and what has driven the development of our five strategic objectives.

For more on strategy, see page 14.

TRANSFORMATION

We continued to lead transformation in the South African asset management industry during the year under review. Our manager development programme continues to deliver results, with our efforts being recognised globally by the inclusion of the Fund in the inaugural Principles for Responsible Investment (PRI) Leaders' Group for 2019. The Fund is a signatory to the PRI, an investor initiative in partnership with the UN Environment Programme Finance Initiative and UN Global Compact. The Fund was also awarded the Obama-Mandela Bridge Builder Award for its active involvement in encouraging American and African pension funds to invest in the development of Africa's infrastructure and real assets.

Our Transformation Breakfast continued to both herald and reflect our success in this area, and I am proud of our firm commitment to bring change to our industry.

For more on transformation see page 55.

LOOKING AHEAD

While FY2019 was a year of navigating the last of the turbulence of the prior year, the next year will be focused on building the Fund. We have successfully positioned ourselves as a potential player in our industry, and with the design work having been done, we are looking forward to its successful implementation in the short to medium term.

We see a certain amount of volatility persisting until at least the next round of credit ratings for South Africa. The local socio-political landscape remains an uncertain one, and with global uncertainty still prey to large issues such as Brexit and US-China relations, it would appear that the volatility and the consequent low returns will continue to emanate from that sphere as well. Our new Enterprise Architecture and our strategic planning for a more competitive future will however stand us in good stead in the long term.

ACKNOWLEDGEMENTS

Sincere thanks are due to our members – both pensioners and those who are active. We understand that they entrust us with their life savings, and that they have stood by us through the vicissitudes that we have experienced over the past two years. We will always continue to strive to earn that confidence and trust and to deliver beyond their expectations.

I would like to express my thanks to our Board and Chairman. Without their dearheaded, skilled and diligent leadership, the turbulence that the Fund has faced would certainly have been more difficult to navigate.

My gratitude also goes to our staff for their dedication and commitment, as well as all our service providers – our asset managers, actuaries, technical advisers and professional partners – who work very closely with us and spare no effort in helping us to make our strategic initiatives a reality.

Finally, I would like to thank my predecessor for her leadership and the outstandingly high example she set in all the years she was at the Fund, and wish her well in her future endeavours.

At the same time, I would like to congratulate and welcome Ms Linda Mateza as Chief Executive and Principal Officer of the Fund. We would like to assure Ms Mateza of all our support in making the EPPF the "most admired pension fund" and in serving our members to the best of our abilities.

Shafeeq Abrahams
Acting Chief Executive

CHIEF
FINANCIAL
OFFICER'S
REPORT

Chief Financial OFFICER'S REPORT

CONTRIBUTIONS RECEIVED AND ACCRUED

Contributions received and accrued for the year ended 30 June 2019 amounted to

R3 807
million

(2018: R3 793 million)



43 570

active members
(As compared to the prior year's 45 672)

5.2%

The average contribution per active member increased by 5.2% (2018: 5.9%) from R83 045 in 2018 per member to R87 373 in 2019 per member

ACTUARIAL VALUATIONS

115%

The best estimate of the liability to provide benefits, known as the actuarial liabilities, grew by 3.9% (2018: 14.8%) to R104 926 million (2018: R100 951 million)



Collectively, contingency reserves decreased by 10.2% (2018: 6.6%) to

R20 233
million

(2018: R22 524 million)



0.66%

effective contribution shortfall
(2018: 0.72%)

CONTRIBUTIONS RECEIVED AND ACCRUED

Contributions received and accrued for the year ended 30 June 2019 amounted to R3 807 million (2018: R3 793 million), which represents a year-on-year increase of approximately 0.4% (2018: 3.1% increase).

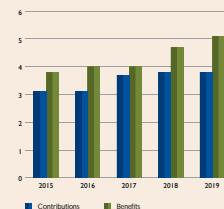
The lower year-on-year increase, as compared to 2018, can be largely attributed to a decrease of 4.6% (2018: 2.6%) in active members and lower salary increases. At 30 June 2019, the Fund had 43 570 active members as compared to the prior year of 45 672. The decrease of some 4.6% in active members has offset the expected growth in contributions received by approximately 0.6%. Nevertheless, the average contribution per active member increased by 5.2%, (2018: 5.9%) from R83 045 in 2018 per member to R87 373 in 2019.

NET OPERATING CASH FLOWS

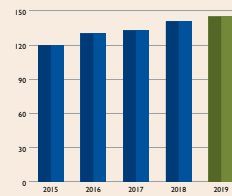
During the year under review the benefits paid out reflected an increase year on year, while the contributions received increased in comparison with the prior year, yielding a benefits/contributions ratio of 134%, and a cost per member of R105. The continued growth in benefits paid, in relation to contributions received, is largely a function of the ageing profile of the Fund's membership which reflects fewer younger members entering.

The Fund also showed a 2.9% growth in assets under management in the year under review. This net growth was largely due to a reinvestment of investment returns, albeit lower than that of prior year, which was offset by drawdowns of investment assets to fund the net growth in benefits paid, as well lower investment returns.

Contributions vs benefits (R billion)



Assets under management (R billion)



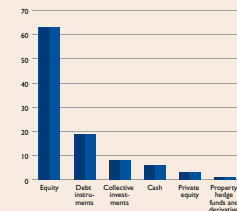
INVESTMENT INCOME

Invested funds are allowed the opportunity to grow within the market, to the extent that our liquidity requirements allow, and generate returns. Investment income, after deducting expenses in managing investments, amounted to R6 023 million (2018: R9 013 million) and represents a one-year investment return of 2.99% (2018: 7.05%). The key contributor to the decrease on the year-on-year net investment income is largely due to poor investment returns from domestic and offshore equities.

Investment income reinvested	R6.5 billion
External investment management fees	0.36% (R0.5 billion)
Net	R6.0 billion

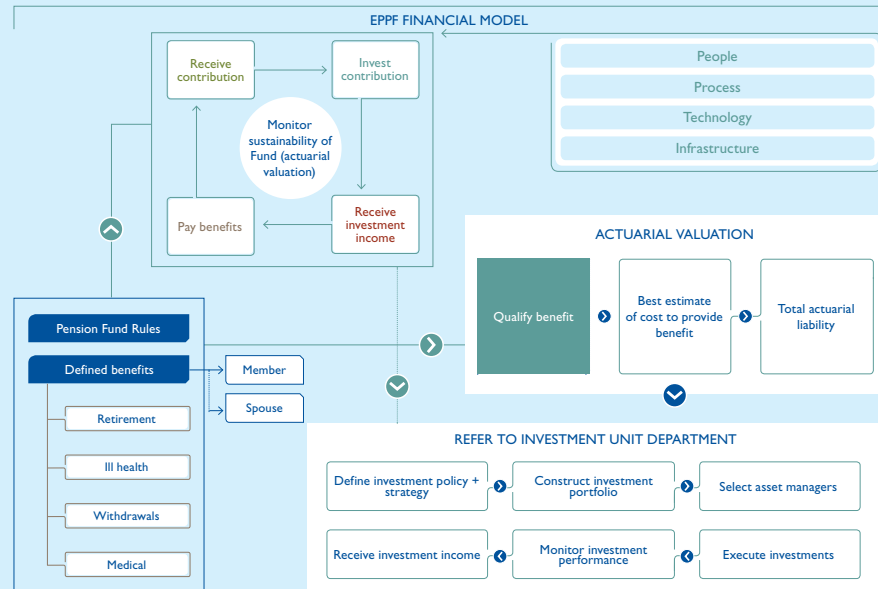
During the year under review the assets of the Fund totalled R144.7 billion, with the investment spread as depicted in the graph below:

Investments (%)



OUR FINANCIAL CAPITAL IS MANAGED IN TERMS OF OUR STRATEGIC OBJECTIVE OF GROWING THE CONFIDENCE OF OUR MEMBERS BY ENSURING THE SUSTAINABILITY OF THE FUND. THE INPUTS TO OUR FINANCIAL CAPITAL CONSIST OF THE CONTRIBUTIONS WE RECEIVE AND THE INCOME WE DERIVE FROM OUR INVESTMENTS.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED



The year under review was characterised by a persisting climate of low returns exacerbated by macroeconomic issues that included:

- Trade tensions between the US and China and the ongoing uncertainty around Brexit and other geopolitical developments
- The volatility of international exchange rates vis-à-vis the US dollar, as well as the general ongoing weakness of the South African rand
- Domestic socio-political uncertainty which continued to affect the wider economy
- More localised uncertainty which continued to surround speculation as to the future structure of Eskom
- A decrease in our active membership as a result of attrition taking place at the employer

For more on our operating environment, see page 5.

During the year under review, we saw success in two important financial initiatives:

- A review and optimisation of the financial processes in anticipation of the replacement of the PAS is scheduled to take place in the next financial year
- As benefits paid outgrow contributions received due to the ageing profile of the membership base, the need to accurately forecast and control cash flows becomes increasingly important. Accordingly, we introduced and completed the targeted implementation of Phase 1 of the cash management system (Treasury 1), with Phase 2 scheduled for implementation during FY2020. This initiative improves the EPPF's Treasury Management capabilities and targeted it to improve its efficiencies and effectiveness in this space

Member contributions

R3.8 billion	Employer	Employee
Pension benefits are funded primarily from Eskom and its subsidiaries and their employees	13.50% of each member's pensionable salary	7.30% of each member's pensionable salary

BENEFITS PAID AND ACCRUED

For the year ended 30 June 2019 benefits paid and accrued amounted to R5 141 million (2018: R4 661 million) and represent a year-on-year increase of 10.3% (2018: 16.5%). The table below highlights the composition of benefits paid and accrued:

Benefits paid out to members

	2019	%	2018	%	2017	%
	R million		R million		R million	
Monthly pension	3 256	63	2 947	63	2 610	65
Death and disability benefits	122	2	134	3	91	2
Divorce benefits	132	3	112	2	115	3
Products and services						
Lump-sum on retirement	909	18	772	17	546	14
Withdrawal benefits	684	13	663	14	601	15
Instalment lump-sum benefits	38	1	33	1	39	1
Total	5 141	100	4 661	100	4 002	100

Operating expenses during the year under review amounted to R260 million, broken down as follows:

2019	2018	Cost centre	Nature of cost
%	%		
56	51	Employment	Employee salaries, benefits and bonuses (including training and staff travel)
17	21	ICT-related	Computer implementation, maintenance and software
10	11	Professional fees	Investment consulting, business improvement and other services
12	12	Office expenses	Office expenses, advertising and other administration expenses
2	2	Member education	Membership engagement and awareness initiatives
3	3	Trustee expenses	Leadership and governance

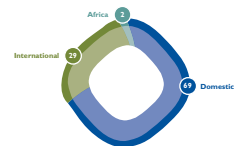
During the year under review, the investment types comprised:

- Listed – Instruments listed on a formalised and regulated stock exchange
- Unlisted – Alternative investment instruments, such as private equity and hedge funds
- Treasury – Fixed income instruments comprising bonds, cash and debentures

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

INVESTMENT: GEOGRAPHIC SPREAD – 2019

Fund investment exposure (%)



11 For more on investments, see page 48.

ACTUARIAL VALUATIONS

In order to assess the financial soundness of the Fund, an actuarial valuation is carried out annually. The purpose of the actuarial valuation is, amongst others, to provide a best estimate of the cost of providing future benefits in today's Rands. This value, which is the actuarial liability, is then compared against the net available assets in order to assess the extent to which available net assets are able to meet or exceed the actuarial liabilities. This funding ratio is then used as an indicator to assess the financial soundness of the Fund.

The Board of Fund has elected to conduct annual actuarial valuations, as compared to the statutorily required triennial actuarial valuation. Among the key outcomes of the annual actuarial valuation as at 30 June 2019 were the following:

- The Fund is financially sound with assets able to cover both actuarial liabilities and contingency reserve accounts by 115% (2018: 113%).
- The best estimate of the liability to provide benefits, known as the actuarial liabilities, grew by 3.9% (2018: 14.8%) to R104 926 million (2018: R100 951 million).
- The purpose of establishing a contingency reserve such as a solvency reserve is primarily to protect the Fund against the possibility of poor future investment returns. Similarly, the purpose

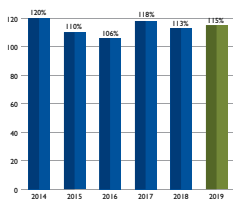
of a contingency reserve such as a contribution reserve is to provide some additional security for the continuation of the present benefit structure. Collectively, contingency reserves decreased by 10.2% (2018: 6.6%) to R20 233 million (2018: R22 524 million).

- Net assets available to fund actuarial liabilities and contingency reserves amounted to R143 395 million (2018: R139 638 million).

THE EPPF FUNDING RATIO

The ratio of assets to all liabilities, including contingency reserves, is known as the funding ratio. EPPF's funding ratio is one of the healthiest in South Africa and worldwide.

Funding ratio (%) – comparatives 2014 – 2019



LOOKING AHEAD

While the uncertainty and volatility in the global and domestic macroeconomic environment continues, and the resultant low-returns environment persist, we can expect low investment returns in the short to medium term. Similarly, the likelihood of the South African domestic socio-economic environment continuing to be subject to uncertainty in the short to medium term is probable. Nonetheless, it is important to note that in comparison with competitive benchmarks, the Fund has been performing well, and will continue to do so.

Stephen Varndell

Acting Chief Financial Officer



CREATING VALUE

CREATING VALUE

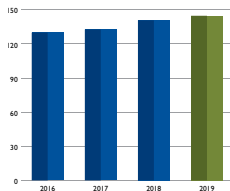
INVESTING IN VALUE CREATION

The investment activities of the Fund are conducted through the Investment Management Unit (IMU), and fall within three main investment niches:

- In-house portfolio management
- Private markets
- Multi-management of external asset managers

During the year under review, notwithstanding the volatility in global and local markets, the Fund continued to grow its assets under management.

Assets under management (R billion)



STRATEGIC ASSET ALLOCATION (SAA)

As the EPPF is a DB fund, the Asset Liability Management process tends to allocate a significant amount of our money in inflation-linked bonds (ILBs) in order to provide a better match of assets to liabilities. In addition, the Fund's SAA is required to comply with Regulation 28 of the Pensions Funds Act, which stipulates an allocation minimum of 60% in South African assets.

With the allocation to China A shares, a recent addition to the SAA, management is in the process of finalising the appointment of asset managers in this category.

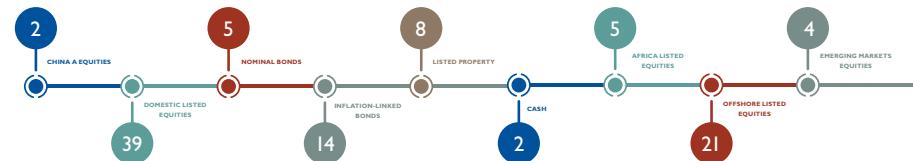
	Approved August 2012	Approved March 2016	Approved November 2017	Approved November 2018	Approved February 2019
Domestic equities (listed and private)	38.1	43.0	41.0	39.0	39.0
Nominal bonds	–	5.0	5.0	5.0	5.0
Inflation-linked bonds	25.0	12.0	14.0	14.0	14.0
Listed property	5.0	8.0	8.0	8.0	8.0
Cash	2.0	2.0	2.0	2.0	2.0
Africa equities (listed and private)	5.0	5.0	5.0	5.0	5.0
Offshore listed equities	24.9	23.0	21.0	21.0	21.0
Emerging markets listed equities	–	2.0	4.0	6.0	4.0
China A equities	–	–	–	–	2.0

EPPF CREATES VALUE THROUGH THE JUDICIOUS INVESTMENT OF ITS FINANCIAL CAPITAL, CONVERTING INCOME DERIVED FROM CONTRIBUTIONS AND ONGOING INVESTMENTS INTO ASSETS. THIS ACTIVITY IS FOUNDED ON OUR STRATEGIC OBJECTIVE OF GROWING THE CONFIDENCE OF OUR MEMBERS BY ENSURING THE SUSTAINABILITY OF THE FUND.

ASSET ALLOCATION – 2019

Asset class	Market value R'000	CAA – 30 June 2019 %	SAA – February 2019 %	General benchmark
Domestic		36.47	39.00	FTSE/JSE Capped Shareholder Weighted All Share Index (J433 Capped SWIX) less All Property Index (J803)
Domestic equities (excludes listed property held by equity managers)	52 762 924			
– Private equity	1 823 131	1.26		
– Socially desirable investments	931 830	0.64		
Local nominal bonds (includes hedge funds)	9 889 422	6.84	5.00	ALBI and GOVI
Local inflation-linked bonds	19 700 322	13.62	14.00	CILI
Local cash	3 220 106	2.23	2.00	STEFI Composite
Local property (includes listed property held by equity managers)	10 032 332	6.94	8.00	J803 for listed property/IPD South Africa Property Index for unlisted property
Total domestic	98 360 067	68.00	68.00	
International				
International equity	34 070 345	23.55	21.00	MSCI World All Countries Index
Emerging market equity	6 633 641	4.59	4.00	MSCI EM Index
Africa equities	3 352 223	2.32	5.00	MSCI EFM Africa Ex South Africa Index
– Private equity Africa	1 961 671	1.36		
– Real assets Africa	99 760	0.07		
International property	–	–	–	FTSE EPRA/NAREIT Develop Rental Index
International cash	178 636	0.12	–	One month USD deposit rate (Citigroup)
China A	–	–	2.00	MSCI China A Onshore Index
Total international	46 296 276	32.00	32.00	
Total fund	144 656 343	100.00	100.00	

STRATEGIC ASSET ALLOCATION (%)



CREATING VALUE CONTINUED

STRATEGIC BENCHMARK

Our long-term actuarial return target has been set at CPI+4.5%, a target that is included in our Investment Policy Statement. Thus, in setting our long-term asset allocation (i.e. SAA), we typically look at capital markets' expectations such as expected real returns, over 10 to 15 years.

RISK-BUDGETING FRAMEWORK

Our risk-budgeting framework, implemented in 2014, is robust, and allows the Fund to go beyond asset allocation and embrace the allocation of risks in line with the Fund's risk appetite. Among its outcomes, it provides:

- The Board with the ability to identify and monitor the risks it wants to take
- The Fund with the latitude to embrace activities and asset classes with greater attendant risk such as manager development programmes, while not exceeding the Fund's ability to take risk
- The Fund with the ability to monitor and rebalance exposure to various risk factors and investment styles
- The Fund with an increased ability to allocate to real assets and other unlisted investments with more conviction

INVESTMENT-RELATED MANAGEMENT ACTIONS

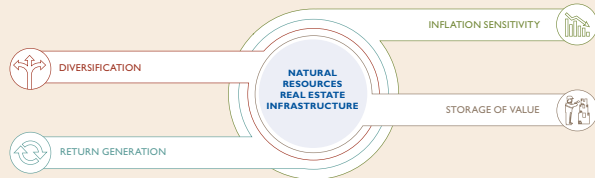
During the year under review, IMU has been managing a shift towards real assets (direct property and infrastructure assets) in order to:

- Earn a positive and inflation-sensitive return that exceeds the net target CPI+4.5%
- Lower downside volatility of the overall portfolio
- Enhance the stability and the predictability of investment returns
- Better match the duration of the Fund's assets to the liabilities

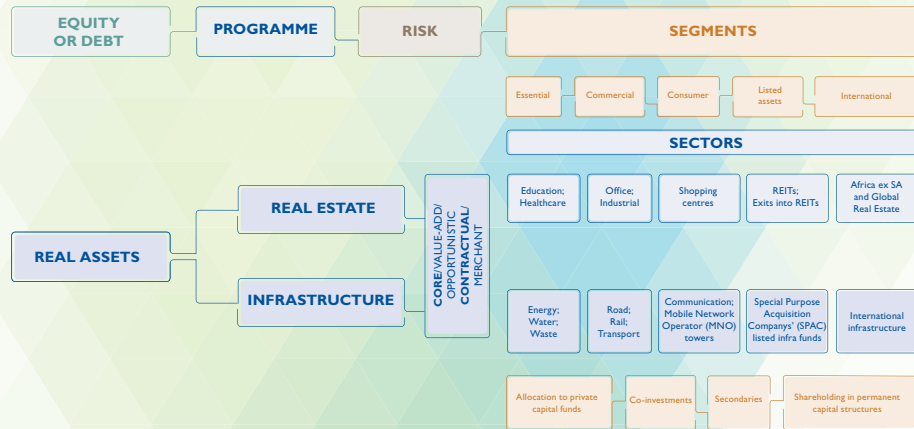
For more information about IMU, please refer to our website



OBJECTIVES IN INVESTING IN REAL ASSETS



OUR REAL ASSETS MANDATE



CREATING VALUE CONTINUED

The advantages of investing in real assets include:

- A stable and predictable cash yield
- Diversification of equity risk
- Inflation protection and liability hedging
- Return enhancement as an inflation-linked bond (ILB) replacement strategy

We have also been strengthening our investment teams by attracting and retaining high-calibre staff across the three IMU segments to include the following:

- Investment multi-management team
- Private markets team
- In-house asset manager

In addition, we have been using appropriate downside protective strategies as the markets recover:

- Hedging (e.g. zero-cost short fences)
- Equity-linked notes
- Diversified exposure to offshore equities – Adding China A equities to DM and EM equities

RETURNS

Against this background, the year under review saw low global returns persisting, as well as continued lacklustre domestic returns, especially in the domestic equity asset class, with the market down by some 20%. International returns were also not strong in US dollar terms, although this was mitigated to a degree by the weakening of the rand. Despite this low-return environment, we were able to deliver positive returns relative to the market and the benchmark.

The Fund's return for the 12 months to 30 June 2019 is slightly below the strategic benchmark return by 0.76%. The strategic benchmark consists of the index returns of the various asset classes in the proportions set out in the Fund's SAA, and it assumes no active management.

INVESTMENT RESULTS AS AT 30 JUNE 2019

%	Fin YTD	1 year	3 years	5 years	7 years	10 years
Actual return	2.99	2.99	4.22	5.98	10.16	11.54
Strategic benchmark	3.70	3.70	5.37	6.93	11.61	12.91
Alpha	(0.69)	(0.69)	(1.09)	(0.88)	(1.30)	(1.21)

%	Fin YTD	1 year	3 years	5 years	7 years	10 years	15 years	17 years	18 years
Fund return	2.28	2.99	4.22	5.98	10.16	11.54	13.11	12.44	12.46
Target (CPI+4.5%)	0.72	8.96	9.21	9.52	10.74	9.69	10.19	9.98	10.12
Excess return	1.55	(5.48)	(4.57)	(3.24)	(0.52)	1.69	2.65	2.23	2.13

The Fund has underperformed its target of CPI+4.5% over the one, three and five and seven-year periods to 30 June 2019. For periods of 10 years and longer, the Fund has outperformed the target of CPI+4.5%. It must be noted that the CPI+4.5% target is long term in nature and that over short periods of time (one year or less), the Fund aims to generate non-negative returns.

Fund returns vs strategic benchmark – rolling 3 years



PERFORMANCE AGAINST BENCHMARKS

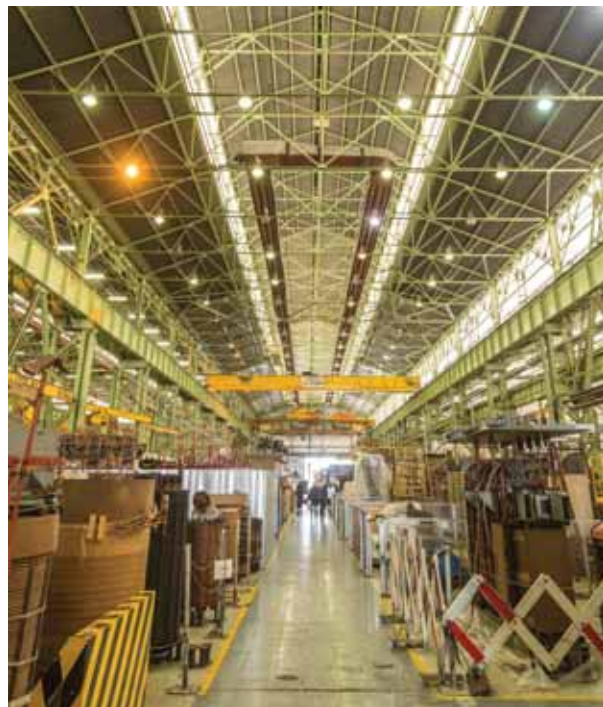
The performance of the Fund against the strategic benchmark has improved since 2015, when the difference between Fund Return and the Strategic Benchmark was as wide as 3% in favour of the strategic benchmark.

This arose mainly from the Fund's inability to reach the requisite strategic allocation to ILBs following an approved 25% allocation to ILBs in August 2012. This gap in relative performance has been reduced noticeably since the Fund introduced a more robust practice of setting an SAA within a risk-budgeting framework as implemented from financial year 2015 onwards. However, this gap is not yet zero or positive because the blended performance of the domestic equities asset class (which accounts for 39% of the Fund's total asset allocation) has underperformed its benchmark. This underperformance was more noticeable amongst managers that did not have sufficient allocation to the Naspers share, which has performed extremely well on the back of its shareholding in the Chinese technology company Tencent.

Value managers have been underperforming the equity benchmark over an extended period because the value style of investing has not been rewarded well in a "risk off" environment. Most recently those who did not have resource stocks have also underperformed, as have our Africa, excluding South Africa, investment managers responsible for around 2.5% of our allocation, while our global equities managers have outperformed their benchmarks.

The underperformance in Africa, excluding South Africa, where investments have been implemented only since 2015, has continued for only a short period of time, with the result that our managers cannot yet be evaluated on their returns.

We are, however, in the process of evaluating the performance of our domestic asset managers, with underperformance assessed on whether it is attributable to 'right' or 'wrong' reasons. The process of manager review will be aimed at pinpointing these and taking corrective action where necessary.



CREATING VALUE CONTINUED

SHORT-TERM TO MEDIUM-TERM FACTORS, NOTWITHSTANDING OUR PERFORMANCE IN THE LONG TERM, WHEN EXAMINED OVER APPROPRIATE LONGER INVESTMENT HORIZONS OF 10-YEAR TO 20-YEAR ROLLING PERIODS HAVE BEEN CONSISTENTLY DELIVERING INVESTMENT RESULTS THAT EXCEED THE CPI+4.5% TARGET.

INVESTMENT OUTLOOK

In the short to medium term the global low-returns environment will likely persist, with political and social uncertainty in the South African economy continuing to exert a strong influence on the domestic markets. We do see slightly improved prospects in global emerging markets and in some of China A, although in the short term the US-China trade war, which shows no sign of abating, will continue to be a limiting factor on any outperformance.



LOOKING AHEAD

Management actions as we look ahead will include a continued shift towards real assets (direct property and infrastructure assets) in order to:

- Earn a positive and inflation-sensitive return that exceeds the target of CPI+4.5% net of fees and taxes
- Lower the downside volatility of the overall portfolio
- Enhance the stability and the predictability of investment returns
- Better match the duration of the Fund's assets to its liabilities

We will also be strengthening our investment teams by attracting and retaining high-calibre staff across the three segments of the IMU:

- Investment Multi-Management team
- Private Markets team
- In-house Asset Manager

CREATING VALUE SUSTAINABLY

THE EPPF IS COMMITTED TO THE TRANSFORMATION OF SOUTH AFRICAN SOCIETY, AND TO THE PROCESS OF FOSTERING EQUAL ECONOMIC AND SOCIAL OPPORTUNITY FOR ALL. IN THIS, WE ARE COGNISANT OF THE GOVERNMENT'S NATIONAL DEVELOPMENT PLAN (NDP), AND HAVE BEEN PROACTIVE IN LEADING TRANSFORMATION IN THE INVESTMENT INDUSTRY SINCE 2012, WITH THE RESULT THAT WE WERE THE RECIPIENT IN 2017 OF THE ABSIP AWARD FOR THE MOST TRANSFORMED RETIREMENT FUND AND HAVE BEEN SHORTLISTED FOR THE SAME AWARD FOR 2019.

While our transformation initiatives encompass all areas of the Fund, the maximum impact on the investment industry asset management, private markets and stockbrokers is designed to be achieved through our B-BBEE policy for EPPF investments.

The EPPF has been selected by Principles for Responsible Investment (PRI) as one of the Leaders' Group due to its exemplary work in integrating responsible investing when selecting, appointing and monitoring external managers for its listed and unlisted asset classes.

In recognition of its efforts:

- The Fund was included in the inaugural PRI Leaders' Group during the PRI In-Person Conference held in Paris in 2019
- At the 30th NASP Pension and Financial Services conference in Baltimore (USA) on 24 June 2019, the Fund received the inaugural Obama-Mandela Bridge Builder Award

The PRI Leaders' Group 2019 showcases PRI signatories that demonstrate both a breadth of responsible investment excellence and that excel specifically in the 2019 theme: The selection, appointment and monitoring of external managers. The evaluation focused specifically on listed equity and private equity as these are the asset classes in which the PRI has the most developed work on identifying good industry practice, and is most able to support signatories.

During the year under review, 47 asset owner signatories were congratulated for being included in the PRI Leaders' Group 2019, in particular for their responsible investment work in the field of selecting, appointing and monitoring external managers in listed and/or private equity.

TRANSFORMATION BREAKFAST

The Fund has been hosting an annual Transformation Breakfast to review its overall progress in implementing transformation initiatives since 2012, and always with a specific emphasis on our initiatives since the previous event.

The platform seeks to bring together various pension funds and asset allocators as well as asset managers and stockbrokers to provide a shared perspective on the key trends and initiatives in the transformation of the investment industry.

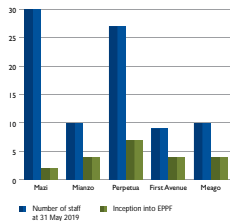
CREATING VALUE CONTINUED

Our stockbroking allocation policy, approved in March 2017, aims to grow the minimum allocation of brokerage to black stockbrokers from the threshold of 20% in 2017 to 40% in 2019. Accordingly, in respect of the Fund's activities, during the year under review:

- The manager development programme for asset managers in public markets was successful in supporting a number of black managers from start-up to maturation phases, with about 65% of domestic externally-managed assets being allocated to these managers
- The Fund is committed to allocating at least half of our Private Market to entities that are 51% black-owned

THE MANAGER DEVELOPMENT PROGRAMME IN PUBLIC MARKETS

Employment creation – graduated managers



SUCCESS OF THE INCUBATION PROGRAMME

The success of the Incubation Programme is evident in the:

- Performance of graduated managers
- Number of managers who have grown in size, since EPFF allocated them funds
- Creation of jobs and growing the number of investment professionals and black Chief Investment Officers (CIOs)
- Increased business stability and institutionalisation of governance and investment processes

PRIVATE MARKETS INCUBATION PROGRAMME

In 2018 the EPFF initiated a Private Markets Incubation Programme, approved by the Board, to incubate emerging black asset managers in the private markets asset class. Subsequently, in 2019 the Fund appointed Thuso Investment Partners to manage the programme.

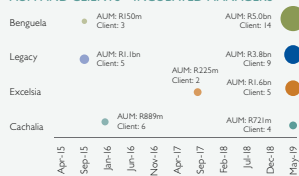
ASSET BREAKDOWN OF BLACK MANAGERS

	30 June 2019		
	Target allocation R'm	Current allocation R'm	%
Domestic external mandates		43 033	
Non-emerging black managers		14 994	34.8
Emerging black managers	4 303	11 823	27.5
Non-incubation managers	2 582	7 937	18.4
Incubation managers	1 721	3 886	9.0
Total assets of allocated managers		26 817	62.3

IMPACT INVESTING

Going forward, the Fund aims to step up its efforts in the area of impact investing through the implementation of an investing policy which will guide our investment decisions. This will enable the Fund to broaden its focus beyond financial returns to include social impact as an outcome of investment decisions.

AUM AND CLIENTS – INCUBATED MANAGERS



AUM AND CLIENTS – GRADUATED MANAGERS



PROTECTING VALUE

PROTECTING VALUE

THE BOARD OF FUND (THE BOARD) COMPRISES 14 TRUSTEES WITH THE NECESSARY SKILLS AND EXPERIENCE TO OVERSEE THE GOVERNANCE OF THE FUND'S BUSINESS. THROUGH DELEGATION TO MANAGEMENT, THE BOARD ENSURES DILIGENT, CONSIDERED ACTIONS ON THE PART OF THE EPPF IN PURSUIT OF ALL ITS STRATEGIC OBJECTIVES IN THE SHORT, MEDIUM AND LONG TERM.

OUR BOARD

The Board is constituted as follows:

- A non-executive Chairman appointed by Eskom, subject to the approval of the Board
- Six trustees appointed by Eskom, one of whom is deemed by Eskom to be an expert
- Two pensioner trustees elected by EPPF pensioners
- Five member trustees, elected by EPPF members, of whom at least two are non-bargaining unit members, with the remaining three being elected from the labour organisations recognised by Eskom to be representing employees, on the proviso that those labour organisations' elected trustees may not necessarily be members of the Fund

During the year under review, two new employer members were appointed to the Board:

- Ngoako Huma – appointed 12 November 2018
- Elias Masilela (Expert) – appointed 12 November 2018

Mantuka Maisela

Chairman

Employer Board Member – Independent

Appointed 1 June 2016

Post-graduate Diploma in Management (Wits); Master's Degree in Management (Wits); Production Management (Japan); Leadership Development Programme (Wharton Business School, USA)

Skills

Thirty-eight years' experience in HR management in diverse sectors; wide experience as board member and board committee member and chairperson in various organisations

Liza Brown

Employer Board Member

Appointed 6 June 2018

BProc (UP); Law School (UP); Post-graduate LLB (UP); Post-graduate Diploma in Contractual Drafting and Interpretation (UJ) (cum laude); Certificate in Project Management (UP)

Skills

Corporate legal and compliance specialist and legal advice; admitted to appear in the High Court of South Africa

Muvenda Khomola

Employer Board Member

Appointed 1 December 2016

Masters in Project Management (University of Pretoria); BCom Hons (Accounting) (University of Natal); Higher Diploma in Accounting (Wits); BCom (Economics) (Wits)

Skills

Shared services, finance managerial services in various sectors

Dr Cynthia Khumalo

Employer Board Member

Appointed 1 July 2017

Masters in Business Leadership (Unisa); PhD in Social Work (University of North West); MA Social Science (Mental Health) (Unisa); BA Social Science (Hons) (Unisa)

Skills

HR, transformation, women advancement, wellness

Mandla Maleka

Employer Board Member

Appointed 1 June 2016

MEcon (Economics) (University of Western Cape)

Member of the Institute of Directors of South Africa

Skills

Economics

Ngoako Huma

Employer Board Member

Appointed 12 November 2018

BCompt (Unisa); BComp Hons (CTA) (Unisa). Qualifying Board Exam Part II (SAICA)

Skills

Corporate strategy, implementation, reporting and performance, financial analysis, corporate planning

Elias Masilela

Employer Board Member – Independent Expert

Appointed 12 November 2018

BA Social Sciences, Economics and Statistics (University of Swaziland); MSc Economic Policy and Analysis: Money and Banking and International Economics (Addis Ababa University)

Skills

Public finance and external debt specialist, business economics, macroeconomic policy, stakeholder policy

Allen John Morgan

Member Board Member – Pensioner

Appointed 1 June 2016

BSc BEng Electrical (University of Stellenbosch); SA Professional Engineer – SPE; Management Development Programme (Unisa); Executive Development Programme (Wits); Electrical Engineers Certificate of Competency, Department of Labour (South Africa)

Skills

Non-executive directorships in diverse industries and sectors

Pauline Ndlela

Member Board Member – Bargaining Unit (NUMSA)

Appointed 1 June 2016

N3, N4, N5 and N6 Secretarial (Witbank Technical College); Programme in Project Management (PPM) (University of Pretoria), in progress

Skills

Clerical, technical

Khehla Shandu

Member Board Member – Non-Bargaining Unit

Appointed 1 June 2016

National Diploma: Electrical Engineering (H/C) (Mangosuthu Technikon); NHD: Electrical Engineering (H/C) (Natal Technikon); BTech in Electrical Engineering (H/C) (Technikon Witwatersrand); Certificate: Introduction to Corporate Governance (Unisa); MBA (Milpark Business School – Underwritten by Thames Valley University, UK); Certificate in Production/Operations Management (Intec College)

Skills

Operations, general management, production, shift supervision across various Eskom power stations

Deon Reyneke

Member Board Member – Bargaining Unit (Solidarity)

Appointed 2 March 2018

BProc (UP)

Skills

Member of the Institute of Directors of South Africa

Helen Diatile

Member Board Member – Bargaining Unit (NUM)

Appointed 1 June 2016

Certificate in Labour Studies (Technikon Natal); Diploma in Negotiation Skills (International Negotiation Academy); Advanced Diploma in Negotiation Skills (International Negotiation Academy); Call Centre Diploma (Quest Computer Skill Centre); Project Management Diploma (DaVince Institute of Development), in progress; Certificate in Management Studies (Management College of Southern Africa); Masters of Business Administration (Management College of Southern Africa)

Skills

Credit control, contact centre skills, treasury, education

Thembeke Flaviana Madlala

Member Board Member – Non-Bargaining Unit

Appointed 1 June 2016

Skills

Member of the Institute of Directors of South Africa

Ben Steyn

Member Board Member – Pensioner

Appointed 1 June 2016

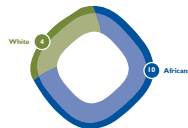
B Admin (University of the OFS); B Admin (Hons) (University of the OFS); MBA (Potchefstroom University); Accounting I, II and III (Unisa); Income Tax I (Unisa); Auditing II (Unisa); Certificate in Futures and Options (DePaul University Chicago, USA); Certificate in Financial Derivatives (London International Futures Exchange); Certificate in Financial Planning (Financial Planning Institute, UOFS); INSETA Executive Leadership Development (UCT); Archives Management (S.A. Archives Services); Interaction Management (Advanced Leadership Academy); Meeting Management (Business Education Systems); Sales Management (Advanced Leadership Academy)

Skills

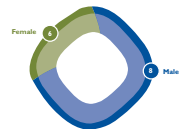
Nineteen years' experience in the retirement fund industry, 22 years' experience in administration, audit, treasury, HR across public and private sectors; diverse board membership

PROTECTING VALUE CONTINUED

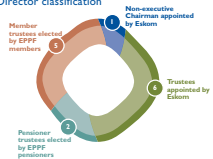
Equity diversity



Gender diversity



Director classification



Ms Mantuka Maisela
Chairman
Employer Board Member – Independent
Appointed 1 June 2016



Ms Helen Diatile
Member Board Member – Bargaining Unit (NUM)
Appointed 1 June 2016



Dr Cynthia Khumalo
Employer Board Member
Appointed 1 July 2017



Mr Elias Masilela
Employer Board Member – Independent Expert
Appointed 12 November 2018



Mr Deon Reyneke
Member Board Member – Bargaining Unit (Solidarity)
Appointed 2 March 2018



Ms Liza Brown
Employer Board Member
Appointed 6 June 2018



Mr Ngoako Huma
Employer Board Member
Appointed 12 November 2018



Ms Thembeke Madlala
Member Board Member – Non-Bargaining Unit
Appointed 1 June 2016



Mr Allen Morgan
Member Board Member – Pensioner
Appointed 1 June 2016



Mr Khehla Shandu
Member Board Member – Non-Bargaining Unit
Appointed 1 June 2016



Mr Muvenda Khomola
Employer Board Member
Appointed 1 December 2016



Mr Mandla Maleka
Employer Board Member
Appointed 1 June 2016



Ms Pauline Ndiela
Member Board Member – Bargaining Unit (NUMSA)
Appointed 1 June 2016



Mr Ben Steyn
Member Board Member – Pensioner
Appointed 1 June 2016

The Board acts at all times in the best interests of the EPPF and is ultimately responsible for its stewardship. Board members are appointed in terms of the Rules to direct, control and oversee the operations of the Fund in accordance both with applicable laws and the Rules, and its role consists of two fundamental elements: strategic decision-making and oversight.

- The decision-making function is exercised through the formulation, in collaboration with the management of the Fund, of fundamental policies and strategic goals and the approval of significant actions
- The oversight function concerns the review of the functioning of committees and Fund Management, the adequacy of systems and controls and the implementation of policies

In performing its role, the Board:

- Makes major policy decisions
- Approves strategy
- Delegates to the various Board committees in accordance with their terms of reference, as well as to the Chief Executive/Principal Officer (CE/PO) the authority and responsibility to run the day-to-day affairs of the Fund and to make further delegations if necessary
- Reviews the Board committees' and CE/PO's performance and effectiveness

TRUSTEE TRAINING

A number of initiatives, both local and international, were undertaken during the year under review in order to enhance the skills and experience of Board members.



TRUSTEE TRAINING 2019: LOCAL WORKSHOPS, SEMINARS, TRAINING AND CONFERENCES

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PROTECTING VALUE CONTINUED

TRUSTEE TRAINING 2019: INTERNATIONAL CONFERENCES

Trustee names and surnames	Current Investment Issues 7 Nov 2018 London	HR Summit 12 – 14 Nov 2019 Dubai	Pension Fund Alternative Investments Africa Conference 2 – 21 Mar 2019 Mauritius	CFA Conference 12 – 15 May 2019 London	International Pension Employee Benefits Lawyers Association 20 – 23 May 2019 Portugal	14 th Annual Pensions Africa Summit 2019 25 – 27 Jun 2019 Livingston, Zambia	Society for HR Annual Conference 23 – 26 Jun 2019 Las Vegas, USA	30 th Annual Pension and Financial Service Conference 24 – 26 Jun 2019 Baltimore, Maryland, USA
Ms Mantuka Maisela			*	*				*
Ms Liza Brown					*			
Ms Helen Diatile								
Mr Ngoako Huma							*	
Mr Muvenda Khomola			*				*	
Dr Cynthia Khumalo		*						
Ms Thembeke Madlala								
Mr Mandla Maleka				*				
Mr Elias Masilela				*				
Mr Allen Morgan	*							
Ms Poppy Ndiela						*		
Mr Deon Reyneke		*						
Mr Khehla Shandu						*		
Mr Ben Steyn								

OUR GOVERNANCE STRUCTURE

The Board has established six committees to assist it with managing its affairs in a structured way.

Each committee operates within the ambit of its defined terms of reference and delegated authority as approved by the Board who reviews the performance and effectiveness of these committees on a continuous basis.

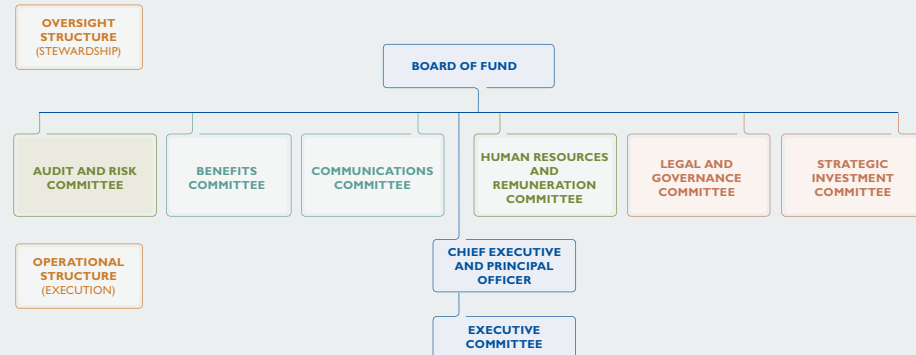
- Audit and Risk Committee
- Benefits Committee

- Communications Committee
- Human Resources and Remuneration Committee
- Legal and Governance Committee
- Strategic Investment Committee

These committees are responsive to the nature of the Fund's business, and help advance the Fund's business efficiently. The Board approves their terms of reference, duration, role and function.

The duties and responsibilities of the members of the committees are in addition to those duties and responsibilities that they have as Board members.

Deliberations of the committees do not reduce the individual and collective responsibilities of the trustees with regard to their fiduciary duties and responsibilities, and they continue to exercise due care and judgement in accordance with their legal obligations.



PROTECTING VALUE CONTINUED

OUR BOARD COMMITTEES

AUDIT AND RISK COMMITTEE (ARC)

- THE ARC COMPRISES SIX TRUSTEES, INCLUDING THE CHAIRPERSON
- FIVE ARC MEETINGS WERE HELD DURING THE YEAR UNDER REVIEW

Responsibilities:

The committee is responsible for safeguarding the Fund assets, monitoring the operation of systems and controls, reviewing financial information and preparing annual financial statements. It reviews the activities of Internal Audit, the function of which has been outsourced.

In addition, the ARC evaluates the independence, objectivity and effectiveness of the external and internal auditors, and reviews accounting and auditing concerns identified by the External and Internal Audit.

The committee also assumes the responsibility for the governance of the Fund's IT, aligning it with the performance and sustainability objectives of the Fund.

Membership

Mr D M Maleka (Chairperson)
Mr N Huma
Mr M R Khomola
Mr E Masilela
Mr A J Morgan
Mr N K Shandu

Focus areas 2019

- Development of enterprise architecture and target operating model (TOM)
- Development of an IT blueprint and roadmap
- Overseeing the management of key IT risks
- Embedding the Combined Assurance Model
- Overseeing the effectiveness of the internal control environment

Focus areas FY2020

- Overseeing the implementation of the pension administration system (PAS) as a cornerstone of the IT roadmap
- Ensuring improved compliance with laws, regulations and the Fund Rules
- Overseeing the development of key actuarial position papers relating to smoothing of interest, pensioner bonus and administrative charges on deferred balances
- Compliance with King IV
- Overseeing the effectiveness of the internal control environment

BENEFITS COMMITTEE (BC)

- THE BC COMPRISES SIX TRUSTEES, INCLUDING THE CHAIRPERSON
- SEVEN BC MEETINGS WERE HELD DURING THE YEAR UNDER REVIEW

Responsibilities:

The committee is responsible primarily for overseeing the investigation of, and recommending to the Board, transactions in terms of section 37C of the PFA; rules related to the disposition of death benefits; applications for life-long pensions and ill-health retirements as recommended by the medical panel and in terms of the Rules of the Fund; the allocation of disability benefits; applications for Section 14 Transfers from other funds; the establishment of installment lump-sum accounts for major and minor beneficiaries; the determination of pension benefits; and the suspension of pension payments.

Membership

Mr N K Shandu (Chairperson)
Dr C T Khumalo
Ms T F Madlala
Ms P Ndlela
Mr D Reyneke
Mr B I Steyn

Focus areas 2019

- Section 37C benefit installment lump sums
- Ill-health benefits
- Communication status
- Illegibility of membership
- Independent assurance of membership

Focus areas FY2020

- Section 37C benefit installment lump sums
- Ill-health benefits
- Communication status
- Illegibility of membership
- Independent assurance of membership

COMMUNICATIONS COMMITTEE (CC)

- THE CC COMPRISES FIVE TRUSTEES, INCLUDING THE CHAIRPERSON
- ONE CC MEETING WAS HELD DURING THE YEAR UNDER REVIEW

The Board approved the constitution of the CC and the appointment of its members at its meeting of 15 March 2019.

Responsibilities:

The CC is responsible for oversight of the effectiveness of the Fund's communication activities by:

- Overseeing the review of all communication policies and the communication strategy of the Fund, and making recommendations to the Board for approval
- Overseeing the implementation of the Fund's communication strategy and activities
- Considering management's reports on progress with, and processes regarding communication with stakeholders in alignment with the communication strategy, reporting any deviations and making further recommendations to the Board
- Considering and reviewing press releases relating to Board matters, and identifying relevant matters for action
- Noting press releases relating to Fund matters released by the CE/PO or his/her delegate
- Considering any ad hoc Fund communication issues referred to it by the Board or of any of its committees, or emanating from its own monitoring processes

Membership

Mr B I Steyn (Chairperson)
Ms L Brown
Ms H Dlatle
Ms T F Madlala
Ms P Ndlela

Focus areas 2019

- Approval of the Integrated Communications Strategy
- Implementation of roll-out plan with strategic initiatives
- Establishment of social media and communications policy

Focus areas FY2020

- Brand and reputation management
- Member communication and education enhancement
- Strategic communication
- Stakeholder engagement

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

- FIVE HRRC MEETINGS WERE HELD DURING THE YEAR UNDER REVIEW

The Board approved the constitution of the HRRC and the appointment of its members at its meeting of 15 March 2019.

Responsibilities:

The HRRC is responsible for:

- Approving HR policies and strategies and monitoring compliance with all relevant legislation, statutory requirements and best corporate practice
- Determining Executive Management's remuneration and the remuneration policy framework, and making recommendations to the Board in this regard
- Ensuring that Executive Management's remuneration policy and practices are in accordance with best corporate practice

Membership

Dr C T Khumalo (Chairperson)
Ms H Dlatle
Mr N Huma
Ms J M Masilela
Mr D Reyneke

Focus areas 2019

- Positioning the Fund as an employer of choice
- Embedding talent management
- New ways of work
- Leadership development
- Total rewards strategy

Focus areas FY2020

- Leadership development
- Embedding talent management
- Employee engagement and culture
- Building a learning and agile organisation
- Organisational effectiveness

PROTECTING VALUE CONTINUED

OUR BOARD COMMITTEES CONTINUED

LEGAL AND GOVERNANCE COMMITTEE (LGC)

- THE LGC COMPRISES FIVE TRUSTEES, INCLUDING THE CHAIRPERSON
- FOUR LGC MEETINGS WERE HELD DURING THE YEAR UNDER REVIEW

Responsibilities:

The LGC is responsible for exercising an oversight role over the legal and governance affairs of the Fund in accordance with the Fund Rules and statutory requirements.

Membership

Ms L Brown (Chairperson)
Mr M R Khomola
Ms T F Madlala
Ms P Ndiela
Mr D Reyneke

Focus areas 2019	Focus areas FY2020
<ul style="list-style-type: none"> • Rules amendments • Default Regulations • Membership eligibility and regularisation • Governance framework • Protection of Personal Information Act (POPIA) readiness • PFA matters • Key litigation activities 	<ul style="list-style-type: none"> • King IV • All PFA matters • Membership eligibility and regularisation • Key litigation activities

STRATEGIC INVESTMENT COMMITTEE (SIC)

- THE SIC COMPRISES SIX TRUSTEES (INCLUDING THE CHAIRPERSON) AND FIVE EXTERNAL EXPERTS
- FIVE SIC MEETINGS WERE HELD DURING THE YEAR UNDER REVIEW

Responsibilities:

The key responsibility of the SIC is to attend to the investment affairs of the Fund in accordance with the Fund Rules, Investment Policy Statement and the relevant statutory requirements such as Regulation 28 of the Pension Funds Act No 24 of 1956.

Membership

Mr E Masilela (Chairperson)
Mr N Huma
Mr M R Khomola
Mr D M Maleka
Ms J M Masela
Mr A J Morgan

Focus areas 2019	Focus areas FY2020
<ul style="list-style-type: none"> • Asset liability modelling and development of Investment Policy Statement • Monitoring of strategic asset allocation (SAA) execution • Asset manager selection • Monitoring of investment portfolio performance • Implementation of transformation strategy • Responsible investing 	<ul style="list-style-type: none"> • Environmental Social Governance (ESG) policy • Impact investing • Asset liability modelling and development of investment policy statement (IPS) • Monitoring of SAA execution • Asset manager selection • Monitoring of investment portfolio performance • Implementation of transformation strategy • Responsible investing

BOARD OF TRUSTEES MEETING ATTENDANCE – 1/7/2018 TO 30/6/2019

Name	2/8/2018 Rules workshop	3/8/2018 breakaway	3/8/2018 Special meeting	7/9/2018 Scheduled meeting	19/11/2018 Scheduled meeting	20/11/2018 Scheduled meeting	16/11/2019 Special meeting	31/1/2019 Workshop	14/2/2019 Workshop	15/3/2019 Scheduled meeting	7/6/2019 Scheduled meeting
J M Masela	x	x	x	x	x	x	x	x	x	x	x
L Brown	x	x	x	x	x	x	x	x	x	x	x
H Diatile	o	o	o	x	x	x	x	o	o	x	o
N Huma							x	x	x	x	x
M R Khomola	x	x	x	x	x	x	o	x	x	x	x
C T Khumalo	x	o	o	x	x	o	x	x	x	x	x
T F Madlala	o	o	o	x	x	x	x	x	x	x	x
D M Maleka	x	x	x	x	x	x	x	x	x	x	x
E Masilela						x	Teleconference	x	x	x	x
A J Morgan	x	x	x	x	x	o	x	x	o	x	o
M Naidoo	x	x	x	o	Resigned 30/9/2018						
P Ndiela	x	x	x	o	x	x	x	x	x	x	x
D Reyneke	o	o	o	o	o	o	o	o	x	o	x
N K Shandu	x	x	x	x	x	x	x	x	x	x	x
B I Steyn	x	x	x	x	x	x	x	x	x	x	x

LEGEND:

X – Attended
O – Non-attendance

PROTECTING VALUE CONTINUED

OUR EXECUTIVE COMMITTEE (EXCO)

The Exco comprises the CE, CFO, CIO, the Head of RFO, the Head of Legal and Corporate Secretariat, the Head of IT, the Head of Risk and Compliance and the Head of HR.

The Exco is chaired by the CE and meetings are held on a monthly basis with ad hoc meetings called when necessary.

The Exco assists the CE in exercising executive oversight and is also responsible for ensuring the effective management of the daily operations of the Fund.

Eleven Exco meetings, excluding ad hoc and special meetings, were held during 2019.



Mr Shafeeq Abrahams
Acting Chief Executive and Principal Officer
Chartered Accountant (SA),
Masters in Business Leadership,
BCompt Honours in Accounting,
Mr Abrahams joined the EPFF on
1 September 2018



Mr Ayanda Gaqa
Head of Risk and Compliance
BTech Internal Audit, Postgraduate
Diploma in Financial Planning, Certified
Financial Planner®, Compliance Practitioner,
Certified Fraud Examiner
Mr Gaqa joined the Fund in July 2007



Ms Thelma Melk
Head of Legal and Corporate Secretariat
Bachelor of Law (National University of
Lesotho), LLB (National University of
Lesotho), Certificate in Municipal Finance
(Wits Business School), Certificate in
Corporate Governance (University of
Johannesburg)
Ms Melk joined the Fund in April 2018



Mr Ndabezihle Mkhize
Chief Investment Officer
BSc in Actuarial Science, Chartered
Financial Analyst (CFA), Chartered
Alternative Investment Analyst (CAIA)
Mr Mkhize joined the Fund in May 2014



Ms Shyless Nkuna
Head of Human Resources
Master of Commerce in Business
Management, BA (Hons) Psychology
BA (Psychology), Registered Psychometrist
(Health Professions Council of
South Africa)
Ms Nkuna joined the Fund in April 2017



Mr Kishore Joey Sankar
Head of Retirement Fund Operations
Master of Information Technology, BCom
in Management, Prince 2 and Information
Technology Infrastructure Library
(ITIL) Practitioner
Mr Sankar joined the Fund in July 2014



Mr Stephen Varndell
Acting Chief Financial Officer
CA(SA), Bachelor of Accounting Science
(Hons), BCom, Certificate in International
Financial Reporting Standards
Mr Varndell joined the Fund in 2007



Vacant
Head of Information Technology



SUMMARISED ANNUAL FINANCIAL STATEMENTS

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APPROVAL OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

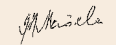
The summarised annual financial statements of Eskom Pension and Provident Fund are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund, provide reasonable assurance that:

- the Fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The summarised annual financial statements set out on pages 76 to 89 have been prepared for communication purposes with limited disclosure compared to the regulatory financial statements that are compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa. The regulatory financial statements have been prepared for reporting to the Financial Sector Conduct Authority. The summarised annual financial statements set out on pages 76 to 89 have been prepared in accordance with the criteria as set out in Note I.1 of the notes to the summarised annual financial statements.

The independent auditors, PricewaterhouseCoopers Inc, have reported on the regulatory financial statements, in the course of executing their statutory duties. They have been given unrestricted access to all financial records and related data, including minutes of all relevant meetings. In addition, the independent auditors reported on whether the summarised annual financial statements are derived from the regulatory financial statements. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors on the summarised annual financial statements is presented on page 74.

The summarised annual financial statements of the Fund set out on pages 76 to 89 were approved by the Board of Fund. The summarised annual financial statements have been signed by the Chairman and two Board members on behalf of the Board.



Ms Mantuka Maisela
Chairman

22 November 2019



Mr Mandla Maleka
Employer Trustee

22 November 2019



Mr Khehla Shandu
Member Trustee

22 November 2019

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2019

I confirm that for the year under review the Eskom Pension and Provident Fund has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and, to the best of my knowledge, all applicable legislation.



Ms Linda Mateza
Principal Officer

22 November 2019

AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED ANNUAL FINANCIAL STATEMENTS TO THE BOARD OF FUND OF ESKOM PENSION AND PROVIDENT FUND

OPINION

The summarised annual financial statements of Eskom Pension and Provident Fund, set out on pages 76 to 89, which comprise the statement of net assets and funds as at 30 June 2019, the statement of changes in net assets and funds for the year then ended, and related notes, are derived from the audited regulatory annual financial statements of Eskom Pension and Provident Fund (the "Fund") for the year ended 30 June 2019.

In our opinion, the accompanying summarised annual financial statements are consistent, in all material respects, with the audited regulatory annual financial statements, in accordance with the basis described on page 78 to 83 as applicable to summarised annual financial statements.

SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised annual financial statements do not contain all the disclosures required by the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act as applicable to audited regulatory annual financial statements. Reading the summarised annual financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited regulatory annual financial statements and the auditor's report thereon. The summarised annual financial statements and the audited regulatory annual financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited regulatory annual financial statements.

THE AUDITED REGULATORY FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited regulatory annual financial statements in our report dated 29 November 2019. That report also included a Report on Other Legal and Regulatory Requirements which made reference to non-compliance with laws and regulations as reported in the Statement of Responsibility by the Board of Fund and a reportable irregularity we reported in terms of the Auditing Profession Act.

BOARD OF FUND'S RESPONSIBILITY FOR THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The Board of Fund is responsible for the preparation of the summarised annual financial statements in accordance with the basis described on page 78 to 83.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised annual financial statements are consistent, in all material respects, with the audited regulatory annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: **Clinton Mitchelson**

Registered Auditor

Johannesburg

24 December 2019

REPORT OF THE VALUATOR

FOR THE YEAR ENDED 30 JUNE 2019

PARTICULARS OF FINANCIAL CONDITION OF THE FUND AS AT 30 JUNE 2019

An annual actuarial valuation was carried out as at 30 June 2019. In respect of this valuation, I can comment as follows:

1. The fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund – R143 699 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R143 395 million.
3. The actuarial present value of promised retirement benefits – R104 926 million vested, and R0 non-vested.
4. Contingency reserve account balances – R20 233 million.
5. The projected unit credit method was adopted for the valuation, which is unchanged from the method used at the last valuation. The contingency reserves comprise a solvency reserve calculated as the estimated additional amount required, to the extent that sufficient assets are available, to ensure that the liabilities and assets can be matched on a substantially risk-free basis, a contribution reserve equal to the expected present value of the future contribution shortfall for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve. An additional provision was made to fund in advance for the annual pensioner bonus in respect of current pensioners.
6. The key financial assumptions are that investment returns will exceed salary inflation by 4.50% per annum (4.50% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 6.50% per annum (6.90% at the previous valuation). The yield used to calculate the solvency reserve was equal to the assumed yield on index-linked bonds at the valuation date, adjusted for real salary increases and asset management fees. The approach is unchanged from the previous valuation.
7. Members contribute at 7.3% of pensionable salaries and the employers contribute 13.5%. There is a contribution shortfall relative to the fixed contribution rate payable in terms of the rules. At the valuation date this shortfall amounted to 0.66% of pensionable salaries (compared with a 0.72% surplus at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2019 for the purposes of the Pension Funds Act, 1956.

Prepared by me:



Liesel V Ryan

Valuator

Fellow of the Actuarial Society of South Africa

In my capacity as the valuator of the Fund and as an Associate of Towers Watson (Pty) Ltd, a Willis Towers Watson company.

26 November 2019

STATEMENT OF NET ASSETS AND FUNDS

AS AT 30 JUNE 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		144 663 160	140 681 360
Plant and equipment	2	6 817	3 156
Investments	3	144 656 343	140 678 204
Current assets		580 846	524 580
Accounts receivable		255 918	236 732
Arrear contributions	5	301 108	271 310
Cash at bank		23 820	16 538
Total assets		145 244 006	141 205 940
FUNDS, SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		123 422 976	117 148 574
– Normal retirement		116 861 631	110 551 199
– Additional voluntary contribution scheme		645 494	636 313
– Performance bonus scheme		5 915 851	5 961 062
Total reserves			
Reserve accounts		20 233 000	22 524 000
Total funds and reserves		143 655 976	139 672 574
Non-current liabilities			
Unclaimed benefits		191 962	186 042
Current liabilities		1 396 068	1 347 324
Benefits payable	4	1 222 458	1 262 244
Accounts payable		123 017	44 463
Accruals		50 593	40 617
Total funds and liabilities		145 244 006	141 205 940

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Normal retirement R'000	Additional voluntary contribution scheme R'000	Performance bonus scheme R'000	Accumulated funds R'000	Reserve accounts refer note 19 R'000	Total 2019 R'000	Total 2018 R'000
Contributions received and accrued	5	3 669 030	43 990	93 847	3 806 867	–	3 806 867	3 792 860
Net investment income	6	6 023 328	–	–	6 023 328	–	6 023 328	9 013 351
Allocated to unclaimed benefits		(9 479)	–	–	(9 479)	–	(9 479)	(15 091)
Other income	7	27 088	–	–	27 088	–	27 088	18 806
Less:								
Administration expenses		(260 993)	–	–	(260 993)	–	(260 993)	(207 267)
Net income before transfers and benefits		9 448 974	43 990	93 847	9 586 811	–	9 586 811	12 602 659
Transfers and benefits		(5 063 191)	(59 162)	(446 906)	(5 569 259)	–	(5 569 259)	(4 957 978)
Transfer from other funds		–	61	–	61	–	61	6 334
Transfer to other funds		(398 650)	–	–	(398 650)	–	(398 650)	(257 429)
Benefits	4	(4 664 541)	(59 223)	(446 906)	(5 170 670)	–	(5 170 670)	(4 706 883)
Net (loss)/income after transfers and benefits		4 385 783	(15 172)	(353 059)	4 017 552	–	4 017 552	7 644 681
Funds and reserves								
Balance at the beginning of the year		110 551 199	636 313	5 961 062	117 148 574	22 524 000	139 672 574	132 027 893
Prior period adjustments		(34 150)	–	–	(34 150)	–	(34 150)	–
Transfers between reserve accounts		2 341 004	(8 960)	(5 943)	2 291 000	(2 291 000)	–	–
Investment return allocated								
Current members		(347 104)	33 313	313 791	–	–	–	–
Balance at the end of the year		116 861 631	645 494	5 915 851	123 422 976	20 233 000	143 655 976	139 672 574

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2019

I. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund. These policies have been applied consistently to all years presented, unless otherwise specifically stated.

I.1 PURPOSE AND BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the provisions of the Pension Funds Act.

The annual financial statements are prepared on the historical cost and going concern basis, except where specifically indicated in the accounting policies below:

I.2 PLANT AND EQUIPMENT

The Fund carries assets classified as plant and equipment at historical cost less accumulated depreciation and impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of changes in net assets and funds during the financial period in which they are incurred.

Assets are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

The periods of depreciation used are as follows:

	Years
Motor vehicles	5
Furniture and fittings	5
Office equipment	5
Computer equipment	2-3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of net assets and funds date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in statement of changes in net assets and funds on disposal.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment losses are recognised.

Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining the net surplus or deficit.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

I.3 FINANCIAL INSTRUMENTS

Measurement

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of any other entity. A financial asset or a financial liability is recognised when its contractual arrangements become binding and is derecognised when the contractual rights to the cash flows of the instrument expire or when such rights are transferred in a transaction in which substantially all risks and rewards of ownership of the instrument are transferred.

Financial instruments carried on the statement of net assets and funds, include cash and bank balances, investments, receivables and accounts payable.

Financial instruments are initially measured at cost as of trade date, which includes transaction costs.

Profit or loss on the sale/redemption of investments are recognised in the statement of changes in net assets and funds at transaction date.

Subsequent to initial recognition, these instruments are measured as set out below.

I.3.1 Investments

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Bills and bonds

Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted bills and bonds

A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied, using the determined yield, in order to calculate the fair value.

Investment property

A property held for long-term yields or capital appreciation that is classified as investment property. Investment properties comprise freehold land and buildings and are carried at fair value.

Investment properties are reflected at valuation on the basis of open-market fair value at the statement of net assets and funds date. If the open-market valuation information cannot be reliably determined, the Fund uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets for transactions of a similar nature. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

The open-market fair value is determined annually by independent professional valuers.

Changes in fair value are recorded by the Fund in the statement of changes in net assets and funds.

Equities

Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE, foreign listed equities and unlisted equities.

Equity instruments designated as fair value through the statement of changes in net assets and funds by the Fund are initially recognised at fair value on trade date.

Listed equities

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted equities

If a quoted closing price is not available, i.e. for unlisted instruments, the fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of equity instruments.

Private equity

Private equity investments are investments in equity capital that are not quoted on a public exchange. Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Preference shares

Listed preference shares

Preference shares are shares of a company's stock with dividends that are paid out to shareholders before ordinary stock dividends are issued. Preference shares have some of the characteristics of debt and equity. They behave like equity shares in that their prices can climb over time as they are traded, but are similar to debt because they pay investors fixed returns in the form of preference dividends. They are subsequently measured at fair value.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED AS AT 30 JUNE 2019

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I.3 FINANCIAL INSTRUMENTS (CONTINUED)

I.3.1 Investments (continued)

Insurance policies

Non-linked insurance policies

Non-linked insurance policies with insurers are valued on the basis of the policyholder's retrospective contribution to assets (i.e. accumulation at the actual investment return achieved on gross premiums).

Linked or market-related policies

If the policy is unitised, the value is equal to the market value of the underlying units. Other linked or market-related policies are valued at the market value of the underlying assets for each policy, in line with the insurer's valuation practices.

Collective investment scheme

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the Rules of each particular collective investment scheme, multiplied by the number of units.

Exchange traded funds

Investments in exchange traded funds are valued at fair value which is the quoted unit values, as derived by the exchange-traded fund scheme administrator with reference to the Rules of each particular fund, multiplied by the number of units.

Derivative market instruments

Derivative market instruments consist of interest rate swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) based on a valuation technique whose variables include only data from observable markets.

Swaps

Swaps are valued by means of discounted cash flow models, using the swap curve from a regulated exchange (BESA) to discount fixed and variable rate cash flows, as well as to calculate implied forward rates used to determine the floating interest rate amounts. The net present values of the fixed leg and variable leg of the swap are offset to calculate the fair value of the swap.

Investment in participating employers

Investments in participating employer(s) comprise debt securities (bills and bonds).

Hedge funds

Hedge fund investments are designated as fair value through the statement of changes in net assets and funds by the Fund and are initially recognised at fair value on trade date.

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. Hedge funds tend to be listed funds. The fair value of hedge fund investments traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

I.3.2 Accounts receivable

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

I.3.3 Cash and cash equivalents

Cash and equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

I.3.4 Accounts payable

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortised cost using the effective interest rate method.

I.4 RESERVES

Reserve accounts comprise particular amounts of designated income and expenses as set out in the Rules of the Fund and are recognised in the year in which such income and expenses accrue to the Fund.

I.5 PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND ACCRUALS

Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Contingent liabilities

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Accruals

Accruals are recognised when the Fund has earned income or incurred an expense as a result of a past event or constructive obligation and an inflow or outflow of economic benefits is certain and a reliable estimate of the amount can be made.

I.6 CONTRIBUTIONS

Contributions are measured at the fair value of the consideration received or receivable.

Contributions are accrued and recognised as income in accordance with the Rules of the Fund. Contributions received are applied to fund benefits due in terms of the Rules, and to meet expenses of the Fund. The allocation of contributions towards expenses is governed by the Rules of the Fund and actuarial recommendations.

Voluntary contributions are recognised when they are received from annual payments or accrued where monthly recurring payments are made.

Any contributions outstanding at the end of the reporting year are recognised as a current asset – contribution receivable. Any contributions received in advance at the end of the reporting year are recognised as a current liability – accounts payable.

I.7 NET INVESTMENT INCOME

Net investment income comprises dividends, interest, rentals, collective investment schemes – distribution, income from policies with insurance companies and adjustment to fair value.

Dividends

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS
CONTINUED AS AT 30 JUNE 2019

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I.7 NET INVESTMENT INCOME (CONTINUED)

Interest

Interest income in respect of financial assets held at amortised cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Rentals

Rental income is accounted for in the statement of changes in net assets and funds on a straight-line basis over the period of the rental agreement. Property expenses are recognised in the statement of changes in net assets and funds under net investment income.

Collective investment schemes' distribution

Distribution from collective investment schemes are recognised when the right to receive payment is established.

Income from policies with insurance companies

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

Interest on late payment of contributions and/or loans and receivables

Interest on late payment of contributions and/or loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Adjustment to fair value

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets and funds are presented in the statement of changes in net assets and funds in the year in which they arise.

Expenses incurred in managing investments

Expenses in respect of managing investments are recognised as the service is rendered to the Fund.

I.8 BENEFITS

Benefits payable and pensions are measured in terms of the Rules of the Fund.

Benefit payments and monthly pension payments are recognised as an expense when they are due and payable in terms of the Rules of the Fund. Any benefits not paid at the end of the reporting year are recognised as a current liability – benefits payable.

I.9 UNCLAIMED BENEFITS

Benefits which remain outstanding for a period of 24 months or more are classified from benefits payable to unclaimed benefits. Interest is allocated to unclaimed benefits in terms of the Rules of the Fund.

I.10 TRANSFERS TO AND FROM THE FUND

Section 14s and 15B transfers to or from the Fund are recognised on the date of approval of the scheme/arrangement of transfer of business by the Financial Services Conduct Authority, as contained in the approval certificate from the Registrar.

Individual transfers (section 13A(5) transfers) are recognised on the earlier of receipt of the written notice of transfer (recognition of transfer) or receipt of the actual transfer value.

All the above transfers are measured at the values as per the section 14 application or the value of the transfer at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

Any known transfer payable outstanding at the end of the reporting period is recognised as a current liability – transfers payable.

I.11. ADMINISTRATION EXPENSES

Expenses incurred in the administration of the Fund are recognised in the statement of changes in net assets and funds in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year, the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

I.12. RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund discloses the nature of the related party relationship as well as the following information for each related party relationship:

- The amount of the transactions
- The amount of outstanding balances
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement
- Details of guarantees given or received
- Provisions for doubtful debts related to the amount of outstanding balances
- The expense recognised during the year in respect of bad or doubtful debts due from related parties

I.13. ACCOUNTING POLICIES, CHANGE IN ACCOUNTING ESTIMATES AND ERRORS

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognised in the current and future years affected by the change.

I.14. IMPAIRMENT

Asset impairment tests are applied annually to assets whose measurement basis is historical cost as adjusted for revaluations. An impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. Impairment losses are initially adjusted against any applicable revaluation reserve then expensed in the statement of changes in net assets and funds.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less cost of disposal. Value in use is the present value of estimated future cash flows expected to flow from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset subsequently exceeds the carrying value resulting from the application of its accounting policy, an impairment reversal is recognised to that extent. The impairment reversal is applied in reverse order to the impairment loss.

I.15. RETURNS ALLOCATED TO SCHEMES

Interest allocated to the additional voluntary contribution and performance bonus schemes is at rates determined by the Board of Fund on the advice of the actuary. No expenses are presently allocated to these schemes as the Rules of the Fund do not currently cater for this.

I.16. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of changes in net assets and funds on a straight-line basis over the period of the lease.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED AS AT 30 JUNE 2019

2. PLANT AND EQUIPMENT

2.1 CURRENT YEAR

	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Gross carrying amount					
Cost at beginning of year	7 925	129	5 052	308	13 414
Additions	2 895	711	1 844	–	5 450
Other movements	(947)	(68)	(606)	–	(1 621)
At end of year	9 873	772	6 290	308	17 243
Accumulated depreciation and impairment					
At beginning of year	(6 637)	(96)	(3 217)	(308)	(10 258)
Depreciation charges	(1 138)	(69)	(1 111)	–	(2 318)
Other movements	1 068	43	1 039	–	2 150
At end of year	(6 707)	(122)	(3 289)	(308)	(10 426)
Net carrying amount at end of year	3 166	650	3 001	–	6 817

2.2 PRIOR YEAR

Gross carrying amount					
At beginning of year	13 379	112	4 374	308	18 173
Additions	714	25	678	–	1 417
Disposals	(65)	(8)	–	–	(73)
Other movements	(6 103)	–	–	–	(6 103)
At end of year	7 925	129	5 052	308	13 414
Accumulated depreciation and impairment					
At beginning of year	(5 477)	(77)	(2 448)	(267)	(8 269)
Depreciation charges	(1 215)	(19)	(765)	(41)	(2 040)
Accumulated depreciation on disposals	55	–	–	–	55
Other movements	–	–	(4)	–	(4)
At end of year	(6 637)	(96)	(3 217)	(308)	(10 258)
Net carrying amount at end of year	1 288	33	1 835	–	3 156

3. INVESTMENTS

3.1 INVESTMENT SUMMARY

	Local R'000	Foreign R'000	Total 2019 R'000	Total 2018 R'000
Cash (including cash at bank)	5 251 816	3 236 335	8 488 151	8 266 490
Debt instruments including Islamic debt instruments	25 285 366	25 328	25 310 694	23 423 326
Investment and owner occupied properties	119 000	–	119 000	123 500
Equities (including demutualisation shares)	61 572 565	27 984 524	89 557 089	86 328 904
Collective investment schemes	–	13 106 091	13 106 091	15 188 956
Hedge funds	971 409	–	971 409	834 541
Private equity funds	2 754 961	1 943 998	4 698 959	4 177 125
Derivative market instruments	6 236	–	6 236	5 864
Investments in participating employers	2 398 714	–	2 398 714	2 329 498
Total	98 360 067	46 296 276	144 656 343	140 678 204

4. BENEFITS

4.1 BENEFITS – CURRENT MEMBERS

	A At beginning of year R'000	B Benefits for current period R'000	C Return allocated R'000	D Payments R'000	E Transferred to unclaimed benefits R'000	A+B+C–D–E At end of year R'000
Monthly pensions	49 611	3 256 153	–	(3 234 609)	–	71 155
Lump sums on retirements – Pensions commuted	239 719	909 040	–	(979 300)	–	169 459
Lump sums before retirement – Death and disability benefits	150 249	121 545	–	(102 821)	(4 743)	164 230
– Withdrawal benefits	280 662	684 362	–	(709 677)	(12 773)	242 574
Divorce – benefits	13 608	131 907	–	(127 294)	–	18 221
Instalment lump sums	528 395	38 355	29 308	(39 239)	–	556 819
Total	1 262 244	5 141 362	29 308	(5 192 940)	(17 516)	1 222 458
Benefits for current year (B)						5 141 362
Return allocated (C)						29 308
Statement of changes in net assets and funds						5 170 670

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED AS AT 30 JUNE 2019

5. CONTRIBUTIONS

	At beginning of year R'000	Towards retirement R'000	Contributions received R'000	At end of year R'000
Member contributions received and accrued	94 010	1 286 754	(1 276 258)	104 506
Employer contributions received and accrued	173 961	2 382 276	(2 363 345)	192 892
Additional voluntary contributions – members	3 339	43 990	(43 619)	3 710
Performance bonus scheme member contributions	–	32 934	(32 934)	–
Performance bonus scheme employer contributions	–	60 913	(60 913)	–
Total	271 310	3 806 867	(3 777 069)	301 108
Towards retirement				3 806 867
Towards reinsurance and expenses				–
Statement of changes in net assets and funds				3 806 867

6. NET INVESTMENT INCOME

	2019 R'000	2018 R'000
Income from investments	4 894 666	4 643 889
<ul style="list-style-type: none"> Dividends Interest Rentals 	3 343 066 1 548 195 3 405	2 956 253 1 684 654 2 982
Profit on sale/redemption of investments	30 562 012	29 441 595
Loss on sale/redemption of investments	(27 366 748)	(22 220 339)
Fair value adjustment on investments	(1 545 343)	(2 338 045)
	6 544 587	9 527 100
Less: Expenses incurred in managing investments	(521 259)	(513 749)
Total	6 023 328	9 013 351

7. OTHER INCOME

Securities lending fees	27 088	18 806
Total	27 088	18 806

8. RELATED PARTY TRANSACTIONS

During the current financial period, 30% of the Chief Executive's remuneration amounting to R2 092 000 (2018: R2 330 000) was allocated to his/her duties as the Principal Officer.

The Employer appointed Board members of the Fund to make contributions to the Fund and receive benefits in line with the Rules of the Fund.

During the financial year, trustee remuneration and related expenses amounting to R8.8 million (2018: R6.6 million) were incurred in respect of all trustees. The employer-appointed trustees' and outside experts' remuneration was paid to the employer up until end October 2018, and thereafter paid to the individual trustees.

The following transactions between the participating employers and the Fund occurred during the year:

- The participating employers made contributions to the Fund for members' retirement to the value of R2.4 billion (2018: R2.4 billion) and refunded R542 million medical aid contributions for pensioners
- The Fund holds investments in the participating employer to the value of R2.4 billion (2018: R2.3 billion)
- The participating employers had outstanding contributions of R301 million at year end (2018: R271 million). Eskom Holdings SOC Ltd for other expenses is owed R889 000 (2018: R986 000) by the Fund

The following transactions occurred between the Fund and its Board of Fund, outside experts and participating employers.

Related party	Relationship	Description	2019 Transactions R'000	2018 Transactions R'000
Eskom Holdings SOC Ltd	Participating employer	Participating employer contributions to Fund for employer-appointed trustees	1 006	1 341
Eskom Holdings SOC Ltd	Participating employer	Member contributions to fund for employer-appointed trustees	544	725
Board of Fund member	Pensioner elected trustees	Pension payments	2 721	2 594
Board of Fund member	Trustees	Trustee fees paid to individuals	3 925	2 073
Board of Fund member	Participating employer	Trustee fees paid to participating employer	598	1 807
Outside expert	Outside expert appointed by Board of Fund	Outside expert fees paid to individuals	1 918	1 758
Outside expert	Outside expert appointed by Eskom Holdings SOC Ltd	Outside expert fees paid to Eskom Holdings SOC Ltd	119	107
Total			10 831	10 405

The following between the participating employers and the Fund occurred during the period:

Participating employers	Contributions	Fund expenses
Eskom Holdings SOC Ltd	2 212 595	541 994
Eskom Rotek Industries SOC Ltd	220 902	–
Eskom Pension and Provident Fund	9 692	–
Total	2 443 189	541 994

The following transactions occurred between the Fund and its executive management during the year under review:

	2019 R'000	2018 R'000
Remuneration	19 837	13 611
Contributions to retirement fund	2 264	1 104
Bonuses	8 399	10 001
Leave payout	403	229
Sign-on bonus	–	120
Total amount contributed	30 903	25 065

Executive management transactions includes the Principal Officer remuneration.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED AS AT 30 JUNE 2019

9. OPERATING LEASE COMMITMENTS

	2019 R'000	2018 R'000
Future minimum operating lease payments		
Within one year	30 584	29 326
Between one and five years	29 367	40 314
Total	59 951	69 640

- The Fund has the following operating leases in existence at' or subsequent to year end:
- Eight-year operating lease with Omni Plus Software and Global ASP Limited for software and remote processing services; the lease expires in June 2020
 - Eight-year operating lease with Maitland Group South Africa Limited for an investment administration system; the lease expires in June 2021
 - Five-year operating lease with Barra International LLC for data processing and reporting services relating to investment risk management; the lease expired in March 2020 with the Fund rolling over the lease until 2021

10. SUBSEQUENT EVENTS

- The Fund is not aware of any material subsequent events that have taken place since the date of this report and the financial year except for the item detailed below:
- On 29 July 2019, the Constitution Court upheld the decision of the High Court on the GCEO matter. The Fund is accordingly in the process of taking legal action to enforce the judgement relating to the repayment of the amounts paid to him by the Fund
 - On 1 September 2019 Ms Linda Soga Mateza was appointed as the Principal Officer and Chief Executive of the Fund.
 - On 30 September 2019 Mr Elias Masilela resigned from the Fund as an employer-appointed trustee.

11. SIGNIFICANT MATTERS

11.1 PRINCIPAL OFFICER

The Principal Officer, who also served as the Chief Executive to the Fund, resigned from 31 March 2019. The Board appointed the Chief Financial Officer as a Deputy Principal Officer from 1 May 2019 and as Acting Chief Executive from 1 April 2019 to 31 August 2019.

11.2 ELIGIBILITY OF EMPLOYEES TO PARTICIPATE AS MEMBERS OF THE FUND

- The Rules describe an ELIGIBLE EMPLOYEE as an employee who:
- At the date of becoming a MEMBER, is under the Pensionable age;
 - Is not a TEMPORARY EMPLOYEE or an employee on the London office staff of the employer; and
 - If applicable in his case, has completed the period of Service required in terms of Rule 11(1) to become an ELIGIBLE EMPLOYEE.

- The Rules further describe a TEMPORARY EMPLOYEE to mean:
- a person who is appointed for a specific purpose and whose employment will end when that purpose has been accomplished, or who is appointed for a specific period and whose employment will end at the end of that period.

The Fund became aware of several fixed term contract employees of Eksom, Eskom Rotek Industries and the Fund who has been admitted as members of the Fund. The legal advice received by the Fund indicated that fixed term contract employees do qualify to participate as members of the Fund. The Fund was further advised of the options available to it in law to regularise the position with regards to employees of Eskom, Eskom Rotek Industries and the Fund who had been erroneously admitted as members of the Fund, which options included applying to court for a declaratory order regularising the position of such ineligible employees; and reversal of purported membership together with contributions with the consent of the affected employees.

The Fund has implemented reversal of purported membership by consent in respect of one former employee who elected this option and is in the process of finalising the requisite legal agreements for the reversal of the purported membership of another former employee. The Fund has further elected to apply to court for declaratory orders in respect of other ineligible employees and has already obtained the relevant declaratory order in respect of former Eskom Group CFO, Mr Anoj Singh. The Fund is further in the process of conducting an independent assurance into the records of the Fund to establish if there were any other ineligible employees who were erroneously admitted as members of the Fund. Upon conclusion of this process, applications for declaratory orders will be made to court to regularise their membership.

11.3 FORMER ESKOM GROUP CHIEF EXECUTIVE OFFICER PENSION PAY-OUT

The Eskom Group Chief Executive Officer (GCEO) was admitted to membership of the Fund with effect from 14 September 2015 on the basis of information received from Eskom indicating that he was a permanent executive employee in the "F" band. He remained a member of the Fund until he was retired in terms of Rule 28 of the Fund's Rules on 31 December 2016 following the purchase of additional years of service on his behalf by Eskom in terms of Rules 21(4). The cost of his early retirement and additional service was calculated as amounting to R30.1 million, which was paid to the Fund by Eskom.

The GCEO's eligibility for membership of the Fund in light of new information indicating that he was employed on a fixed term contract of employment and subsequent retirement from the Fund were the subject-matter of court proceedings brought by Solidatory, the DA and the EPPF. The court declared the GCEO ineligible for membership of the Fund in view of his fixed term contract of employment and further set aside his retirement from the Fund. It further directed him to repay the amounts paid to him by the Fund. The GCEO unsuccessfully sought leave to appeal the judgement of the High Court before the Supreme Court of Appeal and the Constitutional Court. The Fund is accordingly in the process of taking legal action to enforce the judgement relating to the repayment of the amounts paid to him by the Fund.

11.4 BOARD OF FUND

On 19 November 2018 the Board of Fund made a decision on Board remuneration without the Employer appointed Trustees declaring their interest in or recuse themselves from voting on the matter. On 7 October 2019 a special Board of Fund meeting was held to rescind the decision of 19 November 2018 and the resolution was passed in line with Fund Rule 4.1(14).

GLOSSARY OF TERMS

ALM	Asset Liability Management
ARC	Audit and Risk Committee
ASP	Application Service Provider
AVC	Additional Voluntary Contributions
B-BBEE	Broad-based Black Economic Empowerment
BESA	Bond Exchange of South Africa
CAA	Current Asset Allocation
CE	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
DB	Defined benefit
DC	Defined contribution
Eskom	Eskom Holdings SOC Ltd
Exco	Executive Committee
FSCA	Financial Sector Conduct Authority
FY2019	Financial year (from 1 July 2018 to 30 June 2019)
FY2020	Financial year (from 1 July 2019 to 30 June 2020)

IIRC	International Integrated Reporting Council
ILBs	Inflation-linked bonds
IMU	Investment Management Unit
IT	Information technology
JSE	Johannesburg Stock Exchange
L&D	Learning and development
PAS	Pension administration system
PFA	Pension Funds Adjudicator
PO	Principal Officer
POPIA	Protection of Personal Information Act No 4 of 2013
RFO	Retirement Fund Operations
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
TOM	Target Operating Model

EXTERNAL ASSET MANAGERS

Domestic	Offshore Asset Managers
Aeon Investment Management Proprietary Limited	Asset Management Limited
Afena Capital Proprietary Limited	Allianz Global Investors GMBH
Aluwani Capital Partners Proprietary Limited	Ashmore Group (PLC)
Benguela Global Fund Managers Proprietary Limited	Black Rock Investment Management (UK) Limited
Cachalia Capital Proprietary Limited	Drakens Capital Proprietary Limited
Catalyst Fund Managers Proprietary Limited	Duet Asset Management Limited
Coronation Fund Managers Proprietary Limited	Morgan Stanley Investment Management Limited
Excelsia Capital Proprietary Limited	Robeco Institutional Asset Management
First Avenue Investment Management Proprietary Limited	Sanlam-Centre Asset Management LLC
Investec Asset Management Proprietary Limited	SEI Investments (Europe) Limited
Kagiso Asset Management Proprietary Limited	State Street Global Advisors Limited
Legacy Africa Fund Managers Proprietary Limited	UBS AG
Matrix Fund Managers Proprietary Limited	Veritas Asset Management LLP
Mazi Capital Proprietary Limited	
Meago Asset Management Proprietary Limited	
Mergence Investment Managers Proprietary Limited	
Mianzo Asset Management Proprietary Limited	
Old Mutual Investment Group Proprietary Limited	
Pan-African Asset Management Proprietary Limited	
Perpetua Investment Management Proprietary Limited	
Morgan Stanley Limited	
Institutional Asset Management B.V.	
Stanlib Asset Management Proprietary Limited	
Legae Peresec Holdings (Value Capital Partners)	
Vunani Fund Managers Proprietary Limited	

EXTERNAL ASSET MANAGERS

12-MONTH DOMESTIC LISTED EQUITIES ATTRIBUTION TO 30 JUNE 2019

Underweight outperformers (%)		
Total		(2.08)
Top 5		(1.16)
Code	Name	
IMP	Impala Platinum Holdings Ltd	(0.32)
GFI	Gold Fields Inc	(0.29)
KIO	Kumba Iron Ore Ltd	(0.21)
SGL	Sibanye Gold Limited	(0.20)
ANG	Anglogold Ashanti Limited	(0.14)
Underweight underperformers (%)		
Total		1.80
Top 5		0.91
Code	Name	
MCG	MultiChoice Group Ltd	0.37
SOL	Sasol Ltd	0.18
IPL	Imperial Holdings Ltd	0.17
SHP	Shoprite Holdings Ltd	0.10
SAP	Sappi Ltd	0.09

Overweight outperformers (%)		
Total		1.22
Top 5		0.68
Code	Name	
OMU	Old Mutual Ltd	0.20
RBP	Royal Bafokeng Platinum Ltd	0.16
AEL	Allied Electronics Corp Ltd Altron	0.15
EXX	Exxaro Resources Ltd	0.09
DTC	Datatec Ltd	0.08
Overweight underperformers (%)		
Total		(1.85)
Top 5		(0.99)
Code	Name	
BTI	British American Tobacco PLC	(0.34)
ITU	Intu Properties PLC	(0.25)
NPN	Naspers Ltd	(0.21)
TON	Tongaat Hulett Ltd	(0.10)
NTC	Netcare Ltd	(0.09)

12-MONTH DOMESTIC LISTED PROPERTIES ATTRIBUTION TO 30 JUNE 2019

Underweight outperformers (%)		
Total		(0.45)
Top 5		(0.40)
IAP	Investec Australia Property Fund	(0.17)
FF_AB	Fortress REIT Ltd	(0.09)
EMI	Emira Property Fund Ltd	(0.06)
IPF	Investec Property Fund Ltd	(0.05)
OCT	Octodec Investments Ltd	(0.03)
Underweight underperformers (%)		
Total		1.85
Top 5		1.30
ITU	Intu Properties PLC	0.51
RPL	RDI REIT PLC	0.35
ATT	Attacq Ltd	0.15
DLT	Delta Property Fund Ltd	0.15
CCO	Capital & Counties Properties PLC	0.14

Overweight outperformers (%)		
Total		2.07
Top 5		1.71
RES	Resilient REIT Ltd	0.33
SSS	Stor-Age Property REIT Ltd	0.27
LTE	Lighthouse Capital Ltd	0.24
NRP	NEPI Rockcastle PLC	0.19
VKE	Vukile Property Fund Ltd	0.12
Overweight underperformers (%)		
Total		(0.96)
Top 5		(0.92)
HMN	Hammerson PLC	(0.13)
RE_AB	Rebosis Property Fund Ltd	(0.10)
HYP	Hyprop Investments Ltd	(0.08)
SAR	Safari Investments RSA Ltd	(0.04)
ALP	Atlantic Leaf Properties Ltd	(0.03)

FUND ADMINISTRATION

ESKOM PENSION AND PROVIDENT FUND

Fund registration number 12/8/564

REGISTERED OFFICE OF THE FUND

Isivuno House, EPPF Office Park
24 Georgian Crescent East, Bryanston East, 2191

POSTAL ADDRESS

Private Bag X50, Bryanston, 2021, South Africa

CONTACT DETAILS

Telephone: +27 11 709 7400
Fax: +27 11 709 7554
Share Call/Toll-free: 0800 114 548

WEBSITE

www.eppf.co.za

BENEFIT ADMINISTRATOR

Self-administered

EXTERNAL AUDITORS

PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City
Jukskei View
2090

CO-SOURCED INTERNAL AUDITORS

SekelaXabiso CA Incorporated
Building 1, 15 Forest Road
Waverley Office Park
Bramley, 2018

Ernst & Young Advisory Services Proprietary Limited
102 Rivonia Rd, Dennehof,
Sandton, 2196

ACTUARIES

Towers Watson Proprietary Limited
Private Bag X30, Rondebosch, 7701



www.eppf.co.za