

ANNUAL FINANCIAL STATEMENTS 2019

ANNUAL FINANCIAL STATEMENTS

**IN TERMS SECTION 15 OF THE PENSION FUNDS ACT NO 24, 1956
AS AMENDED (PENSION FUNDS ACT)**

NAME OF RETIREMENT FUND: Eskom Pension and Provident Fund

**FINANCIAL SECTOR CONDUCT AUTHORITY
REGISTRATION NUMBER:** 12/8/564/2

FOR THE PERIOD: 1 JULY 2018 to 30 JUNE 2019

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* Not subject to any engagement by an auditor

ESKOM PENSION AND PROVIDENT FUND**SCHEDULE A
REGULATORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019****REGISTERED OFFICE OF THE FUND**

Postal address: PRIVATE BAG X50
BRYANSTON
2021

Physical address: ISIVUNO HOUSE, EPPF OFFICE PARK
24 GEORGIAN CRESCENT EAST
BRYANSTON EAST
2191

FINANCIAL REPORTING PERIODS

Current year: 1 July 2018 to 30 June 2019
Prior year: 1 July 2017 to 30 June 2018

BOARD OF FUND

| Full name | E-mail Address | Capacity | Date appointed/ re-appointed | Date resigned / Term expiry |
|--------------------------------|---------------------------------|-------------|---------------------------------|--------------------------------|
| Ms. Japhtaline Mantuka Maisela | mantuka@khomolema.com | E , I & C * | 1 June 2016 | |
| Ms. Maya Naidoo | maya.bhana@eskom.co.za | E | 1 June 2016 | 30 September 2018 |
| Ms. Thembeke Flaviona Madlala | MadlalTF@eskom.co.za | M | 1 June 2016 | |
| Mr. Ndabezikhona Khehla Shandu | ShanduNK@eskom.co.za | M | 1 June 2016 | |
| Mr. Allen John Morgan | AllenM@imalivest.co.za | M | 1 June 2016 | |
| Mr. Barend Izak Steyn | bensteyn@mweb.co.za | M | 1 June 2016 | |
| Ms. Helen Diatile | hdiatile@num.org.za | M | 1 June 2016 | |
| Ms. Paulina Ndlela | NdlelaPA@eskom.co.za | M | 1 June 2016 | |
| Mr. Dennis Mandla Maleka | MalekaDM@eskom.co.za | E | 1 June 2016 | |
| Mr. Muvenda Rufus Khomola | khomolmr@eskom.co.za | E | 1 December 2016 | |
| Dr. Cynthia Tuduetso Khumalo | khumalct@eskom.co.za | E | 1 July 2017 | |
| Mr. Deon Reyneke | deon@solidarity.co.za | M | 2 March 2018 | |
| Ms. Liza Brown | BrownLI@eskom.co.za | E | 6 June 2018 | |
| Mr. Elias Masilela | elias.masilela@dnaeconomics.com | E & I | 12 November 2018 | 30 September 2019 |
| Mr. Ngoako Huma | HumaN@eskom.co.za | E | 12 November 2018 | |

- 'M' denotes member and pensioner elected
- 'E' denotes employer appointed
- 'C' denotes chairman
- 'I' denotes independent

Governance note: schedule of meetings* held by the Board of Fund in terms of the rules of the Fund

| Meeting date | Place of meeting | Quorum (yes/no) |
|------------------|--|--------------------|
| 3 August 2018 | The Wanderers Building, The Campus, 57 Sloane Street, Bryanston | Yes |
| 7 September 2018 | Executive Boardroom, Khumo House, EPPF Office Park, Bryanston East | Yes |
| 19 November 2018 | Executive Boardroom, Khumo House, EPPF Office Park, Bryanston East | Yes |
| 20 November 2018 | Executive Boardroom, Khumo House, EPPF Office Park, Bryanston East | Yes |
| 15 March 2019 | Executive Boardroom, Khumo House, EPPF Office Park, Bryanston East | Yes |
| 7 June 2019 | Executive Boardroom, Khumo House, EPPF Office Park, Bryanston East | Yes |

* Only meetings held by the Board of Fund and does not include meetings held by the sub-committees

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

FUND OFFICERS

Principal Officer

| Full name | Postal address | Physical address | Telephone number | E-mail address | Date appointed | Date resigned |
|-----------------------|----------------------------------|--|-------------------|---------------------|------------------|---------------|
| Nopasika Vuyelwa Lila | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | nopasika@eppf.co.za | 1 April 2018 | 31 March 2019 |
| Linda Soga Mateza | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | linda@eppf.co.za | 1 September 2019 | |

Deputy Principal Officer

| Full name | Postal address | Physical address | Telephone number | E-mail address | Date appointed |
|---------------------------|----------------------------------|--|-------------------|--------------------|----------------|
| Mogomoet Shafeeq Abrahams | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | shafeeq@eppf.co.za | 1 May 2019 |

Monitoring Person*

| Full name | Postal address | Physical address | Telephone number | E-mail address | Date appointed | Date resigned |
|---------------------------|----------------------------------|--|-------------------|---------------------|------------------|----------------|
| Nopasika Vuyelwa Lila | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | nopasika@eppf.co.za | 1 April 2018 | 31 March 2019 |
| Mogomoet Shafeeq Abrahams | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | shafeeq@eppf.co.za | 1 May 2019 | 31 August 2019 |
| Linda Soga Mateza | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7579 | linda@eppf.co.za | 1 September 2019 | |

**(In terms of Section 13A of the Pension Funds Act)*

PROFESSIONAL SERVICE PROVIDERS

Actuary/Valuator

| Full name | Postal address | Physical address | Telephone number | E-mail address | Date appointed | Date resigned |
|--|---|---|-------------------|-------------------------------------|----------------|----------------|
| David Keith Little (BSc, FASSA) Willis Towers Watson | Private Bag X30, Rondebosch, 7701 | Level 4, MontClare Place, 23 Main Road, Claremont, 7700 | (+27) 21 681 3700 | david.little@willistowerswatson.com | | 1 January 2019 |
| Liesel Ryan (BSc, FASSA) Willis Towers Watson | Postnet Suite 154, Private Bag X1, Melrose Arch, Johannesburg, 2076 | 1st Floor Illovo Edge, 1 Harries Road, Illovo, Johannesburg, 2196 | (+27) 11 912 9000 | liesel.ryan@willistowerswatson.com | 1 January 2019 | |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

PROFESSIONAL SERVICE PROVIDERS (continued)

Auditor

| Full name | Postal address | Physical address | Telephone number | E-mail address |
|--|--|--|-------------------|----------------------------|
| Clinton Mitchelson (CA) SA Registered Auditor PricewaterhouseCoopers Inc | Private Bag X36, Sunninghill, 2157 | 4 Lisbon Lane, Waterfall City, Jukskei View. 2090 | (+27) 11 797 4000 | clinton.mitchelson@pwc.com |

Benefit Administrator

| Full name | Postal address | Physical address | Telephone number | Registration number in terms of section 13B |
|-------------------|--|---|-------------------|---|
| Self Administered | Private Bag X50, Bryanston, 2021 | Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | (+27) 11 709 7400 | 12/8/564/2 |

Custodian and/or Nominee

| Full name | Postal address | Physical address | Telephone number | FSP approval no |
|--|---|---|-------------------|-----------------|
| Nedbank Nominees Ltd | P O Box 1144, Johannesburg, South Africa, 2000 | 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, 1709 | (+27) 11 294 4444 | 9363 |
| State Street Bank and Trust Company | Liesbeek House, River Park Office Complex, Mowbray, CapeTown, 7700 | Liesbeek House, River Park Office Complex, Mowbray, CapeTown, 7700 | (+27) 21 681 2001 | 42671 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

PROFESSIONAL SERVICE PROVIDERS (continued)

Asset Managers

| Full name | Postal address | Physical address | Telephone number | FAIS registration number |
|---|--|--|-------------------------|---------------------------------|
| Aberdeen Asset Managers Ltd | Bow Bells House, 1 Bread Street, London, EC4M 9HH | Bow Bells House, 1 Bread Street, London, EC4M 9HH | (+44) 20 7463 6000 | 43675 |
| Aeon Investment Management (Pty) Ltd | PO Box 24020, Claremont, Cape Town, 7735 | 5th Floor, The Citadel, 15 Cavendish Street, Claremont, 7708 | (+27) 21 204 6061 | 27126 |
| Afena Capital (Pty) Ltd | P O Box 23883, Claremont, Cape Town, 7735 | 5th Floor, MontClare Place, Cnr Campground & Main Roads, Claremont, 7708 | (+27) 21 657 6255 | 25033 |
| Allianz Global Investors Europe GMBH | Bockenheimer Landstrasse 42-44 60323 Frankfurt am Main, Germany | Bockenheimer Landstrasse 42-44, 60323 Frankfurt am Main, Germany | (+49) 69 244312451 | 44825 |
| Aluwani Capital Partners (Pty) Ltd | Postnet Suite 8, Private Bag X75, Bryanston, 2021 | EPPF Office Park, 24 Georgian Crescent East, Bryanston East 2191 | (+27) 21 204 3801 | 46196 |
| Ashmore Group Plc | 61 Aldwych, London, WC2B 4AE, United Kingdom | 61 Aldwych, London, WC2B 4AE, United Kingdom | (+44) 20 3077 6130 | 45547 |
| Benguela Global Fund Managers (Pty) Ltd | PO Box 1035, Rivonia, 2191 | The Avenue North, 6 Mellis Road, Rivonia, 2191 | (+27) 11 803 6063 | 45122 |
| Black Rock Investment Management (UK) Ltd | 12 Throgmorton Avenue, London, EC2N 2DL | 12 Throgmorton Avenue, London, EC2N 2DL | (+44) 20 7743 4888 | 43288 |
| Cachalia Capital (Pty) Ltd | Sinosteel Plaza, 12th Floor, 159 Rivonia Road, Morningside Ext, Sandton, 2146 | Sinosteel Plaza, 12th Floor, 159 Rivonia Road, Morningside Ext, Sandton, 2146 | (+27) 11 326 6598 | 43755 |
| Catalyst Fund Managers SA (Pty) Ltd | P O Box 44854, Claremont, 7708 | 6th Floor Protea Place, Protea Road, Claremont, 7735 | (+27) 21 657 5500 | 36009 |
| Coronation Fund Managers (Pty) Ltd | P O Box 44684, Claremont, 7735 | 7th Floor, MontClare Place Cnr Campground & Main Roads, Claremont, 7708 | (+27) 21 680 2240 | 548 |
| Drakens Capital (Pty) Ltd | 191 Jan Smuts Avenue, Parktown North, Johannesburg | 191 Jan Smuts Avenue Parktown North, Johannesburg | (+27) 10 140 6600 | 45511 |
| Duet Asset Management Ltd | 27 Hill Street, Mayfair, London, EC2N 2DL, United Kingdom | 27 Hill Street, Mayfair, London, EC2N 2DL, United Kingdom | (+44) 20 3077 6147 | 45458 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

PROFESSIONAL SERVICE PROVIDERS (continued)

| | | | | |
|--|--|---|-------------------|-------|
| Excelsia Capital (Pty) Ltd | Office 303 Sunclair Building, 21 Dreyer Street, Claremont, 7708 | Office 303 Sunclair Building, 21 Dreyer Street, Claremont, 7708 | (+27) 21 276 1740 | 46756 |
| First Avenue Investment Management (Pty) Ltd | Private Bag X11, Birnam Park, 2015 | 21 Fricker Road, Illovo, 2196 | (+27) 11 772 2482 | 42693 |
| Investec Asset Management (Pty) Ltd | PO Box 1655, Cape Town, 8000 | 36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001 | (+27) 21 416 1680 | 587 |
| Kagiso Asset Management (Pty) Ltd | PO Box 1016, Cape Town, 8000 | 5th Floor MontClare Place, Cnr Campground and Main Roads , Clarewont, 7708 | (+27) 21 673 6305 | 784 |
| Legacy Africa Fund Managers (Pty) Ltd | PO Box 2015, Morningside, 2057 | 4th Floor, The Firs Cnr Biermann Lane & Cradock Avenue, Rosebank, 2196 | (+27) 11 759 4000 | 44651 |
| Legae Peresec Holdings (Pty) Ltd | P O Box 650361, Benmore, 2010 | Simeka House, Vineyard Office Estate, 99 Jip De Jager Bellville | (+27) 11 722 7572 | 532 |
| Matrix Fund Managers (Pty) Ltd | Postnet Suite 80, Private Bag X1005, Claremont, 7708 | 2nd Floor, The Terraces, 25 Protea Road, Claremont, 7708 | (+27) 21 673 7800 | 44663 |
| Mazi Capital (Pty) Ltd | 4th Floor, North Tower, 90 Rivonia Road, Sandton, 2196 | 4th Floor, North Tower, 90 Rivonia Road, Sandton, 2196 | (+27) 10 001 8300 | 46405 |
| Meago Asset Management (Pty) Ltd | P O Box 1180, Edenvale, 1610 | 73 Oxford Road, Saxonwold, Johannesburg | (+27) 11 646 2994 | 24919 |
| Mergence Investment Managers Ltd | PO Box 8275, Roggebaai, 8012 | Unit 601, 5th Floor, The Equinox, 154 Main Road, Sea Point, Cape Town, 8005 | (+27) 21 433 2960 | 16134 |
| Mianzo Asset Management (Pty) Ltd | PO Box 1210, Milnerton, 7435 | Unit GG01, The Forum, North Bank Lane, Century City, 7441 | (+27) 21 552 3555 | 43114 |
| Morgan Stanley Investment Management Ltd | 7th Floor, 25 Cabot Square, Canary Wharf, London, E144QA | 7th Floor, 25 Cabot Square, Canary Wharf, London, E144QA | +44 20 7677 7678 | 9752 |
| Old Mutual Investment Group (Pty) Ltd | PO Box 878, Cape Town, 8000 | West Campus, Entrance 1, Jan Smuts Drive, Pinelands, Cape Town, 8000 | (+27) 21 509 3034 | 604 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

PROFESSIONAL SERVICE PROVIDERS (continued)

| | | | | |
|---|--|--|------------------------|-------|
| Pan-African Asset Management (Pty) Ltd | Private Bag X9962, Sandton, 2146 | 6 On Blackpool Road, Bryanston, 2021 | (+27) 11 463 0303 | 620 |
| Perpetua Investment Managers (Pty) Ltd | PO Box 44367, Claremont, 7735 | 5th Floor, The Citadel, 15 Cavendish Street, Claremont, 7708 | (+27) 21 180 4917 | 29977 |
| RMB Morgan Stanley Ltd | PO Box 786273, Sandton, 2146, South Africa | 1 Merchant Place, Cnr Fredman Dr & Rivonia Rd, Sandton, 2196 | (+44) 11 282 4766 | 664 |
| Robeco Institutional Asset Management B.V | Weena 850, 3014 DA Rotterdam, The Netherlands | Weena 850, 3014 DA Rotterdam, The Netherlands | (+97) 143 614 738 | 47602 |
| SEI Investments(Europe) Ltd | 1st Floor Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR, United Kingdom | 1st Floor Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR, United Kingdom | (+44) 20 3810 8000 | 9796 |
| Sanlam Investments (Pty) Ltd | Africa Re Centre, 5th Floor, Hospital Rd, 00200 Nairobi, Kenya | Africa Re Centre, 5th Floor, Hospital Rd, 00200 Nairobi, Kenya | (+254) (0) 20 496 7000 | 579 |
| Stanlib Asset Management Ltd | PO Box 202, Melrose Arch, 2076 | 17 Melrose Boulevard, Melrose Arch, 2196 | (+27) 11 448 5127 | 719 |
| State Street Global Advisors Limited | 20 Churchill Place, Canary Wharf, London E14 5HJ | 20 Churchill Place, Canary Wharf, London E14 5HJ | (+97) 144 372 806 | 42670 |
| UBS Asset Management (UK) Ltd | 5 Broadgate, London, EC2M 2QS | 5 Broadgate, London, EC2M 2QS | (+44) 20 7901 5096 | 30475 |
| Veritas Asset Management | 1st Floor, 90 Long Acre, London, WC2E 9RA | 1st Floor, 90 Long Acre, London, WC2E 9RA | (+44) 20 3758 9900 | 45383 |
| Vunani Fund Managers | 6th Floor, Letterstedt House, Newlands, 7700 Cape Town | 7th Floor, Letterstedt House, Newlands, 7700 Cape Town | (+21) 670 4900 | 608 |

PARTICIPATING EMPLOYERS

The following employers participate in the Fund in terms of the rules of the Fund:

- Eskom Holdings SOC Limited
- Eskom Rotek Industries SOC Limited
- Eskom Pension and Provident Fund

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE B STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND FOR THE YEAR ENDED 30 JUNE 2019

Responsibilities

The Board of Fund hereby confirms to the best of their knowledge and belief, except for those items of non-compliance listed below that, during the year under review, in the execution of their duties they have complied with the duties imposed by the Pension Funds Act legislation and the rules of the Fund, including the following:

- ensured that proper registers, books and records of the operations of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the Fund or reported where necessary, in accordance with section 13A and regulation 33 the Pension Funds Act in South Africa;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules and the operation and administration of the Fund complied with the Pension Funds Act and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The 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 annual financial statements set out on pages 13 to 40 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act. The Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These annual financial statements have been reported on by the independent auditors, PricewaterhouseCoopers Inc, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on pages 10 - 12.

Instances of non-compliance

The following instance of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and was rectified before the Board of Fund's approval of the financial statements:

| Nature and cause of non-compliance | Impact of non-compliance matter on the Fund | Corrective course of action taken to resolve non-compliance matter |
|---|---|---|
| 1. On 28 February 2018 an employer-appointed Trustee resigned resulting in a Board vacancy which was not filled in the regulated 90 day period. | None, as all trustee meetings had the relevant quorum present. | The participating employer Eskom Holdings SOC Limited filled the vacancy on 12 November 2018. |
| 2. On 19 November 2018 the Board of Fund took a decision to remunerate Employer appointed Trustees in their personal capacities. The Employer appointed Trustees did not declare their interest in the matter or recuse themselves from the voting as required by Rule 4,1(14) of the Fund Rules. | None, as the total remuneration paid to Board of Fund members before and after the decision remained unchanged. | On 7 October 2019 a special meeting of the Board of Fund was held to rescind the remuneration decision of 19 November 2018. The Employer-appointed members of the Board of Fund declared their interest and recused themselves from the meeting in line with the Fund Rules (rule 4.1(14)) and the resolution was passed. |

ESKOM PENSION AND PROVIDENT FUND

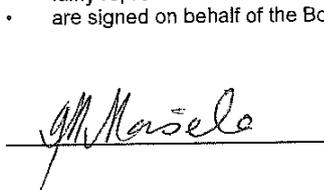
SCHEDULE B
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2019

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were not rectified before the Board of Fund's approval of the financial statements:

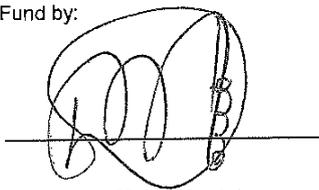
| Nature and cause of non-compliance | Impact of non-compliance matter on the Fund | Corrective course of action to resolve non-compliance matter |
|---|---|--|
| 3. Ineligible members who participated in the Fund. | Refer 8.2 Schedule E page 18. | Refer 8.2 Scedule E page 18. |

These annual financial statements:

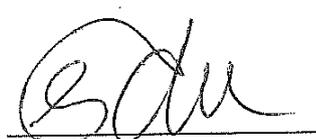
- were approved by the Board of Fund on 22 November 2019;
- are to the best of the Board members' knowledge and belief confirmed to be complete and correct;
- fairly represent the net assets of the Fund at 30 June 2019 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:



Ms. Japhtaline Mantuka Maisela
Chairman



Mr. Dennis Mandla Maleka
Employer Trustee



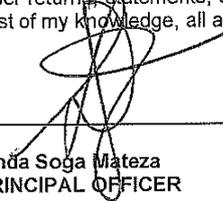
Mr. Ndabezikhona Khehla Shandu
Member Trustee

22 November 2019

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE C
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.



Linda Soga Mateza
PRINCIPAL OFFICER

22 November 2019



SCHEDULE D

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF THE ESKOM PENSION AND PROVIDENT FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of Eskom Pension and Provident Fund ("the Fund") set out on pages 20 to 40, which comprise the statement of net assets and funds as at 30 June 2019 and the statement of changes in net assets and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Financial Sector Conduct Authority (the "Authority").

In our opinion, the financial statements of Eskom Pension and Provident Fund for the year ended 30 June 2019 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Authority. Consequently, the financial statements and related auditor's report may not be suitable for another purpose.

Other information

The Board of Fund is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "*Annual Financial Statements in terms of section 15 of the Pension Funds Act no 24, 1956, as amended (Pension Funds Act), for the period 1 July 2018 to 30 June 2019*". The other information does not include the financial statements (schedule F, G and HA) and our auditor's report thereon (schedule D).

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4850174692



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with laws and regulations that came to our attention during the course of our audit of the financial statements.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in the Statement of Responsibility by the Board of Fund and note 8.4 of the Report of the Board of Fund.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.
Director: Clinton Mitchelson
Registered Auditor
Johannesburg
29 November 2019

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND
FOR THE YEAR ENDED 30 JUNE 2019

1. DESCRIPTION OF FUND

1.1. Type of fund in terms of the Income Tax Act, 1962

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a pension fund. The Fund is registered as a defined benefit pension fund.

1.2. Benefits

The benefit structure offers members retirement, disability, death and withdrawal benefits.

Summary in terms of the rules of the Fund

Details of the benefits are described in the rules, which are available at the registered office of the Fund and on the website at www.eppf.co.za.

Retirement Benefits

- Ill Health / Disability

A pension is calculated on pensionable emoluments and pensionable service up to actual retirement date plus 75% of the service that would have been completed from the retirement date to the pensionable age.

- Early Retirement

A member may retire early after reaching age 55. The pension is reduced by a penalty factor for each year before age 63.

- Normal Retirement

The compulsory age of retirement is 65. However, members may retire early from age 63 without penalties subject to the employer's conditions of service. The benefit is based on 2,17% of annual average pensionable emoluments over the last year before retirement for each year of pensionable service.

- Commutation

A member may commute up to one third of his/her annual pension at the retirement date. The lump sum is calculated using fixed commutation factors. The remainder of the pension benefit will be used to pay a monthly pension.

Withdrawal Benefit

Resignation/dismissal benefits represent either the repayment of employee contributions plus interest, or the prescribed actuarial value of the member's accrued benefit, whichever is the greater.

Death Benefits

- Death In Service

On the death of a member a lump sum equal to twice the member's annual pensionable emoluments is payable and distributed in terms of section 37C of the Pension Fund Act.

Plus

A widow/widower's pension of the first 60% of the member's potential pension is payable.

Plus

A child pension of 30% (40% for two or more children) of the pension to which the member would have been entitled if remained in service to age 65.

The monthly pension payable cannot exceed 100% of the pension to which the deceased member would have been entitled if the deceased member had remained in service until age 65.

-Death of a Pensioner

A lump sum of R3,000 is payable to the beneficiaries or the estate.

Plus

A pension is paid to the surviving spouse(s) equal to 60% of the deceased pensioner's pension at retirement before commutation including any subsequent increases.

Plus

A pension is paid at 30% (one eligible child) or 40% (two or more eligible children) of the deceased pensioner's pension at retirement before commutation including and subsequent increases.

If there is no spouse's pension payable the percentage payable to eligible children increase to 60% for a single child and 100% for two or more eligible children.

The Fund is a defined benefit pension fund with defined employer and employee contribution rates. In the event of an actuarial deficit, this will be funded by either increases in future contributions or reductions in benefits, as approved by

**SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

the Fund's Board, in accordance with the Fund's rules.

1.2.1. Unclaimed benefits

Strategy of the fund towards unclaimed benefits:

Unclaimed benefits are dealt with in terms of rule 41 of the rules of the Fund. In terms of the provisions of this rule, a benefit including a death benefit that has not been claimed by or on behalf of a member or pensioner of the Fund within 2 years of the date on which the benefit became payable, will be transferred to an unclaimed benefits account ("Reversion Account") to which shall be credited the full amount of the benefit due plus such interest as the Board of Fund, acting on the advice of the Fund's actuary, shall determine. The balance standing to the credit of this Reversion Account shall become payable by the Fund at the time when a valid claim is submitted to the Fund.

If a member who becomes entitled to a lump sum benefit dies before payment of the benefit to him or her is completed, the Fund shall pay such amount to the estate of the deceased former member. In the case of a member or pensioner, the benefit payable will be, subject to the provisions of Section 37C of the Pension Funds Act, 1956.

In respect of unclaimed benefits, complete records as prescribed are maintained and all efforts are made by the Fund to trace the beneficiaries of any benefits.

1.3. Contributions

1.3.1 Description in terms of the rules of the Fund.

1.3.1.1 Active members' contributions

Active members contribute at a rate of 7,3% of pensionable emoluments. Members may make additional voluntary contributions as per the rules of the Fund. There is a very small group of members who contribute at lower rates. At the current valuation there are 28 such members, 23 of whom contribute at 6,0% of annual pensionable salaries and five of whom contribute at 4,0% of annual pensionable salaries.

1.3.1.2 Employers' contributions

Participating employers contribute at a rate of 13,5% of pensionable emoluments.

1.4. Rule Amendments

1.4.1. Amendments

| Rule amendment No. | Description and motivation | Date of board of resolution | Effective date | Date registered by the Financial Services Board |
|--------------------|---|-----------------------------|----------------|---|
| 2 | Rule amendment to comply with Regulation 38 and 39 to the Pension Fund Act 1956 as well as provisions of the Act. | 06/09/2019 | 01/03/2019 | 09/10/2019 |

1.4.2. Revised rules

During the 2018 financial year the Fund embarked on a process to amend the rules in order to clarify issues with interpretation. The amendments are expected to be submitted to the Financial Sector Conduct Authority (Authority) during the first half of 2020.

1.5. Reserves and specified accounts established in terms of the rules of the Fund

The Fund's rules make provision for reserves and specific accounts as listed below.

1.5.1. Reserves

Data Contingency Reserve Account (Data Reserve)

This reserve makes provision for an amount determined by the Board of Fund on the advice of the Fund's actuary in respect of the risks to the Fund for incorrect or incomplete data relating to the Fund's liabilities. This reserve is currently not utilised.

Contingency Reserve Account (In-Service Solvency Reserve)

This reserve makes provision for the difference between the value of the Fund's accrued liabilities determined on a solvency basis and the value of the Fund's liabilities determined on the Fund's best estimate basis. The value standing to this account may be used by the Board of Fund on advice of the actuary.

Contribution Shortfall Reserve Account (In-Service Contribution Reserve)

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

This reserve makes provision for an amount determined by the Board of Fund on advice of the Fund's actuary for the protection of the current benefit structure for members in respect of their future potential service in the Fund.

Pension Increase Affordability Reserve (Pensioner Solvency Reserve)

This reserve will be utilised to provide future increases to pensioners as required by section 14B (4) of the Act. The reserve will be credited with amounts determined by the Board of Fund on the advice of the actuary.

Investment Reserve

This reserve will be utilised to provide for the smoothing of interest rates on the accumulated member's contributions and contributions in terms of rule 18. The Board of Fund, on advice of the actuary, will calculate any amounts to be allocated to this reserve. This reserve is currently not utilised.

1.5.2. Specified Accounts

Employer Surplus Account

This account was established in terms of the rules of the Fund and is not being utilised.

Member Surplus Account

The member surplus account shall be credited with any amount allocated in terms of section 15B of the Act to be used for the benefit of members in terms of a surplus apportionment scheme approved by the Authority. This account is currently not used.

2. INVESTMENTS

2.1 Investment strategy

The Board of Fund has formulated an investment strategy contained in the Investment Policy Statement that complies with the provisions of Regulation 28 to the Pension Funds Act. In terms of this strategy the investments are managed according to the following principles:

2.1.1. Investment objective

The long term investment objective of the Fund is to earn a net real rand investment return of at least 4.5 percent – in other words, to earn at least an annual return of 4.5 percent after inflation (as measured by the South African Consumer Price Index), applicable taxes, and investment fees and costs.

2.1.2. Unclaimed benefits

Amounts representing unclaimed benefit balances are invested as part of the normal investment operations of the Fund.

2.1.3. Reserve accounts

Amounts representing the value of the reserve accounts are invested as part of the normal investment operations of the Fund.

2.1.4. Derivative Instruments

The Board of Fund utilises derivative instruments as part of its investment strategy. The Board of Fund ensures that the following have been complied with:

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.5. Hedge funds

The Board of Fund utilises hedge funds and fund of hedge funds, as part of its investment strategy. The Board of Fund ensures that the following have been complied with:

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

2.1.6. Private Equity Funds

The Board of Fund utilises private equity funds as part of its investment strategy. The Board of Fund ensures that the following have been complied with:

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.7. Securities Lending Transactions

The Board of Fund utilises securities lending transactions as part of its investment strategy. The Board of Fund ensures that the securities lending transactions are in compliance with the relevant conditions as prescribed by the relevant FSCA Notice.

2.2. Management of investments

The Strategic Investment Committee directs and monitors investments and investment activities on behalf of the Board of Fund. This committee meets at least four times per year to review investment performance, asset allocation and investment strategy and regularly reports to the Board.

The Fund applies a core/satellite approach to portfolio structuring on the public markets portfolio; core to provide stability of returns and satellite to enhance returns above applicable benchmarks. Specialist portfolio mandates are awarded to asset managers after a thorough research and evaluation process. Where it is value enhancing and cost effective, certain portfolios are managed in-house. All portfolio mandates have robust performance and risk benchmarks by which performances are evaluated. At year-end, approximately 39% of total investments were managed in-house.

All investment managers are remunerated on a fee basis and are paid at regular intervals in accordance with the terms of their contracts.

The fair value of the Fund's investments, administered by the investment administrators and asset managers at the end of the year was:

| | 2019 R'000 | 2018 R'000 |
|--|---------------|---------------|
| Aberdeen Asset Managers Ltd | - | 5 211 925 |
| Aeon Investment Management (Pty) Ltd | 865 790 | 861 513 |
| Afena Capital (Pty) Ltd | 1 598 301 | 1 577 925 |
| Allianz Global Investments Europe GMBH | 7 331 611 | 6 549 537 |
| Aluwani Capital Partners (Pty) Ltd | 3 463 042 | 3 107 975 |
| Ashmore Group Plc | 648 117 | 689 378 |
| Benguela Global Fund Managers (Pty) Ltd | 1 027 255 | 1 063 342 |
| Black Rock Investment Management (UK) Ltd | 4 401 770 | 6 080 292 |
| Cachalia Capital (Pty) Ltd | 240 276 | 241 261 |
| Catalyst Fund Managers SA (Pty) Ltd | 2 111 175 | 1 634 196 |
| Coronation Fund Managers (Pty) Ltd | 5 168 202 | 5 125 687 |
| Drakens Capital (Pty) Ltd | 549 563 | 605 460 |
| Duet Asset Management Ltd | 1 313 970 | 1 492 805 |
| Excelsia Capital (Pty) Ltd | 210 986 | 210 800 |
| First Avenue Investment Management (Pty) Ltd | 2 103 458 | 2 270 997 |
| In house managed assets | 56 449 646 | 56 251 471 |
| Investec Asset Management (Pty) Ltd | 4 120 768 | 2 798 913 |
| Kagiso Asset Management (Pty) Ltd | 2 787 102 | 5 815 212 |
| Legacy Africa Fund Managers (Pty) Ltd | 899 275 | 901 660 |
| Legae Peresec Holdings (Pty) Ltd | 420 570 | - |
| Matrix Fund Managers (Pty) Ltd | 971 408 | 834 541 |
| Mazi Capital (Pty) Ltd | 5 023 069 | 5 054 980 |
| Meago Asset Management (Pty) Ltd | 1 555 215 | 1 065 055 |
| Mergence Investment Managers Ltd | 1 197 644 | 1 184 438 |
| Mianzo Asset Management (Pty) Ltd | 1 447 200 | 438 503 |
| Morgan Stanley Investment Management Ltd | 7 846 652 | 6 599 280 |
| Old Mutual Investment Group (Pty) Ltd | 2 087 630 | 2 031 496 |
| Pan-African Asset Management (Pty) Ltd | 1 507 273 | 1 349 777 |
| Perpetua Investment Managers (Pty) Ltd | 2 471 715 | 2 669 684 |
| RMB Morgan Stanley Ltd | 148 | 392 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2019

| | | |
|--|--------------------|--------------------|
| Robeco Institutional Asset Management B.V. | 1 489 410 | - |
| SEI Investments (Europe) Ltd | 6 073 160 | 5 917 611 |
| Sanlam Investments (Pty) Ltd | 839 903 | 969 763 |
| Stanlib Asset Management Ltd | 2 770 445 | 2 753 157 |
| State Street Global Advisors Limited | 2 922 964 | 28 733 |
| UBS Asset Management (UK) Ltd | 3 663 783 | 1 939 508 |
| Veritas Asset Management | 6 075 995 | 5 350 937 |
| Vunani Fund Managers | 1 001 852 | - |
| Total value of investments managed | 144 656 343 | 140 678 204 |

3. MEMBERSHIP

| | Active members | Deferred pensioners | Pensioners | Other beneficiaries | Unclaimed benefits |
|---|----------------|---------------------|---------------|---------------------|--------------------|
| Number at the beginning of year | 45 672 | 2 535 | 33 315 | 3 235 | 1 971 |
| Adjustments | - | - | (7) | - | (2) |
| Additions | 35 | 24 | 1 856 | 241 | 38 |
| Transfers out | (180) | - | - | - | - |
| Withdrawals | (800) | - | - | - | - |
| Retirements | (966) | (179) | - | - | - |
| Retrenchments | (5) | - | - | - | - |
| Deaths and disability | (169) | (4) | (1 167) | (3) | - |
| Settled in full | - | - | (698) | (398) | - |
| Transfers (from)/to deferred pensioners | (17) | - | - | - | - |
| Unclaimed benefits paid | - | - | - | - | (30) |
| Number at the end of the year | 43 570 | 2 376 | 33 299 | 3 075 | 1 977 |
| Number at end of year (South African citizen) | 43 515 | 2 364 | 32 389 | 3 071 | 1 902 |
| Number at end of year (non-South African citizen) | 55 | 12 | 910 | 4 | 75 |

Notes:

(a) Pensioners include child pensioners receiving benefits. The total number of child pensioners eligible for benefits as listed under note 7.1 (instalment lumpsums) is reflected as Other beneficiaries above.

(b) The adjustment represents corrections to the opening balances to align with actuarial data.

(c) Withdrawals includes absconded members.

(d) "Default Regulation 38: The FSCA has introduced and implemented the Default Regulation 38, effective as at 1st of March 2019. The Eskom Pension and Provident Fund is required to comply with the Default Regulation and its respective disclosure requirements due to receiving exemption after year-end. Default Regulation 38 seeks to address members that leave or exit the service of their employer before reaching their retirement age and without claiming their benefits, such members no longer have to choose immediately between either cashing out or transferring their funds. Until the member has made a choice, the member remains a member of the fund and is categorised as a "paid-up member" under Active members. The Default Regulation requires pension and provident funds to then set up a default investment portfolio for such members and their retained funds. For the year ended 30th of June 2019, the Eskom Pension and Provident Fund has had 67 members exiting their employment but remained "paid-up members" of the fund as per the Default Regulation 38.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

4. ACTUARIAL VALUATION

The annual financial statements summarise the transactions and net assets of the Fund, and take into account the liabilities to pay pensions and other benefits in the future. In accordance with the rules of the Fund, the actuarial position of the Fund, is examined and reported on by the actuary at intervals not exceeding three years. The last triennial actuarial valuation was carried out as at 30 June 2018. The Board has resolved to file annual actuarial valuations, and accordingly the 30 June 2019 valuation is treated as an annual valuation and filed with the Authority as a voluntary annual valuation submission on the statutory basis. An annual actuarial valuation was performed as at 30 June 2019. According to the actuary per the annual valuation performed as at 30 June 2019, the Fund's assets are sufficient to cover the accumulated liabilities on the best estimate basis, plus the required contingency reserves in respect of in-service members and pensioners. The Fund is therefore financially sound by this criterion.

The next triennial statutory actuarial valuation will be performed as at 30 June 2021.

5. SURPLUS APPORTIONMENT

Nil scheme

The valuation of the Fund for surplus apportionment as at 30 June 2003 revealed that the Fund had no surplus to apportion. A "nil scheme" was subsequently submitted on 1 December 2004 and was noted by the Registrar (now Authority) on 14 July 2005.

6. HOUSING LOAN FACILITIES

The Fund has not granted housing loans or guarantees to members in terms of Section 19(5) of the Pension Funds Act.

7. INVESTMENTS IN PARTICIPATING EMPLOYERS

Investments in terms of section 19(4A) of the Act

The Fund has an investment of less than 5% of the total debt instruments issued by the participating employer Eskom Holdings SOC Limited. Details of investments held in participating employers are provided in note 3.2 to the financial statements.

8. SIGNIFICANT MATTERS

8.1 Principal Officer

The Chief Executive and Principal Officer of the Fund, Ms Nopasika Vuyelwa Lila resigned with effect from 31 March 2019. The Board appointed the Chief Financial Officer, Mr Magomoet Shafeeq Abrahams as a Deputy Principal Officer from 1 May 2019 and as Acting Chief Executive from 8 February 2019. Ms Linda Soga Mateza was appointed the Principal Officer and Chief Executive of the Fund with effect from 1 September 2019.

8.2 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 Eskom, Eskom Rotek Industries and the Fund who had been admitted as members of the Fund. The legal advice received by the Fund indicated that fixed term contract employees do not 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

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

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.

8.3 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 Rule 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 Solidarity, the DA and the EFF. 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 judgment 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.

8.4 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).

9. STATUS OF FUND

The Fund is a defined benefit pension fund. In terms of the Rules of the Fund the employers' contributions to the Fund are 13,5% of the members' pensionable emoluments and in the case of an actuarial deficit in the Fund, the Rules provide that contributions will be increased or benefits will be reduced.

The funding level has increased from 113% to 115% since the previous valuation and there is currently a surplus. The Fund is financially sound in that its assets are sufficient to cover its accrued liabilities.

The going-concern basis has been adopted in preparing the annual financial statements. The Board of Fund has no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. This view is endorsed by the Audit and Risk Committee. The annual financial statements support the viability of the Fund.

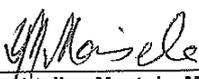
10. SUBSEQUENT EVENTS

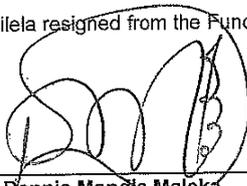
The Fund is not aware of any material subsequent events that have taken place since the date of this report and the financial year except for the item detailed below:

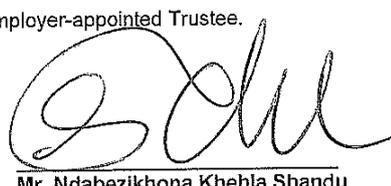
On 29 July 2019, the Constitutional Court upheld the decision of the High Court on the GCEO matter as noted in 8.3 above. The Fund is accordingly in the process of taking legal action to enforce the judgement relating to the repayment of the amounts paid to him by the Fund.

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.


Ms. Japhthaline Mantuka Maisela
Chairman


Mr. Dennis Mandla Maleka
Employer Trustee


Mr. Ndabezikhona Khehla Shandu
Member Trustee

22 November 2019

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE F
STATEMENT OF NET ASSETS AND FUNDS
AS AT 30 JUNE 2019

| | Note | 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 | 4 | 255 918 | 236 732 |
| Arrear contributions | 10 | 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 | 19 | 20 233 000 | 22 524 000 |
| Total funds and reserves | | 143 655 976 | 139 672 574 |
| Non-current liabilities | | | |
| Unclaimed benefits | 8 | 191 962 | 186 042 |
| Current liabilities | | 1 396 068 | 1 347 324 |
| Benefits payable | 7 | 1 222 458 | 1 262 244 |
| Accounts payable | 9 | 123 017 | 44 463 |
| Accruals | 15 | 50 593 | 40 617 |
| Total funds and liabilities | | 145 244 006 | 141 205 940 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE G
STATEMENT OF CHANGES IN NET ASSETS AND FUNDS
FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 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 | 10 | 3 669 030 | 43 990 | 93 847 | 3 806 867 | - | 3 806 867 | 3 792 860 |
| Net investment income | 11 | 6 023 328 | - | - | 6 023 328 | - | 6 023 328 | 9 013 351 |
| Allocated to unclaimed benefits | 8 | (9 479) | - | - | (9 479) | - | (9 479) | (15 091) |
| Other income | 12 | 27 088 | - | - | 27 088 | - | 27 088 | 18 806 |
| Less: | | | | | | | | |
| Administration expenses | 13 | (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 | 5 | - | 61 | - | 61 | - | 61 | 6 334 |
| Transfer to other funds | 6 | (398 650) | - | - | (398 650) | - | (398 650) | (257 429) |
| Benefits | 7 | (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 | 19 | 110 551 199 | 636 313 | 5 961 062 | 117 148 574 | 22 524 000 | 139 672 574 | 132 027 893 |
| Prior period adjustments | 14 | (34 150) | - | - | (34 150) | - | (34 150) | - |
| Transfers between reserve accounts | 19 | 2 305 903 | (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 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. 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.

1.1. 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:

1.2. 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 & 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.

1.3. 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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.3.1. 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 method 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 is 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.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1.3.1. 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 re-measured 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.

1.3.2. 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.

1.3.3. 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.

1.3.4. 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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.4. 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.

1.5. 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.

1.6. 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.

1.7. NET INVESTMENT INCOME

Net investment income comprises of dividends, interest, rentals, collective investment schemes - distribution, income from policies with insurance companies and adjustment to fair value, net of expenses incurred in managing investments.

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.

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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

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 the management of investments are recognised as the service is rendered to the Fund.

1.8. 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.

1.9. 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.

1.10. TRANSFERS TO AND FROM THE FUND

Section 14 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.

1.11. 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.

1.12. 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; and
- the expense recognised during the year in respect of bad or doubtful debts due from related parties.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.13. 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.

1.14. IMPAIRMENT

Asset impairment tests are applied annually to assets whose measurement basis is historic cost or historic 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.

1.15. RETURNS ALLOCATED TO SCHEMES

Interest allocated to the additional voluntary contribution and performance bonus schemes is at rates determined by the Board of the 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.

1.16. LEASES

Leases in which 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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 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

| | 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 | | | | | |
| At beginning of period | 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 period | (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 period | 1 288 | 33 | 1 835 | - | 3 156 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

3. INVESTMENTS

3.1. Investment summary

| | Note | Local R'000 | Foreign R'000 | Total 2019 R'000 | Total 2018 R'000 | Fair value current year R'000 | Categorised per Reporting Framework |
|---|------|-------------------|-------------------|------------------------|------------------------|-------------------------------------|--|
| Cash | | 5 251 816 | 3 236 335 | 8 488 151 | 8 266 490 | 8 488 151 | At fair value through statement of changes in net assets and funds |
| Debt instruments including Islamic debt instruments | | 25 285 366 | 25 328 | 25 310 694 | 23 423 326 | 25 310 694 | At fair value through statement of changes in net assets and funds |
| Investment properties and Owner occupied properties * | 3.3. | 119 000 | - | 119 000 | 123 500 | 119 000 | At fair value through statement of changes in net assets and funds |
| Equities (including demutualisation shares) | | 61 572 565 | 27 984 524 | 89 557 089 | 86 328 904 | 89 557 089 | At fair value through statement of changes in net assets and funds |
| Collective investment schemes | | - | 13 106 091 | 13 106 091 | 15 188 956 | 13 106 091 | At fair value through statement of changes in net assets and funds |
| Hedge funds | | 971 409 | - | 971 409 | 834 541 | 971 409 | At fair value through statement of changes in net assets and funds |
| Private equity funds | | 2 754 961 | 1 943 998 | 4 698 959 | 4 177 125 | 4 698 959 | At fair value through statement of changes in net assets and funds |
| Derivative market investments | | 6 236 | - | 6 236 | 5 864 | 6 236 | At fair value through statement of changes in net assets and funds |
| Investment in participating employer(s) | 3.2. | 2 398 714 | - | 2 398 714 | 2 329 498 | 2 398 714 | At fair value through statement of changes in net assets and funds |
| Total | | 98 360 067 | 46 296 276 | 144 656 343 | 140 678 204 | 144 656 343 | |

* The land and buildings consist of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator. The valuation was performed as at 30 June 2019. The valuator used the following assumptions in determining the fair value of the land and buildings: Competent property management is in place, reasonably stable economic conditions and stable interest rates which influence real estate values. Assumptions are made on expiry of leases for vacancies. During this void revenue period the property may be relet and fitted out for the new tenant. These capital costs as well as agency commission fees are calculated into the cash flow. The fair value was determined by reference to s13 of the JSE regulations regulating listed company property transactions as effective March 2013. If the land and buildings had been carried at the cost model, the value of the land and buildings would have been R63,413,133.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2019

3.2. Investment in participating employer/s

| | At beginning of year R'000 | Additions R'000 | Repaid/ Disposals R'000 | At end of year R'000 |
|------------------|-------------------------------|--------------------|-------------------------------|-------------------------|
| Debt Instruments | 2 329 498 | 69 667 | (451) | 2 398 714 |
| Total | 2 329 498 | 69 667 | (451) | 2 398 714 |

3.3. Investment properties and owner occupied investments

3.3.1. Current year

| Instrument | Address | Valuation method | Date of last valuation | Pledged as a guarantee | At beginning of year R'000 | Additions R'000 | Fair value adjustments R'000 | At end of year R'000 |
|------------------------------|--|-----------------------|------------------------|------------------------|-------------------------------|--------------------|---------------------------------|-------------------------|
| Investment Properties | | | | | | | | |
| Office Complex | EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | Discounted net income | 2019-06-30 | No | 123 500 | 4 230 | (8 730) | 119 000 |
| Total of properties | | | | | 123 500 | 4 230 | (8 730) | 119 000 |

3.3.2. Previous year

| Instrument | Address | Valuation method | Date of last valuation | Pledged as a guarantee | At beginning of year R'000 | Additions R'000 | Fair value adjustments R'000 | At end of year R'000 |
|------------------------------|--|-----------------------|------------------------|------------------------|-------------------------------|--------------------|---------------------------------|-------------------------|
| Investment Properties | | | | | | | | |
| Office Complex | EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191 | Discounted net income | 2018-06-30 | No | 121 500 | 5 800 | (3 800) | 123 500 |
| Total of properties | | | | | 121 500 | 5 800 | (3 800) | 123 500 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

4. ACCOUNTS RECEIVABLE

| | 2019 R'000 | 2018 R'000 |
|--------------------------------------|----------------|----------------|
| Accrued investment income | 34 243 | 34 186 |
| Pensioner payroll (prepaid) | 205 432 | 189 523 |
| Eskom Holdings SOC Limited | - | 166 |
| Prepaid expenses | 6 458 | 12 818 |
| Other receivables | 9 | 39 |
| Recovery of ineligible member payout | 9 776 | - |
| Total | 255 918 | 236 732 |

Recovery of Ineligible member Payout: Refer to Schedule E, Significant Matters point, 8.3

5. TRANSFERS FROM OTHER FUNDS

| | Effective date | No. of members | Applied for not yet approved (contingent) R'000 | A At beginning of year R'000 | B Transfers approved R'000 | C Return on Transfers R'000 | D Assets transferred R'000 | A+B+C-D At end of year R'000 |
|---|----------------|----------------|--|------------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------------|
| Individual transfers in | Various | 2 | - | - | 61 | - | (61) | - |
| Prospective approvals in terms of Section 14 | | | | | | | | |
| Transport Sector Retirement Fund | 15/04/2018 | 13 | 98 | - | - | - | - | - |
| Total | | 15 | 98 | - | 61 | - | (61) | - |

| | |
|-------------------------|----|
| Transfers approved (B) | 61 |
| Return on transfers (C) | - |

| | |
|---|-----------|
| Statement of changes in net assets and funds | 61 |
|---|-----------|

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

6. TRANSFERS TO OTHER FUNDS

| | Effective date | No. of members | A At beginning of year R'000 | B Transfers approved R'000 | C Return on Transfers R'000 | D Assets transferred R'000 | A+B+C-D At end of year R'000 |
|---|----------------|----------------|------------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------------|
| Individual transfers out | Various | 180 | - | 398 650 | - | (398 650) | - |
| Total | | 180 | - | 398 650 | - | (398 650) | - |
| Transfers approved (B) | | | | | | | 398 650 |
| Return on transfers (C) | | | | | | | - |
| Statement of changes in net assets and funds | | | | | | | 398 650 |

7. BENEFITS

7.1. 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 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

8. UNCLAIMED BENEFITS

| | 2019 R'000 | 2018 R'000 |
|---------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 186 042 | 177 464 |
| Transferred from benefits payable | 17 516 | 19 331 |
| Adjustment - prior year adjustments | - | 4 178 |
| Investment income allocated | 9 479 | 15 091 |
| Less: | | |
| • Benefits paid | (21 075) | (30 022) |
| Balance at the end of the year | 191 962 | 186 042 |

Members with an unclaimed benefit payable of R3000 or less have been excluded from the above as the cost of tracing the applicable member exceeds the benefit payable. However the members records are maintained in the event of a potential claim.

9. ACCOUNTS PAYABLE

| | 2019 R'000 | 2018 R'000 |
|--|----------------|---------------|
| Contributions refundable to Eskom Holdings SOC Limited | 36 999 | - |
| PAYE | 91 | 428 |
| Investment expenses payable | 41 507 | 42 006 |
| Operational suppliers | 36 604 | 1 043 |
| Eskom Holdings SOC Limited | 889 | 986 |
| Amounts refundable to ineligible member | 6 927 | - |
| Total | 123 017 | 44 463 |

For further details on "Contributions refundable to Eskom Holdings SOC Limited and Amounts refundable to ineligible member", refer to Schedule E, Significant Matters, point 8.3.

10. CONTRIBUTIONS

| | At beginning of year R'000 | Towards retirement R'000 | Contributions received R'000 | At end of the 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 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

11. NET INVESTMENT INCOME

| | 2019 R'000 | 2018 R'000 |
|---|------------------|------------------|
| Income from investments | 4 894 666 | 4 643 889 |
| • Dividends | 3 343 066 | 2 956 253 |
| • Interest | 1 548 195 | 1 684 654 |
| • Rentals | 3 405 | 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 |

12. OTHER INCOME

| | 2019 R'000 | 2018 R'000 |
|-------------------------|---------------|---------------|
| Securities lending fees | 27 088 | 18 806 |
| Total | 27 088 | 18 806 |

13. ADMINISTRATION EXPENSES

| | 2019 R'000 | 2018 R'000 |
|---|-----------------|----------------|
| Actuarial fees | 1 119 | 1 809 |
| Audit services | 4 546 | 4 774 |
| Audit fees - external | 1 270 | 2 541 |
| Audit fees - Consulting | 237 | 243 |
| Audit fees - Internal | 3 039 | 1 990 |
| Consultancy fees | 17 499 | 12 819 |
| Depreciation | 3 129 | 2 040 |
| Fidelity Insurance | 923 | 819 |
| FSCA levies | 1 769 | 1 797 |
| Other Expenses | 89 417 | 70 183 |
| Bank charges | 2 133 | 2 078 |
| Entertainment and member interaction | 5 263 | 3 859 |
| IT services and rental | 41 763 | 42 089 |
| IT implementation expenses | 1 927 | 1 173 |
| Membership, development and other administration expenses | 18 792 | 17 225 |
| Travel expenses | 12 497 | - |
| Telephone, postage, printing and stationery | 7 042 | 3 759 |
| Board of fund expenses | 13.1 8 828 | 6 513 |
| Staff expenses | 13.2 131 671 | 104 184 |
| Principal officer expenses | 13.3 2 092 | 2 330 |
| Total | 260 993 | 207 268 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

13.1. Board of Fund Expenses

| | 2019 | 2018 |
|-------------------------------------|--------------|--------------|
| | R'000 | R'000 |
| Board of fund remuneration | 4 524 | 3 875 |
| Outside expert fees | 1 168 | 1 662 |
| Meeting allowances | 485 | 209 |
| Travel, training and other expenses | 2 651 | 184 |
| Legal fees | - | 583 |
| Total | 8 828 | 6 513 |

13.2. Staff Expenses

| | 2019 | 2018 |
|----------------------------------|----------------|----------------|
| | R'000 | R'000 |
| Remuneration | 86 350 | 71 147 |
| Contributions to retirement fund | 13 967 | 6 528 |
| Training expenses | 4 567 | 2 324 |
| Other payments | 16 571 | 14 100 |
| Long term incentive | 6 000 | 5 894 |
| Levies and insurance | 1 046 | 980 |
| Recruitment costs | 3 170 | 3 211 |
| Total | 131 671 | 104 184 |

13.3. Principal Officer Expenses

| | 2019 | 2018 |
|---|--------------|--------------|
| | R'000 | R'000 |
| Principal officer expenses - Remuneration | 977 | 995 |
| Principal officer expenses - Contributions to retirement fund | 202 | 24 |
| Principal officer expenses - Bonus | 814 | 1 242 |
| Principal officer expenses - Leave pay | 99 | 69 |
| Total | 2 092 | 2 330 |

The Principal Officer's expenses have been allocated at a rate of 30% of the former Chief Executive's remuneration, which represents the duties / responsibilities as Principal Officer of the Fund. With effect from 31 March 2019, the Principal Officer resigned. The fees for the Deputy Principal Officer are not reflected in this note.

14. PRIOR PERIOD ADJUSTMENTS

| | 2019 | 2018 |
|--|-----------------|--------------|
| | R'000 | R'000 |
| Contributions refundable to Eskom Holdings SOC Limited | (36 999) | - |
| Amounts refundable to ineligible member | (6 927) | - |
| Benefits payable by ineligible member | 9 776 | - |
| Total | (34 150) | - |

On 29 July 2019 the Constitutional Court dismissed the former GCEO application for leave to appeal the Supreme Court judgement on the matter refer Schedule E 8.3. This event confirmed the existence of a liability to the Employer and by the Ineligible member in prior periods.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

15. ACCRUALS

| | 2019 R'000 | 2018 R'000 |
|----------------------------------|---------------|---------------|
| Leave pay accrual | 5 005 | 1 798 |
| Incentive bonus accrual (note:a) | 45 588 | 38 819 |
| | <u>50 593</u> | <u>40 617</u> |

Note a: Includes a long term incentive accrual of R29 016 000 (2018: R28 910 000).

16. RISK MANAGEMENT POLICIES

Risk management framework

The Board of Fund has overall responsibility for the establishment and oversight of the Fund's risk management policies. The Board of Fund has established the Audit and Risk Committee, which is responsible for developing and monitoring the fund's risk management policies. The committee reports regularly to the Board of Fund on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

- **Solvency risk**

Solvency risk is the risk that Fund assets will not be sufficient to meet liabilities i.e. the funding level falling below 100%.

The Board has developed a robust investment policy statement which sets out the Fund's investment philosophy and strategy. The strategy has been developed in the context of long term capital market expectations as well as multiyear projections of actuarial liabilities. The investment policy statements incorporates the Fund's risk budget which takes cognisance of the Fund's liabilities and provides the framework within which investment risk is managed. The risk budget provides the Board with indicators of how the assets are performing relative to liabilities and therefore would enable the Board to make appropriate decisions should there be signs of possible solvency concerns. This is in addition to the independent actuary's valuation of the Fund which provides the Board with the funding status of the Fund on an annual basis.

The Fund conducts a detailed asset liability modelling study (ALM) every three years and annual interim mini ALMs in order to assess whether the long term investment strategy and asset allocation remains adequate for the Fund's liabilities. The results of this exercise are taken into account when the investment policy statement is reviewed annually to ensure that it remains relevant.

The Board obtains written assurance on an annual basis from the Fund Actuary as well as an independent peer review actuary that certifies whether the Fund's investment strategy is adequate taking into account the Fund's liabilities.

- **Credit risk**

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. This could mean failure to pay interest or the principal or both.

As the Fund invests in fixed income instruments it manages this risk through ensuring that only investment grade counterparties are invested with. Also, through diversification and continuous monitoring of the credit worthiness of the counterparties that it deals with.

- **Legal risk**

The legal risk is the risk of financial or reputational loss due to lack of adherence to regulatory, statutory or legal obligations applicable to the Fund. The Fund has an internal legal function capacitated with qualified lawyers who review all the fund's legal agreements to ensure that the Fund's interests are protected. There is also a compliance function in place.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

16. RISK MANAGEMENT POLICIES (continued)

- **Liquidity/cash flow risk**

Liquidity risk involves not having liquid assets to meet liabilities as they fall due, or being unable to realize assets on a reasonable basis when cash is required to pay benefits. The Fund's asset allocation and investment strategy allows for sufficient assets in liquid form to ensure that the cash flow requirements are met as required. Also, most of the Fund's investments are in listed instruments traded in public markets which enables it to trade and raise cash in a relatively short space of time when required.

- **Currency risk**

Currency risk refers to the fact that some of the Fund's investments are denominated in US Dollar and other currencies while the liabilities of the Fund are in Rands and therefore there is exposure to foreign exchange fluctuations. The Fund's investments in foreign assets is limited to the allowable limits prescribed in Regulation 28 of the Pension Funds Act. The majority of such investments are in companies listed in public markets and are denominated in US Dollars. The Board ensures that the Fund's foreign investments are managed by reputable and regulated asset managers which are reviewed and due diligence on an ongoing basis. In the long term the foreign currency denominated investments provide diversification and growth benefits for the Fund.

- **Market risk / Price risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or interest rates. The investment policy statement, investment strategy and risk budget of the Fund ensures that exposure to the various asset classes is sufficiently diversified and spread in order minimize the adverse impact of this risk.

- **Interest rate risk**

The Fund's fixed income investments are exposed to and react to changes in interest rates. The investment strategy of the Fund is to spread the duration/term of the fixed income across the investment term in order to minimize the impact of the volatility of interest rates over time.

- **Asset manager risk**

The risk exists that a particular asset manager employed by the Fund could underperform its benchmark, resulting in poor relative returns. This manager-specific risk is reduced by investing with more than one manager. The contract that exists between the Fund and each individual investment manager appointed to manage a portion of the Fund's assets is typically in the form of an investment management agreement. This document sets out the terms and conditions of the agreement that will exist between the Fund and the investment manager. An important part of this mandate is the section that sets out the specific limitations and conditions under which the funds will be managed by the appointed investment manager. Examples of such limitations and restrictions are the use of derivatives for unauthorised or inappropriate purposes, investment in asset classes not permitted by the mandate, cash exposure limits or credit ratings limits. Breaches of mandate will be examined at least quarterly and reported in a suitable format, such as in a compliance report. Serious or regular breaches result in the investment portfolio transfer to other asset managers'.

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

17. RELATED PARTY TRANSACTIONS

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

The Employer appointed Board members of the Fund 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: R6,5 million) was 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 Limited 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 R'000 | 2018 R'000 |
|------------------------|--|--|-----------------------|-----------------------|
| Eskom Holdings Limited | SOC Participating Employer | Participating Employer contributions to Fund for Employer appointed Trustees | 1 006 | 1 341 |
| Eskom Holdings Limited | SOC 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 Limited | Outside expert fees paid to Eskom Holdings SOC Limited | 119 | 107 |
| Total | | | 10 831 | 10 405 |

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

| Participating employers | Contributions R'000 | Pensioner payroll recoveries R'000 |
|------------------------------------|--------------------------------|---|
| Eskom Holdings SOC Limited | 2 212 595 | 541 994 |
| Eskom Rotek Industries SOC Limited | 220 902 | - |
| Eskom Pension and Provident Fund | 9 692 | - |
| Total | 2 443 189 | 541 994 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

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

| | 2019 |
|----------------------------------|---------------|
| | R'000 |
| Remuneration | 19 837 |
| Contributions to retirement fund | 2 264 |
| Bonuses | 8 399 |
| Leave payout | 403 |
| Total amount contributed | 30 903 |

Executive management transactions includes the Principal Officer remuneration noted under 13.3.

18. OPERATING LEASE COMMITMENTS

| | 2019 | 2018 |
|---|---------------|---------------|
| | R'000 | 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 April 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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

19. SURPLUS AND RESERVE ACCOUNTS

| | Normal Retirement | Additional Voluntary Contributions | Performance Bonus Scheme | Accumulated Funds | Reserve Accounts Total | In-service solvency reserve | In-service contribution reserve | Pensioner solvency reserve |
|---|--------------------|------------------------------------|--------------------------|--------------------|------------------------|-----------------------------|---------------------------------|----------------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| At beginning of year | 110 551 199 | 636 313 | 5 961 062 | 117 148 574 | 22 524 000 | 9 080 000 | 5 144 000 | 8 300 000 |
| Contributions refundable to Eskom Holding SOE | (36 999) | - | - | (36 999) | - | - | - | - |
| Contributions refundable to ineligible member | (6 927) | - | - | (6 927) | - | - | - | - |
| Benefits receivable | 9 776 | - | - | 9 776 | - | - | - | - |
| Contributions received and accrued | 3 669 030 | 43 990 | 93 847 | 3 806 867 | - | - | - | - |
| Net investment income | 6 023 328 | - | - | 6 023 328 | - | - | - | - |
| Allocated to unclaimed benefits | (9 479) | - | - | (9 479) | - | - | - | - |
| Other income: | 27 088 | - | - | 27 088 | - | - | - | - |
| - Other income | 27 088 | - | - | 27 088 | - | - | - | - |
| Less: | (260 993) | - | - | (260 993) | - | - | - | - |
| - Administration costs | (260 993) | - | - | (260 993) | - | - | - | - |
| Net income before transfers and benefits | 119 966 023 | 680 303 | 6 054 909 | 126 701 235 | 22 524 000 | 9 080 000 | 5 144 000 | 8 300 000 |
| Transfers and benefits | (5 063 191) | (59 162) | (446 906) | (5 569 259) | - | - | - | - |
| Transfers from other funds | - | 61 | - | 61 | - | - | - | - |
| Transfers to other funds | (398 650) | - | - | (398 650) | - | - | - | - |
| Benefits | (4 664 541) | (59 223) | (446 906) | (5 170 670) | - | - | - | - |
| Net income after transfers and benefits | 114 902 832 | 621 141 | 5 608 003 | 121 131 976 | 22 524 000 | 9 080 000 | 5 144 000 | 8 300 000 |
| Transfer between accumulated funds | - | - | - | - | - | - | - | - |
| Transfer between reserve accounts | 2 305 903 | (8 960) | (5 943) | 2 291 000 | (2 291 000) | (596 000) | (592 000) | (1 103 000) |
| Net investment return | (347 104) | 33 313 | 313 791 | - | - | - | - | - |
| At end of year | 116 861 631 | 645 494 | 5 915 851 | 123 422 976 | 20 233 000 | 8 484 000 | 4 552 000 | 7 197 000 |

ESKOM PENSION AND PROVIDENT FUND

REPORT OF THE VALUATOR FOR THE YEAR ENDED 30 JUNE 2019

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HB REPORT OF THE VALUATOR

FINANCIAL YEAR: 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



SCHEDULE I

REPORT OF THE INDEPENDENT AUDITOR OF ESKOM PENSION AND PROVIDENT FUND OF FACTUAL FINDINGS TO THE BOARD OF FUND AND THE AUTHORITY OF PENSION FUNDS

We have performed the procedures agreed with the Financial Sector Conduct Authority (the "Authority") and set out below with respect to the audited financial statements ("annual financial statements") and other information in the general ledger and management information comprising the accounting records of the Eskom Pension and Provident Fund (the "Fund") for the year ended 30 June 2019. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information*. Our procedures were performed solely to assist the Authority in evaluating whether any instances of non-compliance with the requirements of the relevant sections of the Pension Funds Act of South Africa (the Act), regulations and rules of the Fund were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed, is that of the Authority.

Procedures and findings

Our procedures performed are set out in the numbered paragraphs in the attached table, which forms part of our report, together with our findings thereon. Unless otherwise indicated, all balances, lists, schedules etc. referred to in the table relate to the accounts/balances reflected in the annual financial statements of the Fund for the year ended 30 June 2019.

Because the procedures do not constitute an audit, a review or other assurance engagement performed in accordance with the IAASB's International Standards we do not express any assurance. Had we performed additional procedures, or had we performed an audit, a review, or other assurance engagement, other matters might have come to our attention that would have been reported.

Restriction on use and distribution

Our report is solely for the purpose set out in the first paragraph of this report and for the information of the Authority and accordingly may not be suitable for any other purpose and distributed to other parties. This report relates only to the information specified and does not extend to the annual financial statements of the Fund taken as a whole.

Clinton Mitchelson
Director
29 November 2019

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1899/012055/21, VAT reg.no. 4850174682.

Procedures and Findings

| | Procedures | Findings | | | | | | | | | | | | |
|--|--|--|--|-------|---|-------------|--|--------------|--|-------------------|--|------------|-------------------|----------------|
| | Statement of Net Assets and Funds | | | | | | | | | | | | | |
| 1 | Investments | | | | | | | | | | | | | |
| 1.1 | Inspect the list of investment balances reflected in the general ledger of the Fund as at 30 June 2019 for any investments in accordance with the terms of section 19(4) of the Act. | | | | | | | | | | | | | |
| 1.1.1 | Agree details of the written confirmations obtained from the investment managers/insurers to the investment balances reflected in the general ledger. | <p>Except for the differences noted below, details of the written confirmations obtained from the investment managers were agreed to the investment balances reflected in the general ledger.</p> <table border="1"> <thead> <tr> <th></th> <th>R'000</th> </tr> </thead> <tbody> <tr> <td>Investments as per the financial statements</td> <td>144,656,343</td> </tr> <tr> <td>Inhouse managed investments (excluding Private Equities) confirmed through custodian confirmations</td> <td>(51,750,687)</td> </tr> <tr> <td>Investments managed by external investment managers</td> <td>92,905,656</td> </tr> <tr> <td>Amount as per the written confirmations from investment managers</td> <td>92,933,066</td> </tr> <tr> <td>Difference</td> <td>-27,410</td> </tr> </tbody> </table> | | R'000 | Investments as per the financial statements | 144,656,343 | Inhouse managed investments (excluding Private Equities) confirmed through custodian confirmations | (51,750,687) | Investments managed by external investment managers | 92,905,656 | Amount as per the written confirmations from investment managers | 92,933,066 | Difference | -27,410 |
| | R'000 | | | | | | | | | | | | | |
| Investments as per the financial statements | 144,656,343 | | | | | | | | | | | | | |
| Inhouse managed investments (excluding Private Equities) confirmed through custodian confirmations | (51,750,687) | | | | | | | | | | | | | |
| Investments managed by external investment managers | 92,905,656 | | | | | | | | | | | | | |
| Amount as per the written confirmations from investment managers | 92,933,066 | | | | | | | | | | | | | |
| Difference | -27,410 | | | | | | | | | | | | | |
| 1.1.2 | Where investments held in the participating employer exceed 5% of the total assets as reflected in the financial statements, inspect the appropriate approval of the Authority. | Investments in the participating employer were 1.66% of the total assets in the financial statements as at 30 June 2019. | | | | | | | | | | | | |
| 1.2 | Obtain the fund's signed investment policy statement and investment mandates, for the 3 largest investment balances as at 30 June 2019 and 7 other randomly selected mandates: | | | | | | | | | | | | | |

| | Procedures | Findings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--------------------|-----------------------|--------------------|-----|--|----------------------|----------------------|---------|--------------------------------------|----------------------|----------------------|---------|------------------------------|------------------------------|------------------------------|---------|---|----------------------|----------------------|---------|---|----------------------|----------------------|---------|-------------------------|------------------------------|------------------------------|---------|---------------|----------------------|----------------------|---------|-----------------------------------|----------------------|----------------------|---------|--------------------------------|----------------------|----------------------|---------|------------------------------|----------------------|----------------------|---------|
| 1.2.1 | Inspect whether the underlying investments are in compliance with the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate. | <p>Inspection of the underlying investments, investment mandate and investment policy statement ("IPS") revealed the following:</p> <table border="1"> <thead> <tr> <th data-bbox="762 376 986 434">Investment manager</th> <th data-bbox="986 376 1182 434">Underlying investment</th> <th data-bbox="1182 376 1385 434">Investment mandate</th> <th data-bbox="1385 376 1485 434">IPS</th> </tr> </thead> <tbody> <tr> <td data-bbox="762 434 986 528">Morgan Stanley Investment Management Ltd</td> <td data-bbox="986 434 1182 528">Segregated portfolio</td> <td data-bbox="1182 434 1385 528">Segregated portfolio</td> <td data-bbox="1385 434 1485 528">Allowed</td> </tr> <tr> <td data-bbox="762 528 986 586">Allianz Global Investors Europe GMBH</td> <td data-bbox="986 528 1182 586">Segregated portfolio</td> <td data-bbox="1182 528 1385 586">Segregated portfolio</td> <td data-bbox="1385 528 1485 586">Allowed</td> </tr> <tr> <td data-bbox="762 586 986 651">SEI Investments (Europe) Ltd</td> <td data-bbox="986 586 1182 651">Collective Investment Scheme</td> <td data-bbox="1182 586 1385 651">Collective Investment Scheme</td> <td data-bbox="1385 586 1485 651">Allowed</td> </tr> <tr> <td data-bbox="762 651 986 745">Stanlib Asset Management Ltd - Properties</td> <td data-bbox="986 651 1182 745">Segregated Portfolio</td> <td data-bbox="1182 651 1385 745">Segregated Portfolio</td> <td data-bbox="1385 651 1485 745">Allowed</td> </tr> <tr> <td data-bbox="762 745 986 804">Robeco Institutional Asset Management B.V</td> <td data-bbox="986 745 1182 804">Segregated Portfolio</td> <td data-bbox="1182 745 1385 804">Segregated Portfolio</td> <td data-bbox="1385 745 1485 804">Allowed</td> </tr> <tr> <td data-bbox="762 804 986 862">Legae Peresec (Pty) Ltd</td> <td data-bbox="986 804 1182 862">Collective Investment Scheme</td> <td data-bbox="1182 804 1385 862">Collective Investment Scheme</td> <td data-bbox="1385 804 1485 862">Allowed</td> </tr> <tr> <td data-bbox="762 862 986 920">MSCI Emerging</td> <td data-bbox="986 862 1182 920">Segregated Portfolio</td> <td data-bbox="1182 862 1385 920">Segregated Portfolio</td> <td data-bbox="1385 862 1485 920">Allowed</td> </tr> <tr> <td data-bbox="762 920 986 978">Statestreet Global Asset Managers</td> <td data-bbox="986 920 1182 978">Segregated Portfolio</td> <td data-bbox="1182 920 1385 978">Segregated Portfolio</td> <td data-bbox="1385 920 1485 978">Allowed</td> </tr> <tr> <td data-bbox="762 978 986 1037">Vunani Fund Managers (Pty) Ltd</td> <td data-bbox="986 978 1182 1037">Segregated Portfolio</td> <td data-bbox="1182 978 1385 1037">Segregated Portfolio</td> <td data-bbox="1385 978 1485 1037">Allowed</td> </tr> <tr> <td data-bbox="762 1037 986 1102">Veritas Asset management LLP</td> <td data-bbox="986 1037 1182 1102">Segregated Portfolio</td> <td data-bbox="1182 1037 1385 1102">Segregated Portfolio</td> <td data-bbox="1385 1037 1485 1102">Allowed</td> </tr> </tbody> </table> | Investment manager | Underlying investment | Investment mandate | IPS | Morgan Stanley Investment Management Ltd | Segregated portfolio | Segregated portfolio | Allowed | Allianz Global Investors Europe GMBH | Segregated portfolio | Segregated portfolio | Allowed | SEI Investments (Europe) Ltd | Collective Investment Scheme | Collective Investment Scheme | Allowed | Stanlib Asset Management Ltd - Properties | Segregated Portfolio | Segregated Portfolio | Allowed | Robeco Institutional Asset Management B.V | Segregated Portfolio | Segregated Portfolio | Allowed | Legae Peresec (Pty) Ltd | Collective Investment Scheme | Collective Investment Scheme | Allowed | MSCI Emerging | Segregated Portfolio | Segregated Portfolio | Allowed | Statestreet Global Asset Managers | Segregated Portfolio | Segregated Portfolio | Allowed | Vunani Fund Managers (Pty) Ltd | Segregated Portfolio | Segregated Portfolio | Allowed | Veritas Asset management LLP | Segregated Portfolio | Segregated Portfolio | Allowed |
| Investment manager | Underlying investment | Investment mandate | IPS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Morgan Stanley Investment Management Ltd | Segregated portfolio | Segregated portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Allianz Global Investors Europe GMBH | Segregated portfolio | Segregated portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SEI Investments (Europe) Ltd | Collective Investment Scheme | Collective Investment Scheme | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stanlib Asset Management Ltd - Properties | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Robeco Institutional Asset Management B.V | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legae Peresec (Pty) Ltd | Collective Investment Scheme | Collective Investment Scheme | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MSCI Emerging | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statestreet Global Asset Managers | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vunani Fund Managers (Pty) Ltd | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Veritas Asset management LLP | Segregated Portfolio | Segregated Portfolio | Allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | Procedures | Findings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|--------------------------|----------------------------|---------------------|--------------------------|---------------------|--|---------------|----|----|-----|--------------------------------------|----|-----|-----|-----|------------------------------|---------------|---------------|---------------|-----|---|---------------|---------------|-----|-----|--------------------------------|---------------|---------------|---------------|-----|---|-----|-----|---------------|----|------------------------|----|-----|---------------|-----|---------------|-----|---------------|-----|-----|------------------------------------|----|-----|-----|-----|------------------------------|----|----|-----|-----|--|----------------------------|---------------------|--------------------------|---------------------|-----|-----|-----|-----|-----|
| 1.2.2 | Inspect whether the investment mandate and the investment policy statement provide for securities lending transactions and investments in hedge funds, private equity funds and derivatives, as prescribed. | <p>Inspection of the underlying investments, investment mandate and investment policy statement revealed the following:</p> <p>Investment Mandates</p> <table border="1" data-bbox="767 416 1485 1283"> <thead> <tr> <th></th> <th>Securities lending allowed</th> <th>Hedge Funds allowed</th> <th>Private equities allowed</th> <th>Derivatives allowed</th> </tr> </thead> <tbody> <tr> <td>Morgan Stanley Investment Management Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Allianz Global Investors Europe GMBH</td> <td>No</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>SEI Investments (Europe) Ltd</td> <td>Not specified</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>Stanlib Asset Management Ltd - Properties</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Yunani Fund Managers (Pty) Ltd</td> <td>Not specified</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>Robeco Institutional Asset Management B.V</td> <td>Yes</td> <td>Yes</td> <td>Not specified</td> <td>No</td> </tr> <tr> <td>Legas Parsec (Pty) Ltd</td> <td>No</td> <td>Yes</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>MSCI Emerging</td> <td>Yes</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Stratastreet Global Asset Managers</td> <td>No</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Veritas Asset management LLP</td> <td>No</td> <td>No</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> <p>Investment Policy Statement ("IPS")</p> <table border="1" data-bbox="767 1350 1469 1451"> <thead> <tr> <th></th> <th>Securities lending allowed</th> <th>Hedge Funds allowed</th> <th>Private equities allowed</th> <th>Derivatives allowed</th> </tr> </thead> <tbody> <tr> <td>IPS</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> | | Securities lending allowed | Hedge Funds allowed | Private equities allowed | Derivatives allowed | Morgan Stanley Investment Management Ltd | Not specified | No | No | Yes | Allianz Global Investors Europe GMBH | No | Yes | Yes | Yes | SEI Investments (Europe) Ltd | Not specified | Not specified | Not specified | Yes | Stanlib Asset Management Ltd - Properties | Not specified | Not specified | Yes | Yes | Yunani Fund Managers (Pty) Ltd | Not specified | Not specified | Not specified | Yes | Robeco Institutional Asset Management B.V | Yes | Yes | Not specified | No | Legas Parsec (Pty) Ltd | No | Yes | Not specified | Yes | MSCI Emerging | Yes | Not specified | Yes | Yes | Stratastreet Global Asset Managers | No | Yes | Yes | Yes | Veritas Asset management LLP | No | No | Yes | Yes | | Securities lending allowed | Hedge Funds allowed | Private equities allowed | Derivatives allowed | IPS | Yes | Yes | Yes | Yes |
| | Securities lending allowed | Hedge Funds allowed | Private equities allowed | Derivatives allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Morgan Stanley Investment Management Ltd | Not specified | No | No | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Allianz Global Investors Europe GMBH | No | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SEI Investments (Europe) Ltd | Not specified | Not specified | Not specified | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stanlib Asset Management Ltd - Properties | Not specified | Not specified | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yunani Fund Managers (Pty) Ltd | Not specified | Not specified | Not specified | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Robeco Institutional Asset Management B.V | Yes | Yes | Not specified | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legas Parsec (Pty) Ltd | No | Yes | Not specified | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MSCI Emerging | Yes | Not specified | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stratastreet Global Asset Managers | No | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Veritas Asset management LLP | No | No | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Securities lending allowed | Hedge Funds allowed | Private equities allowed | Derivatives allowed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| IPS | Yes | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2.3 | Inspect whether the collateral and counterparty requirements as prescribed are complied with. | The collateral and counterparty requirements in respect of scrip lending were in accordance with the requirements of the Fund's investment policy statement. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | Procedures | Findings | | | | | | | | | |
|---------------|---|---|-------------|--------------------------------|--------------|---------------|-----------|------|---------|-----------|------|
| 1.2.4 | <p>For segregated portfolios, confirm directly with the investment administrator(s):</p> <p>(a) whether scrip lending took place during the year ending 30 June 2019 and, if so,</p> <p>(b) whether there was collateral provided by the counterparty/(ies) for any scrip lending activities and, if so,</p> <p>(c) the percentage exposure covered by the collateral.</p> <p>Report on the amount for (a).</p> | <p>The direct confirmations received from the Fund's custodians confirmed that:</p> <p>(a) scrip lending took place during the year. Refer to the table below for scrip lending amounts as at 30 June 2019; and</p> <p>(b) collateral was provided by the counterparty for any scrip lending activities; and</p> <p>(c) collateral provided covered percentages of the exposure as set out in the following table as at 30 June 2019:</p> <table border="1" data-bbox="805 562 1396 835"> <thead> <tr> <th>Institution</th> <th>Market Value of Scrip R'000</th> <th>% Collateral</th> </tr> </thead> <tbody> <tr> <td>Standard Bank</td> <td>5,390,387</td> <td>112%</td> </tr> <tr> <td>Nedbank</td> <td>5,891,138</td> <td>120%</td> </tr> </tbody> </table> | Institution | Market Value of Scrip R'000 | % Collateral | Standard Bank | 5,390,387 | 112% | Nedbank | 5,891,138 | 120% |
| Institution | Market Value of Scrip R'000 | % Collateral | | | | | | | | | |
| Standard Bank | 5,390,387 | 112% | | | | | | | | | |
| Nedbank | 5,891,138 | 120% | | | | | | | | | |
| 2 | Member individual accounts (defined contributions funds as well as defined contribution section of hybrid funds) | | | | | | | | | | |
| 2.1 | Obtain a list of member individual accounts as reflected on the Statement of Net Assets and Funds as at 30 June 2019. | The list of members forming part of the Additional Voluntary Contribution Scheme ("AVCS") and Performance Bonus Scheme ("PBS") agreed to the Statement of Net Assets and Funds in the Annual financial Statements (AFS) as at 30 June 2019. | | | | | | | | | |
| 2.2 | Select a random sample of the lesser of 25 or 10% of the number of members from the list of members and perform the following procedures: | | | | | | | | | | |
| 2.2.1 | Compare the member and employer contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months. | The member and employer contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected of November 2018, February 2019 and June 2019. | | | | | | | | | |
| 2.2.2 | Compare the member and employer contribution rates for the members selected as reflected on the administrator's system, to the rules of the Fund, for a randomly selected period of three months (including the last month of the year under review). | The member and employer contribution rates for the members selected as reflected on the administrator's system agreed to the rules of the Fund. The months of November 2018, February 2019 and June 2019 were selected for testing. No exceptions were noted. | | | | | | | | | |

| | Procedures | Findings |
|-------|--|---|
| 2.2.3 | In respect of unitised investment products, for the three months selected in 2.2.1 and 2.2.2, calculate the conversion of the contributions at the unit price per the administration system on the dates that the contributions were invested and compare the units recalculated to the administration system units for the selected members. Inspect that the units were added to the existing units for that member. | Not applicable as the investment products are not unitised. |
| 2.2.4 | In respect of unitised investment products, calculate the conversion of units at the end of the year, at the 30 June 2019 unit price per the administration system and agree the calculated amount to the member's fund credit amount recorded in each member's record. | Not applicable. |
| 2.2.5 | In respect of unitised investment products, compare the unit price(s) as per investment manager/actuary/other authorised party at the year-end to the unit prices on the administration system used to calculate each member's credits at year-end. | Not applicable. |
| 2.2.6 | In respect of non-unitised investment products, compare the interim and/or final return allocated to each individual member's account in the administrator's records for the 30 June 2019 year under review to the return approved in accordance with a resolution of the Board of Fund or the rules of the Fund or approved recommendation by the investment consultant/asset manager/fund valuator. | The final return allocated to each individual member's account in the administrator's records agreed to the return approved in accordance with a resolution of the Board of Fund. |
| 2.3 | Obtain a list of members who switched investment portfolios during the year from the Fund/administrator, select a random sample of the lesser of 25 or 10% of members who switched between investment portfolios during the year, and perform the following procedures: | Not applicable as no life stage or member individual choice models have been adopted. |

| | Procedures | Findings |
|-------|--|--|
| 2.3.1 | Inspect evidence that the portfolios were switched in accordance with notification of the member's instruction/ investment strategy (including life stage models) of the Fund and within a timeframe as specified in the service level agreement or client mandate between the administrator and the Fund. | Not applicable. |
| 2.3.2 | Inquire as to whether any fees relating to switches were deducted, and if so, inspect evidence of the approval by the Board of Fund and/or in terms of a service level agreement or client mandate. | Not applicable. |
| 2.4 | For investment products obtain the Asset Liability Match (ALM) reconciliation per investment portfolio, excluding the reserve accounts, for member individual accounts from the administrator, and perform the following procedures: | Not applicable. The AVCS and PBS are not backed by specific investment portfolios. |
| 2.4.1 | Compare the investments per product on the ALM reconciliation to the investment certificates in total. | Not applicable. |
| 2.4.2 | Compare the member individual accounts on the ALM reconciliation per investment portfolio to the administration system and to the total member individual accounts as disclosed in the Statement of Net Assets and Funds. | Not applicable. |
| 2.4.3 | Inspect whether the total mismatch (in Rand) for all portfolios was within the range as prescribed by the Authority. | Not applicable |

| | Procedures | Findings |
|----------|---|--|
| 3 | Accumulated funds (for defined benefit funds as well as defined benefit sections of hybrid funds) | |
| 3.1 | Select a sample of the lesser of 25 or 10% of the number of members from the list of members provided by the administrator and perform the following procedures for each member selected: | |
| 3.1.1 | Compare the member contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review). | The member contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected of November 2018, February 2019 and June 2019. |
| 4 | Surplus apportionment scheme | |
| 4.1 | If a surplus apportionment scheme was approved by the Authority in the current year or if allocation and/or payments to members were made during the year, perform the following procedures: | Not applicable. The Fund did not have a surplus apportionment scheme approved by the Authority in the current year and no amounts were allocated or paid in the current year in respect of previous Authority-approved surplus apportionment schemes. |
| 4.1.1 | <u>Active members:</u> Select a random sample of the lesser of 25 or 10% of number of active members to whom surplus has been apportioned in the approved surplus apportionment scheme and perform the following procedures: | Not applicable. |
| 4.1.1.1 | Agree the original surplus amount allocated to the selected member to the individual allocation on the member records per the administration system. | Not applicable. |
| 4.1.1.2 | Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system. | Not applicable. |

| | Procedures | Findings |
|----------|---|--|
| 4.1.2 | Former members and pensioners: Select a random sample of the lesser of 25 or 10% of number of former members and pensioners as defined by the surplus apportionment scheme from the surplus schedules attached to the approved surplus apportionment scheme and perform the following procedures: | Not applicable. |
| 4.1.2.1 | Agree the original surplus amount allocated to the selected member and/or pensioner to the individual allocation on the member records per the administration system. | Not applicable. |
| 4.1.2.2 | Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system. | Not applicable. |
| 4.1.2.3 | Agree the total of the amount calculated in 4.1.2.1 and 4.1.2.2 to the surplus benefit paid per selected member and to the applicable amount per the administration system and other authorised supporting documentation. | Not applicable. |
| 5 | Member and employer surplus accounts | |
| 5.1 | Obtain the analysis of the transactions in the member and/or employer surplus account per the annual financial statements, and perform the following procedure: | Not applicable as there are no member or employer surplus accounts reflected in the annual financial statements of the Fund. |
| 5.1.1 | Inspect that the transactions are permitted in terms of the registered rules of the Fund and/or the Act. | Not applicable. |
| 6 | Reserves | |
| 6.1 | Obtain the list of reserves and other related accounts (e.g. pensioner accounts) and the movements per the financial statements and/or in the actuarial valuation, and perform the following procedures: | |
| 6.1.1 | Inspect whether the reserve and other related accounts (e.g. pensioner accounts) held by the Fund and/or reflected in the actuarial valuation are in accordance with the registered rules of the Fund. | The reserve accounts held by the Fund and reflected in the actuarial valuation are permitted in terms of the registered rules of the Fund. |

| | Procedures | Findings |
|----------|--|---|
| 6.1.2 | Inspect that the movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund and/or the Act. | The movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund. |
| 7 | Other assets, liabilities and guarantees | |
| 7.1 | Obtain the list of housing loans granted to members by the Fund in terms of section 19(5) of the Act as at year-end 30 June 2019, and perform the following procedure: | Not applicable as no housing loans were granted to members of the Fund. |
| 7.1.1 | Agree the total housing loans on the above list to the corresponding account in the annual financial statements. | Not applicable. |
| 7.2 | From the list in 7.1, randomly select a sample of the lesser of 25 or 10% of the number of members' housing loans granted and perform the following procedures: | Not applicable. |
| | Procedures | Findings |
| 7.2.1 | Inspect evidence that the value of the housing loan provided does not exceed the amount permitted by the rules and the home loan agreement. | Not applicable. |
| 7.2.2 | Inspect evidence that the housing loan has been granted in terms of Section 19(5) (a). | Not applicable. |
| 7.2.3 | Inspect evidence that repayments are being made in accordance with the housing loan agreement. | Not applicable. |
| 7.2.4 | Inspect the interest charged on the outstanding housing loan and compare the rate used to the prescribed rate. | Not applicable. |
| 7.2.5 | If the Fund issued more than 100 housing loans or the total principal debt of all outstanding loans exceeded R500 000, inquire whether the Fund was registered as a credit provider under the National Credit Act, 2005 (the NCA). | Not applicable. |
| 7.3 | Obtain the list of housing loan guarantees and select a sample of the lesser of 25 or 10% of the number of housing loan guarantees and perform the following procedures: | Not applicable. |

| | Procedures | Findings |
|-------|---|---|
| 7.3.1 | For the sample selected, determine that each selected housing loan guarantee did not exceed the gross value of the benefit that the member would become entitled to had they withdrawn, as at the year end, in terms of the Act, the loan agreement and/or the rules of the Fund. | Not applicable. |
| 7.3.2 | Inspect evidence that the housing loan guarantee has been granted in terms of Section 19(5) (a). | Not applicable. |
| 7.4 | Obtain a list of other loans per the general ledger of the Fund as at 30 June 2019 and perform the following procedure: | Not applicable as no other loans were granted as at 30 June 2019. |
| 7.4.1 | Confirm that no loans were granted and/or investments made as prohibited in terms of section 19(5)B. | Not applicable. |

| | Procedures | Findings |
|----------|--|--|
| | Statement of Changes in Net Assets and Funds | |
| 8 | Contributions | |
| 8.1 | Select a sample of the lesser of 25 or 10% of the number of participating employers or pay points (whichever is the lower) from a list of participating employer/pay-points supplied by the Fund/administrator, select three months and perform the following procedures: | |
| 8.1.1 | Compare, in total, the contributions received by or on behalf of the Fund to the remittance advices from the participating employer/pay-point. | The contributions received by or on behalf of the Fund agreed to the remittance advice documents from the selected participating employers for the months of November 2018, February 2019 and June 2019. |
| 8.1.2 | Inspect the bank statements for the date on which the cash was received to determine whether the contributions were deposited with a registered bank in accordance with section 13A of the Act and whether late payment interest has been raised in terms of regulation 33, where applicable. | Contributions were deposited with a registered bank in accordance with section 13A of the Act for the months selected. |
| 8.2 | Select a sample of the lesser of 25 or 10% of the number of participating employers or pay points which reflect arrear contributions (whichever is the lower) at year-end from a list supplied by the Fund/administrator and perform the following procedure: | |
| 8.2.1 | Inspect the accounting records of the Fund to determine whether amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. Where the amounts were received after the prescribed period, report the date of receipt and where they were not received, indicate as such. | Amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. |
| 9 | Benefits | |
| 9.1 | Obtain a list from the administration system of lump sum benefits reflected as expenses in the Fund's Statement of Changes in Net Assets and Funds for the year under review and perform the following procedure: | |

| | Procedures | Findings |
|-------|---|--|
| 9.1.1 | Compare the list to the respective general ledger benefit expense accounts reconciliation. | The list agreed to the respective general ledger benefit expense accounts reconciliation. |
| 9.2 | Select a sample of the lesser of 25 benefits or 10% of the total number of benefits from the list and perform the following procedures: | |
| 9.2.1 | Compare the benefit per selected member to the administration system and authorised supporting documentation in accordance with the procedures of the Fund. | The benefit paid agreed to the administration system and authorised supporting documentation in accordance with the rules of the Fund. |
| 9.2.2 | For death benefits, where a portion of the benefit had been reinsured by the Fund, inspect a bank deposit or an accrual raised for the recovery from the insurer. | Not applicable as benefits are not re-insured. |
| 9.2.3 | <p><u>For a defined benefit fund:</u> Inspect that the calculation of the benefit payment was done by the actuary in accordance with the requirements of the rules of the Fund and/or the Act.</p> <p><u>For a defined contribution fund</u> Agree the opening fund credit for the member to the opening fund credit report and determine whether contributions were added every month until the date of exit (either by Rand amount or in the case of unitised funds, by units). Agree the balance paid out to the member (inclusive of late payment interest where applicable) to the fund credit report or administration system as at the date of exit.</p> | <p><u>For a defined benefit fund:</u> The calculation of the benefit payment by the Fund was performed in accordance with the requirements of the rules of the Fund and/or the Act for the members selected in our sample.</p> <p><u>For a defined contribution fund</u> In respect of the AVCS and PBS, the opening fund credit for the selected members agreed to the opening fund credit report and contributions were added until the date of exit. The balance paid out to the selected members (inclusive of late payment interest where applicable) agreed to the fund credit report or administration system as at the date of exit.</p> |
| 9.3 | Obtain a list of all benefits not yet paid at year-end, select a sample of the lesser of 25 benefits or 10% of the total number of benefits from the list and perform the following procedure: | |
| 9.3.1 | Agree whether the benefits that are older than the period as set out in the Act or a shorter period defined by the Rules are classified as unclaimed benefits. | The benefits that were older than the period as set out in the Act and by the Rules of the Fund were classified as unclaimed benefits. |

| 10 | Transfers | |
|--------|---|--|
| 10.1 | Compare the list of total section 14 transfers to and from the Fund to the corresponding accounts in the general ledger. | Not applicable. There were no section 14 transfers to or from the Fund noted during the 2019 financial year. |
| 10.2 | From the list of section 14 transfers paid/received and accrued to and from the Fund throughout the year select a sample of the lesser of 25 or 10% of the number of transfers in and the lesser of 25 or 10% of the number of transfers out, and perform the following procedures: | Not applicable. |
| 10.2.1 | Agree the sample of section 14 transfers to and from the Fund to: a) the section 14(1) documentation as approved by the Authority in respect of each transfer; and/or b) the section 14(8) documentation as prescribed. | Not applicable. |
| 10.2.2 | Inspect whether the transfers to and from the Fund were received/paid within 60 days of Authority approval for section 14(1) transfers and 180 days from application date for section 14(8) transfers and whether the growth and investment return had been allocated from the effective date of the transfer to the date of final settlement. | Not applicable. |
| 10.2.3 | In respect of unitised funds, select a sample of the lesser of 25 or 10% of the number of members transferred from other funds and recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt, investment return was added from the date of receipt to the date of purchase). | Not applicable. |

| | Procedures | Findings |
|--------|---|---|
| 10.3 | Individual transfers Obtain the list of individual transfers throughout the year ended 30 June 2019, select a sample of the lesser of 25 or 10% of the number of individual transfers, and perform the following procedures: | |
| 10.3.1 | Agree the transfers to the approved recognition of transfer documentation. | The transfers agreed to the approved recognition of transfer documentation for the sample selected. |
| 10.3.2 | For Individual transfers in selected In respect of unitised funds, recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt investment return was added from the date of receipt to the date of purchase). | Not applicable as the Fund is not a unitised fund. |
| 11 | Pensioners paid | |
| 11.1 | Obtain a copy of the list of pensioners and amounts paid for the year from the administration system and/or, for outsourced pensioners, confirmation from the insurer and perform the following procedure: | |
| 11.1.1 | Agree the total pensions paid for the year ended 30 June 2019 to the corresponding account reconciliation to the general ledger balance. | The total pensions paid agreed to the corresponding account reconciliation to the general ledger balance for the period ended 30 June 2019. |
| 11.2 | Select a sample of the lesser of 25 or 10 % of the number of pensioners paid directly from the fund from the above list and perform the following procedures: | |
| 11.2.1 | Inspect the pensioner increases for authorisation by the Board of Fund. | The pensioner increases were authorised by the Board of Fund. |
| 11.2.2 | Inspect evidence obtained by the administrator/Fund supporting the fact that the pensioners selected exist. | The evidence inspected indicated that the selected pensioners existed. |
| 11.3 | Where the Fund has purchased an annuity in the name of the Fund, obtain a written confirmation from the annuity provider summarising movements from opening market value to closing market value and perform the following procedures: | Not applicable. The Fund has not purchased an annuity in the name of the Fund. |

| | Procedures | Findings |
|-----------|--|---|
| 11.3.1 | Agree the closing market value of the annuity to the annual financial statements. | Not applicable. The Fund has not purchased an annuity in the name of the Fund. |
| 11.3.2 | Agree the pensioner payment per the confirmation from the insurer to the pensions paid disclosed in the notes to the annual financial statements. | Not applicable. The Fund has not purchased an annuity in the name of the Fund. |
| 12 | General | |
| 12.1 | Inspect evidence that the Fund's fidelity insurance cover was in place throughout the year ended 30 June 2019, that the Fund's fidelity insurance cover extends after year-end and report the date to which the subsequent fidelity insurance cover extends. | The Fund's fidelity insurance cover was in place throughout the year ended 30 June 2019. The subsequent fidelity insurance cover extended to 30 June 2020. |
| 12.2 | Confirm with the Fund's GLA insurer as to whether the GLA policy has lapsed at year ended 30 June 2019. | Not applicable as benefits are not re-insured. |
| 12.3 | Obtain the most recent statutory valuation signed and submitted by the valuator and perform the following procedures: | We obtained the valuation as at 30 June 2018 signed and submitted by the valuator and the valuation as at 30 June 2019 prepared and signed by the valuator. |
| 12.3.1 | Report the funding status of the Fund per the report (whether the Fund was under-funded or fully funded). | The 2018 and 2019 actuarial reports concluded that the Fund was fully funded. |
| 12.3.2 | Where the Fund is under-funded, obtain evidence as to whether a scheme, as required in terms of section 18 of the Act in South Africa, has been approved by the Authority. | Not applicable as the Fund was fully funded. |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS
AT 30 JUNE 2019

INVESTMENTS

| | Notes | Direct Investments | Non-compliant Collective investment schemes Note M1 | Derivative positions without residual risk Note G1 | Total | Local | Foreign | Foreign Africa | Total Foreign | Total percentage of foreign exposure | Reconciling items between Schedule IB and Schedule F | TOTAL as per Regulation 28 (Schedule IB) |
|---|-------|--------------------|--|---|--------------------|-------------------|-------------------|------------------|-------------------|--------------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Cash (including cash at bank) | A | 8 511 971 | - | - | 8 511 971 | 5 275 636 | 3 233 429 | 2 906 | 3 236 335 | 38,02 | 476 420 | 8 988 391 |
| Debt instruments including Islamic debt Instruments | C | 25 310 694 | - | - | 25 310 694 | 25 285 366 | - | 25 328 | 25 328 | 0,10 | 65 111 | 25 375 805 |
| Investment and owner occupied properties | D | 119 000 | - | - | 119 000 | 119 000 | - | - | - | - | 10 379 648 | 10 498 648 |
| Equities | E | 89 557 089 | - | - | 89 557 089 | 61 572 565 | 27 984 524 | - | 27 984 524 | 31,25 | 2 164 827 | 91 721 916 |
| Derivative Market instruments | G | - | - | 6 236 | 6 236 | 6 236 | - | - | - | - | (6 236) | - |
| Investments in participating employers | H | 2 398 714 | - | - | 2 398 714 | 2 398 714 | - | - | - | - | - | 2 398 714 |
| Hedge Funds | J | 971 409 | - | - | 971 409 | 971 409 | - | - | - | - | (971 409) | - |
| Private Equity Funds | K | 4 698 959 | - | - | 4 698 959 | 2 754 961 | - | 1 943 998 | 1 943 998 | 41,37 | 997 730 | 5 696 689 |
| Collective Investment Schemes | | - | 13 106 091 | - | 13 106 091 | - | 13 106 091 | - | 13 106 091 | 100,00 | (13 106 091) | - |
| Total investments | | 131 567 836 | 13 106 091 | 6 236 | 144 680 163 | 98 383 887 | 44 324 044 | 1 972 232 | 46 296 276 | 32,00 | - | 144 680 163 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

A CASH

| Instrument | Fair Value R'000 |
|---|---------------------|
| Local | |
| Local notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments | 5 275 635 |
| <i>Total of issuers not exceeding 5%</i> | 1 274 815 |
| A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument | - |
| <i>Total of issuers not exceeding 5%</i> | 1 864 696 |
| Any positive net balance in a margin account with an exchange | - |
| <i>Total of issuers not exceeding 5%</i> | 2 136 124 |
| Foreign | |
| Foreign balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments | 3 236 336 |
| Any balance or deposit held with a foreign bank | - |
| <i>Total of issuers not exceeding 5%</i> | 3 233 429 |
| Any balance or deposit held with an African bank | - |
| <i>Total of issuers not exceeding 5%</i> | 2 907 |
| Total | 8 511 971 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

C DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS

| Instrument | Local or foreign | Secured/ Unsecured | Issued/ Guaranteed | Redemption value R'000 | Fair value R'000 |
|--|------------------|--------------------|-----------------------|------------------------------|---------------------|
| Government debt: | | | | | |
| Debt instruments issued by the government of the Republic and any debt or loan guaranteed by the Republic | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 21 603 845 |
| Debt instruments issued or guaranteed by the government of a foreign country: | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 22 568 |
| Bank debt : | | | | | |
| Debt instruments issued or guaranteed by a South African Bank against its balance sheet:- | | | | | |
| Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 1 126 507 |
| Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 21 010 |
| Not listed on an exchange | | | | | |
| Corporate debt (excluding debentures): | | | | | |
| Debt instruments issued or guaranteed by an entity that has equity listed on an exchange | | | | | |
| Listed on an exchange | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 1 101 922 |
| Not listed on an exchange | | | | | |
| THE STANDARD BANK OF SOUTH AFRICA LIMITED | Local | Unsecured | Guaranteed | | 572 752 |
| TELKOM SA LIMITED | Local | Unsecured | Guaranteed | | 28 126 |
| BAYPORT SECURITISATION (RF) LIMITED | Local | Unsecured | Issued | | 13 399 |
| NORTHAM PLATINUM LIMITED | Local | Unsecured | Issued | | 17 439 |
| Total | | | | | 631 716 |
| Debentures: | | | | | |
| Listed on an exchange | | | | | |
| <i>Total of issuers not exceeding 5%</i> | | | | | |
| | | | | | 99 645 |
| Not listed on an exchange | | | | | |
| Total debt instruments including Islamic debt instruments | | | | | |
| | | | | | 25 310 694 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

D INVESTMENT AND OWNER OCCUPIED PROPERTIES

| Instrument | Fair value R'000 |
|---|-----------------------|
| Owner occupied properties <i>Total of issuer/entity less than 5% of total assets</i> | 119 000 |
| Total owner occupied properties | <u>119 000</u> |
| Total | <u>119 000</u> |

| Instrument | Local/ Foreign | Issued shares | Holding number | Ordinary/ Preference shares | Holding % | Fair value R'000 |
|---|----------------|---------------|----------------|-----------------------------------|--------------|-----------------------|
| Shares and linked units in property companies, or units in a collective investment scheme in property, listed on an exchange: | | | | | | |
| Total | | | | | | <u>119 000</u> |

E EQUITIES

| Instrument | Local/ Foreign | Issued shares | Ordinary/ Preference shares | Holding number | Holding in issuer/ entity % | Fair value R'000 |
|--|----------------|---------------|-----------------------------------|----------------|--------------------------------------|--------------------------|
| Listed equities | | | | | | |
| Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i> | | | | | | <u>66 527 103</u> |
| Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i> | | | | | | <u>22 622 797</u> |
| Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i> | | | | | | <u>407 189</u> |
| Total equities | | | | | | <u>89 557 089</u> |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

F SECURITIES LENDING

| Securities on lend | Maximum of Fair value of security | Transaction date | Collateral | Fair value R'000 | No. of shares lent | Name of counterparty | Script custodian | Manufactured dividend R'000 |
|--|-----------------------------------|------------------|------------|-------------------|--------------------|----------------------|------------------|-----------------------------|
| Equities – Top 100 of companies (by market cap) listed on an exchange | 75% | | | | | | | |
| | | 30 Jun 19 | Equity | 689 815 | - | Standard Bank | Nedbank | - |
| | | 30 Jun 19 | Equity | 5 881 138 | - | Nedbank | Nedbank | - |
| Debt - Government bonds | 75% | | | | | | | |
| | | 30 Jun 19 | Bonds | 4 700 572 | - | Standard Bank | Nedbank | - |
| Total | | | | 11 271 525 | | | | - |

Included in the value above are the following script lending transactions:

| Name of lender | Description | % of total assets | Value of transaction R'000 |
|----------------|--------------------------|-------------------|----------------------------|
| Standard Bank | Equity and Bonds on loan | - | 5 390 387 |
| Nedbank | Equity on loan | - | 5 881 138 |
| Total | | | 11 271 525 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

G DIRECT DERIVATIVE MARKET INSTRUMENTS

G1 DERIVATIVE POSITIONS WITHOUT RESIDUAL RISK

| Instrument | Fair value R'000 |
|---------------------------|---------------------|
| Options | |
| Futures/Forwards/SAFEX | |
| Currency swaps | |
| Interest rate swaps | |
| Firststrand Bank Ltd | 5 918 |
| Deutsche Bank Ag Jhb | 4 110 |
| Nedbank Limited | (3 792) |
| Forward rate agreements | |
| Equity linked instruments | |
| Other | |
| Total | <u>6 236</u> |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

H INVESTMENTS IN PARTICIPATING EMPLOYER/S

| Instrument | Listed or not listed | Issued/ Guaranteed | Fair value R'000 |
|---|-------------------------|-----------------------|-----------------------------|
| Debt instruments | | | |
| <i>Total of issuers not exceeding 5%</i> | | | 2 398 714 |
| Subtotal | | | <u><u>2 398 714</u></u> |
| Instrument | | | |
| | | | Fair value R'000 |
| Total for investments in participating employers | | | <u><u>2 398 714</u></u> |

J HEDGE FUNDS

| Instrument | Period into contract | Total value of commitment R'000 | Current value of commitment R'000 |
|-------------------------------------|-------------------------|---------------------------------------|---|
| Hedge Funds | | | |
| Matrix Fixed Income Fund | Fixed Mandate | 971 409 | 971 409 |
| Total Hedge funds commitment | | <u><u>971 409</u></u> | <u><u>971 409</u></u> |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

K PRIVATE EQUITY FUNDS

| Instrument | Local or Foreign | Structure | Category 2 approval | FAIS approval number | Holding | Term of contract | Number of permitted drawdowns as per contract | Total value of commitment | Current value of commitment |
|--|------------------|--------------|---------------------|----------------------|---------|------------------------|---|---------------------------|-----------------------------|
| | | | | | % | | | R'000 | R'000 |
| Private Equity Fund | | | | | | | | | |
| African Infrastruct Inv Fund | Local | Partnerships | Yes | 4307 | 3,79 % | 10years with extension | Unlimited | 50 000 | 44 505 |
| Brait Iv | Local | Partnerships | Yes | 820 | 6,04 % | 10years | Unlimited | 75 000 | 38 972 |
| Capitalworks Private Equity | Local | Partnerships | No | 45888 | 4,00 % | 10years | Unlimited | 50 000 | 40 245 |
| Capitalworks Private Equity 2 | Local | Partnerships | No | 45890 | 22,00 % | 10years | Unlimited | 200 000 | 155 457 |
| Ethos Pvte Eqt Fund V | Local | Partnerships | Yes | 9254 | 9,05 % | 10years with extension | Unlimited | 100 000 | 11 238 |
| Ethos Pvte Equity Fund Vi | Local | Partnerships | Yes | 9254 | 0,15 % | 10years | Unlimited | 185 000 | 142 199 |
| Ethos Mid Market Fund I | Local | Partnerships | Yes | 46595 | - % | 10years | Unlimited | 350 000 | 177 359 |
| Housing Impact Fund SA | Local | Partnerships | Yes | 45255 | 1,64 % | 10years | Unlimited | 150 000 | 101 526 |
| Kleoss Fund 1 | Local | Partnerships | Yes | 45656 | 12,65 % | 10years | Unlimited | 75 000 | 46 464 |
| Lereko-Metier Capt Growth | Local | Partnerships | Yes | 23261 | 3,29 % | 10years | Unlimited | 100 000 | 15 978 |
| Medu Ii Partnership Agree | Local | Partnerships | Yes | 40187 | 5,71 % | 10years | Unlimited | 50 000 | 6 040 |
| Medu Iii Capital Fund | Local | Partnerships | Yes | 40187 | 23,26 % | 10years | Unlimited | 150 000 | 146 159 |
| Ompe Fund Iv | Local | Partnerships | Yes | 45255 | 2,70 % | 8years | Unlimited | 100 000 | 58 275 |
| Schools And Education Investment Impact Fund Of South Africa | Local | Partnerships | Yes | 45255 | 14,29 % | 10years | Unlimited | 200 000 | 156 348 |
| Ihs Fund Ii Sa Feeder Lp | Local | Partnerships | Yes | 35579 | 8,64 % | 10years | Unlimited | 100 000 | 50 334 |
| Sphere Holdings | Local | Partnerships | Yes | N/A | 20,75 % | No expiry | Unlimited | 249 966 | 296 217 |
| Stanlib Infrastructure Fund | Local | Partnerships | Yes | 719 | 8,00 % | 10years | Unlimited | 100 000 | 158 872 |
| Trinitas Private Eqt Fund | Local | Partnerships | Yes | 43242 | 6,04 % | 10years | Unlimited | 50 000 | 56 392 |
| Vantage Capital Fund 1 Tr | Local | Partnerships | Yes | 28711 | 26,67 % | 10years with extension | Unlimited | 20 000 | 3 360 |
| Vantage Mezzanine Fund 1 | Local | Partnerships | Yes | 25807 | 5,03 % | 10years | Unlimited | 50 000 | 938 |
| Vantage Mezzanine Fund 2 | Local | Partnerships | Yes | 25807 | 5,40 % | 10years | Unlimited | 100 000 | 127 043 |
| Vantage Mezzanine Fund 3 Southern African | Local | Partnerships | Yes | 45610 | 10,63 % | 10years | Unlimited | 187 600 | 77 747 |
| Van Schaick Book Stores | Local | Other | No | | 14,50 % | 10years | Unlimited | 100 000 | 40 512 |
| Women Priv Eqt Fund 1* | Local | Partnerships | Yes | 11686 | 15,53 % | 8years with extension | Unlimited | 20 000 | 492 |
| Pape3 Fund Managers (Pty) Ltd | Local | Partnerships | Yes | 46337 | 15,76 % | 10years | Unlimited | 150 000 | 40 009 |
| Aureos Africa Fund | Foreign | Partnerships | Yes | 44310 | 1,60 % | 10years | Unlimited | 84 607 | 7 547 |
| Aureos Africa Fund 3 | Foreign | Partnerships | Yes | 44310 | 4,04 % | 10years | Unlimited | 564 050 | 317 508 |
| Capital Alliance P E Iii | Foreign | Partnerships | No | | 1,86 % | 10years | Unlimited | 91 658 | 39 939 |
| Capital Alliance Pvt Eq 4 | Foreign | Partnerships | No | | 6,05 % | 10years | Unlimited | 423 037 | 230 092 |
| Helios Private Equity | Foreign | Partnerships | No | 45737 | 0,78 % | 10years | Unlimited | 91 658 | 122 804 |
| Helios Private Equity Fnd 3 | Foreign | Partnerships | No | 45737 | 2,69 % | 10years | Unlimited | 423 037 | 474 721 |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019**

| | | | | | | | | |
|--|---------|--------------|-----|-------|-----------------|-----------|------------------|------------------|
| Invest Afr Private Eq F2 | Foreign | Partnerships | Yes | 587 | 9,98 % 10years | Unlimited | 352 531 | 239 349 |
| Novare Africa Property Fund li | Foreign | Partnerships | Yes | 41836 | 9,95 % 10years | Unlimited | 493 544 | 290 656 |
| Pan African Infra Dev Fun | Foreign | Partnerships | Yes | 31473 | 0,79 % 15years | Unlimited | 70 506 | 72 930 |
| Vantage Mezz3 Pan Af Fund | Foreign | Partnerships | Yes | 45610 | 3,40 % 10years | Unlimited | 73 326 | 48 693 |
| GROWTHPOINT INV AFR PROP | Foreign | Other | No | | 18,86 % 10years | Unlimited | 564 050 | 99 760 |
| Busamed Property Ltd | Local | Other | No | | 23,88 % 10years | Unlimited | 540 681 | 566 277 |
| VANTAGE GREENX FUND | Local | Partnerships | Yes | 48166 | 3,51 % 10years | Unlimited | 200 000 | 147 159 |
| ADVISORS II | | | | | | | | |
| GAMMATEK | Local | Partnerships | Yes | 4307 | 9,00 % 10years | Unlimited | 44 545 | 44 545 |
| CAPITALWORKS PRVTE EQUITY 3 | Local | Partnerships | Yes | 45891 | 35,00 % 10years | Unlimited | 450 000 | 4 298 |
| Total Private Equity Funds commitment | | | | | | | <u>7 429 796</u> | <u>4 698 959</u> |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019**

M REGULATION 28 NON-COMPLIANT INVESTMENTS

M1 NON-COMPLIANT COLLECTIVE INVESTMENT SCHEMES

| Instrument | Holding % | Fair value R'000 |
|--|--------------|---------------------|
| Foreign | | |
| SGMF European EX-UK Equity USD Institutional | 0,29 | 423 835 |
| SGMF US Large Companies Equity USD Institutional | 1,10 | 1 585 311 |
| SGMF Emerging Markets Equity USD Institutional | 0,57 | 824 620 |
| SGMF Japan Equity USD Institutional | 0,19 | 270 935 |
| SGIF Global Select Equity Fund USD Institutional | 1,79 | 2 587 070 |
| SGMF Pacific Basin ex-Japan equity USD Institutional | 0,13 | 191 924 |
| SGMF UK Equity USD Institutional | 0,14 | 196 778 |
| Blackrock Developed World Index Sub Fund | 2,92 | 4 223 630 |
| Ashmore The Africa Emerging Markets Fund | 0,45 | 648 116 |
| Sanlam Centre Sub Saharan Africa Equity Fund | 0,58 | 839 903 |
| Duet Africa opportunities Fund | 0,91 | 1 313 969 |
| | | 13 106 091 |
| Total Non-compliant collective investment schemes | | 13 106 091 |

The Fund's assets disclosed as non-compliant collective investment schemes have been disclosed as such because the Fund has not obtained the audit certificates from the investment manager's auditors as these are not available. The Fund has obtained a regulation 28 certificate from the investment manager and the look through to the underlying investments is shown in Schedule IB.

Total certified Regulation 28 non-compliant investments **13 106 091**

The Fund's assets disclosed as non-compliant insurance policies have been disclosed as such because the Fund has not obtained the audit certificates from the insurer auditors as these are not available. The Fund has obtained a regulation 28 certificate from the insurer and the look through to the underlying investments as shown in Schedule IB.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

O ENTITY / COUNTERPARTY EXPOSURE

Credit / Counterparty risk

| Counterparty | Direct investment in counterparty | Deposit/liquid asset with counterparty | Scrip lending transactions | Total per counterparty | Exposure to counterparty as a % of the fair value of the assets of the fund |
|--|--------------------------------------|--|-------------------------------|---------------------------|---|
| | R'000 | R'000 | R'000 | R'000 | |
| Banks | - | 7 007 888 | 11 271 525 | 18 279 413 | 12,59% |
| Absa Bank | - | 523 488 | - | 523 488 | 0,36% |
| FirstRand Bank | - | 152 237 | - | 152 237 | 0,10% |
| Investec Bank | - | 167 311 | - | 167 311 | 0,12% |
| Standard Bank | - | 483 873 | 5 390 387 | 5 874 260 | 4,04% |
| Nedbank | - | 3 756 075 | 5 881 138 | 9 637 213 | 6,64% |
| Land and Agricultural Bank | - | 23 993 | - | 23 993 | 0,02% |
| Rand Merchant Bank | - | 133 994 | - | 133 994 | 0,09% |
| State Street | - | 1 766 917 | - | 1 766 917 | 1,22% |
| Asset managers - local | - | 34 664 | - | 34 664 | 0,02% |
| Prudential Money Market Fund | - | 16 460 | - | 16 460 | 0,01% |
| Afena Prescient Money Market Fund | - | 18 204 | - | 18 204 | 0,01% |
| Asset managers - foreign | 13 106 092 | - | - | 13 106 091 | 9,02% |
| SGMF European EX UK Equity USD Institutional | 423 835 | - | - | 423 835 | 0,29% |
| SGMF US Large Companies Equity USD Institutional | 1 585 311 | - | - | 1 585 311 | 1,09% |
| SGMF Emerging Markets Equity USD Institutional | 824 620 | - | - | 824 620 | 0,57% |
| SGMF Japan Equity USD Institutional | 270 935 | - | - | 270 935 | 0,19% |
| SGIF Global Select Equity Fund USD Institutional | 2 587 070 | - | - | 2 587 070 | 1,78% |
| SGMF Pacific Basin ex-Japan equity USD Institutional | 191 924 | - | - | 191 924 | 0,13% |
| SGMF UK Equity USD Institutional | 196 778 | - | - | 196 778 | 0,14% |
| Blackrock Developed World Index Sub Fund | 4 223 630 | - | - | 4 223 630 | 2,91% |
| Ashmore The Africa Emerging Markets Fund | 648 117 | - | - | 648 116 | 0,45% |
| Duet Africa Opportunities Fund | 1 313 969 | - | - | 1 313 969 | 0,90% |
| Sanlam Centre Sub Saharan Africa Equity Fund | 839 903 | - | - | 839 903 | 0,58% |
| Participating employers | | | | | |
| Eskom Holdings SOC Ltd | - | 2 382 664 | - | 2 382 664 | 1,64% |
| | 13 106 092 | 9 425 216 | 11 271 525 | 33 802 832 | 23,27 % |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

Market risk

| EQUITY HOLDINGS | Fair value at end of | Total fair value | Market movement by |
|--|----------------------|---------------------|--------------------|
| | year | equity holdings and | 5% |
| Investment | R'000 | open instruments | R'000 |
| Naspers Limited | 8 619 574 | 8 619 574 | 430 979 |
| Standard Bank Group Limited | 2 885 193 | 2 885 193 | 144 260 |
| Anglo American PLC | 2 641 127 | 2 641 127 | 132 056 |
| British American Tobacco PLC | 2 150 590 | 2 150 590 | 107 530 |
| Firststrand Limited | 1 985 726 | 1 985 726 | 99 286 |
| MTN Group Limited | 1 943 295 | 1 943 295 | 97 165 |
| Sasol Limited | 1 929 507 | 1 929 507 | 96 475 |
| Growthpoint Properties Limited | 1 631 128 | 1 631 128 | 81 556 |
| NEPI Rockcastle PLC | 1 355 136 | 1 355 136 | 67 757 |
| BHP Group PLC | 1 266 192 | 1 266 192 | 63 310 |
| Total value of 10 largest equity holdings | 26 407 468 | 26 407 468 | 1 320 374 |
| Total movement as % of non-current assets plus bank | | | 0,91 % |

| OTHER FINANCIAL INSTRUMENTS | Holding | Fair value at end of | Market movement by |
|--|-------------------|----------------------|--------------------|
| | R'000 | year | 5% |
| Instrument | R'000 | R'000 | R'000 |
| R202 | 3 590 653 | 3 590 653 | 179 533 |
| I2050 | 3 024 607 | 3 024 607 | 151 230 |
| R210 | 2 826 234 | 2 826 234 | 141 312 |
| I2046 | 2 649 705 | 2 649 705 | 132 485 |
| I2038 | 2 367 620 | 2 367 620 | 118 381 |
| SFX001 | 1 219 312 | 1 219 312 | 60 966 |
| I2025 | 1 208 524 | 1 208 524 | 60 426 |
| CASH | 1 042 973 | 1 042 973 | 52 149 |
| MTFIB3 | 971 408 | 971 408 | 48 570 |
| R2048 | 963 116 | 963 116 | 48 156 |
| Total value of 10 largest other instruments | 19 864 152 | 19 864 152 | 993 208 |
| Total movement as % of non-current assets plus bank | | | 0,69 % |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2019

P RECONCILIATION BETWEEN THE INVESTMENTS IN SCHEDULE HA AND SCHEDULE IA

| | Fair value current period (as per Schedule HA 3.1) R'000 | Cash at bank R'000 | Total R'000 |
|---|--|-----------------------|--------------------|
| Cash | 8 488 151 | 23 820 | 8 511 971 |
| Debt instruments including Islamic debt instruments | 25 310 694 | - | 25 310 694 |
| Investment properties and Owner occupied properties * | 119 000 | - | 119 000 |
| Equities | 89 557 089 | - | 89 557 089 |
| Investment in participating employer(s) | 2 398 714 | - | 2 398 714 |
| Hedge funds | 971 409 | - | 971 409 |
| Private equity funds | 4 698 959 | - | 4 698 959 |
| Derivative market investments | 6 236 | - | 6 236 |
| Collective investment schemes | 13 106 091 | - | 13 106 091 |
| Total investments | 144 656 343 | 23 820 | 144 680 163 |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019

| | Fair value R'000 |
|--|---------------------|
| A Total assets (Schedule IA -Total investments) | 144 680 163 |
| B1 Less: Reg 28 compliant investments (certificate received from issuing entity):- | - |
| B.1.1 Collective Investment Schemes (Reg 28(8)(b)(i)) | - |
| B.1.2 Linked Policies (Reg 28(8)(b)(ii)) | - |
| B.1.3 Non-Linked policies (Reg 28(8)(b)(iii)) | - |
| B.1.4 Entity regulated by FSCA (Reg 28(8)(b)(iv)) | - |
| B2 Less: Reg 28 excluded investments | - |
| B2.1 Insurance Policies (Reg 28(3)(c)) | - |
| C Less: Investments not disclosed /data not available for disclosure [Refer to schedule IAN] | - |
| D TOTAL ASSETS FOR REGULATION 28 DISCLOSURE | 144 680 163 |

| Categories of kinds of assets | % | Fair value R'000 | Fair value % |
|---|-------------------------|---------------------|-----------------|
| 1 CASH | | 8 988 391 | 6,21% |
| 1.1 Notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments | 100% | 5 235 184 | 3,62% |
| (a) Notes and coins; any balance or deposit in an account held with a South African bank; | | 2 963 015 | 2,05% |
| Nedbank | 25% | 2 368 503 | 1,64% |
| (b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument | | 1 043 536 | 0,72% |
| Standard Bank | 25% | 302 405 | 0,21% |
| (c) Any positive net balance in a margin account with an exchange | | 1 228 633 | 0,85% |
| Margin @JSE | 25% | 1 228 633 | 0,85% |
| (d) Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets | | - | 0,00% |
| 1.2 Balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments | SARB max. limits | 3 753 207 | 2,59% |
| (a) Any balance or deposit held with a foreign bank | | 3 753 207 | 2,59% |
| (b) Any balance or deposit held with an African bank | | - | 0,00% |
| (c) A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument | | - | 0,00% |
| 2 DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS | | 25 375 805 | 17,54% |
| 2.1 Inside the Republic | 100% | 25 357 383 | 17,53% |
| (a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic | 100% | 21 723 188 | 15,01% |
| (b) Debt instruments issued or guaranteed by the government of a foreign country | 75% | 22 568 | 0,02% |
| (c) Debt instruments issued or by a South African bank against its balance sheet | 75% | 2 582 818 | 1,79% |
| c(i) Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed | 75% | 2 518 697 | 1,74% |
| Firststrand | 25% | 1 253 744 | 0,87% |
| Carried forward | | 5 153 285 | 3,57% |

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019**

| Categories of kinds of assets | | % | Fair value R'000 | Fair value % |
|-------------------------------|---|------------------|---------------------|-----------------|
| Brought forward | | | 5 153 285 | 3,57% |
| c(ii) | Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed | 75% | 54 548 | 0,04% |
| | African Bank | 15% | 38 202 | 0,03% |
| c(iii) | Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed | 75% | - | 0,00% |
| c(iv) | Not listed on an exchange | 25% | 9 573 | 0,01% |
| | REVC Firstrand Bank | 5% | 5 278 | 0,00% |
| (d) | Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed | 50% | 749 039 | 0,52% |
| d(i) | Listed on an exchange | 50% | 725 046 | 0,50% |
| | Development Bank of SA | 10% | 120 862 | 0,08% |
| d(ii) | Not listed on an exchange | 25% | 23 993 | 0,02% |
| | Land and Agricultural Development Bank of SA | 5% | 23 993 | 0,02% |
| (e) | Other debt instruments:- | 25% | 279 770 | 0,19% |
| e(i) | Listed on an exchange | 25% | 275 061 | 0,19% |
| | City of Johannesburg | 5% | 63 261 | 0,04% |
| e(ii) | Not listed on an exchange | 15% | 4 709 | 0,00% |
| | South African Airways | 5% | 4 709 | 0,00% |
| | SARB max. limits | | | |
| 2.2 | Foreign | | 18 422 | 0,01% |
| (a) | Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic | SARB max. limits | - | 0,00% |
| (b) | Debt instruments issued or guaranteed by the government of a foreign country | SARB max. limits | - | 0,00% |
| (c) | Debt instruments issued or guaranteed by a South African Bank against its balance sheet:- | SARB max. limits | - | 0,00% |
| c(i) | Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed | SARB max. limits | - | 0,00% |
| c(ii) | Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed | SARB max. limits | - | 0,00% |
| c(iii) | Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed | SARB max. limits | - | 0,00% |
| c(iv) | Not listed on an exchange | | - | 0,00% |
| (d) | Debt instruments issued or guaranteed by an entity that has equity listed on an exchange | SARB max. limits | 18 422 | 0,01% |
| d(i) | Listed on an exchange | SARB max. limits | 18 422 | 0,01% |
| | Amatheon Finance | 10% | 18 422 | 0,01% |
| d(ii) | Not listed on an exchange | 25% | - | 0,00% |
| (e) | Other debt instruments | 25% | - | 0,00% |
| e(i) | Listed on an exchange | 25% | - | 0,00% |
| e(ii) | Not listed on an exchange | 15% | - | 0,00% |

Carried forward
5 428 012
3,75%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019**

| Categories of kinds of assets | | % | Fair value R'000 | Fair value % |
|-------------------------------|---|------------------|---------------------|-----------------|
| Brought forward | | | 5 428 012 | 3,75% |
| 3 | EQUITIES | | 91 721 916 | 63,40% |
| 3.1 | Inside the Republic | 75% | 51 614 282 | 35,67% |
| (a) | Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:- | 75% | 51 613 584 | 35,67% |
| a(i) | Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed | 75% | 47 042 682 | 32,51% |
| | Naspers | 15% | 8 619 574 | 5,96% |
| a(ii) | Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed | 75% | 4 376 137 | 3,02% |
| | Altrron Limited | 10% | 320 250 | 0,22% |
| a(iii) | Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed | 15% | 194 765 | 0,13% |
| | Hulisani Limited | 5% | 36 871 | 0,03% |
| (b) | Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange | 15% | 698 | 0,00% |
| | Leisurenet Limited | 2,5% | 480 | 0,00% |
| 3.2 | Foreign | | 40 107 634 | 27,72% |
| (a) | Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:- | SARB max. limits | 40 086 427 | 27,71% |
| a(i) | Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed | SARB max. limits | 38 216 743 | 26,41% |
| | Microsoft Corp | 15% | 1 218 950 | 0,84% |
| a(ii) | Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed | SARB max. limits | 1 639 111 | 1,13% |
| | National Microfinance Bank | 10% | 90 032 | 0,06% |
| a(iii) | Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed | SARB max. limits | 230 573 | 0,16% |
| | Umeme Limited | 5% | 51 174 | 0,04% |
| (b) | Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange | 10% | 21 207 | 0,01% |
| | Dashen Brewery | 2,5% | 14 769 | 0,01% |
| 4 | IMMOVABLE PROPERTY | | 10 498 648 | 7,26% |
| 4.1 | Inside the Republic | 25% | 10 077 283 | 6,97% |
| (a) | Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange | 25% | 9 958 283 | 6,88% |
| a(i) | Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed | 25% | 8 676 904 | 6,00% |
| | Growthpoint | 15% | 1 631 128 | 1,13% |
| a(ii) | Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed | 25% | 1 099 617 | 0,76% |
| | Grit Real Estate | 10% | 200 133 | 0,14% |
| a(iii) | Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed | 25% | 181 762 | 0,13% |
| | Fairvest Property | 5% | 68 530 | 0,05% |
| (b) | Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange | 15% | 119 000 | 0,08% |
| | Community Property | 5% | 119 000 | 0,08% |
| 4.2 | Foreign | 25% | 421 365 | 0,29% |
| (a) | Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange | 25% | 421 365 | 0,29% |
| Carried forward | | | 17 798 903 | 12,31% |

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019**

| Categories of kinds of assets | | % | Fair value R'000 | Fair value % |
|-------------------------------------|--|-------|---------------------|-----------------|
| Brought forward | | | 17 798 903 | 12,31% |
| a(i) | Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed | 25% | 402 729 | 0,28% |
| | China Overseas Land & Investment | 15% | 40 859 | 0,03% |
| a(ii) | Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed | 25% | 18 636 | 0,01% |
| | Cairo Investment & Real Estate | 10% | 3 024 | 0,00% |
| a(iii) | Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed | 25% | - | 0,00% |
| (b) | Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange | 15% | - | 0,00% |
| 5 | COMMODITIES | | - | 0,00% |
| 5.1 | Inside the Republic | 10% | - | 0,00% |
| (a) | Kruger Rands and other commodities on an exchange, including exchange traded commodities | 10% | - | 0,00% |
| a(i) | Gold (including Kruger Rands) | 10% | - | 0,00% |
| a(ii) | Other commodities | 5% | - | 0,00% |
| 5.2 | Foreign | 10% | - | 0,00% |
| (a) | Gold and other commodities on an exchange, including exchange traded commodities | 10% | - | 0,00% |
| a(i) | Gold | 10% | - | 0,00% |
| a(ii) | Other commodities | 5% | - | 0,00% |
| 6 | INVESTMENTS IN THE BUSINESS OF A PARTICIPATING EMPLOYER INSIDE THE REPUBLIC IN TERMS OF:- | | 2 398 714 | 1,66% |
| (a) | Section 19(4) of the Pension Funds Act Eskom SOC | 5% | 2 398 714 | 1,66% |
| (b) | To the extent it has been allowed by an exemption in terms of section 19(4A) of the Pension Funds Act | | - | 0,00% |
| 7 | HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5) | 95% | - | 0,00% |
| 8 | HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE | | 5 696 689 | 3,94% |
| 8.1 | Inside the Republic | 15% | 3 726 370 | 2,58% |
| (a) | Hedge fund | 10% | 971 409 | 0,67% |
| a(i) | Funds of hedge funds | 10% | - | 0,00% |
| a(ii) | Hedge funds | 10% | 971 409 | 0,67% |
| (b) | Private equity funds | 10% | 2 754 961 | 1,90% |
| b(i) | Funds of private equity funds | 10% | 2 754 961 | 1,90% |
| b(ii) | Private equity funds | 10% | - | 0,00% |
| (c) | Other assets not referred to in this schedule and excluding a hedge fund or private equity fund | 2,5% | - | 0,00% |
| 8.2 | Foreign | 15% | 1 970 319 | 1,36% |
| (a) | Hedge fund | 10% | - | 0,00% |
| a(i) | Funds of hedge funds | 10% | - | 0,00% |
| a(ii) | Hedge funds | 10% | - | 0,00% |
| (b) | Private equity funds | 10% | 1 943 998 | 1,34% |
| b(i) | Funds of private equity funds | 10% | 1 943 998 | 0,00% |
| b(ii) | Private equity funds | 10,0% | - | 0,00% |
| (c) | Other assets not referred to in this schedule and excluding a hedge fund or private equity fund | 2,5% | 26 321 | 0,00% |
| TOTAL ASSETS – REGULATION 28 | | | 144 680 163 | 100,00% |

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019**

INVESTMENT SUMMARY (Regulation 28)

| | Local R'000 | Fair value % | Foreign (Excluding Africa) R'000 | Fair value % | Africa R'000 | Fair value % | Total R'000 |
|--|-------------------|-----------------|--|-----------------|-----------------|-----------------|--------------------|
| 1 Balances or deposits, money market instruments issued by a bank including Islamic liquidity management financial instruments | 5 235 184 | 3,62 | 3 753 207 | 2,59 | - | - | 8 988 391 |
| 2 Debt instruments including Islamic debt instruments | 25 357 383 | 17,53 | 18 422 | 0,01 | - | - | 25 375 805 |
| 3 Equities | 51 614 282 | 35,67 | 40 107 634 | 27,72 | - | - | 91 721 916 |
| 4 Immovable property | 10 077 283 | 6,97 | 421 365 | 0,29 | - | - | 10 498 648 |
| 6 Investment in the business of a participating employer | 2 398 714 | 1,66 | - | - | - | - | 2 398 714 |
| 8 Hedge Funds, private equity funds and any other assets not referred to in this schedule | 3 726 370 | 2,58 | 1 970 319 | 1,36 | - | - | 5 696 689 |
| TOTAL | 98 409 216 | 68,02 | 46 270 947 | 31,98 | - | - | 144 680 163 |

| Table 1 items | Asset Limits in terms of sub regulation 3(f) | Total (Inside & Foreign) R'000 | Percentage of Fair value % | Regulation 28 limits |
|---------------|---|-----------------------------------|-------------------------------|----------------------|
| 2.1(e)(ii) | Other debt instruments not listed | 4 709 | - | |
| 3.1(b) | Equities not listed | 21 905 | 0,02 | |
| 4.1(b) | Immovable properties not listed | 119 000 | 0,08 | |
| 8 | Hedge funds , Private Equity funds and other assets | 5 696 690 | 3,94 | |
| TOTAL | | 5 842 304 | 4,04 | 35 |

| Table 1 items | Asset Limits in terms of sub regulation 3(g) | Fair value R'000 | Fair value % | Regulation 28 limits |
|---------------|--|---------------------|-----------------|----------------------|
| 3.1(b) | Equities not listed | 21 905 | 0,02 | |
| 8.1(b) | Private Equity funds | 4 698 959 | 3,25 | |
| TOTAL | | 4 720 864 | 3,26 | 15 |

| Table 1 items | Asset Limits in terms of sub regulation 3(h) | Fair value R'000 | Fair value % | Regulation 28 limits |
|---------------|--|---------------------|-----------------|----------------------|
| 1.1 | Cash and deposits with a South African Bank | 2 521 207 | 1,74 | |
| 2.1(c) | Debt instruments guaranteed by a South African Bank - Item | 222 559 | 0,15 | |

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019

| | | | |
|-------|------------------|-------------|----|
| TOTAL | <u>2 743 766</u> | <u>1,90</u> | 25 |
|-------|------------------|-------------|----|

INDEPENDENT AUDITOR'S REPORT ON ASSETS HELD IN COMPLIANCE WITH REGULATION 28 TO THE BOARD OF FUND

Opinion

We have audited Schedule IB "Assets held in compliance with Regulation 28" of the Eskom Pension and Provident Fund (the "Fund") at 30 June 2019 (the "Schedule") for compliance with the requirements of Regulation 28 of the Pension Funds Act of South Africa (the "Regulation"), as set out on pages 71 to 76. Our engagement arises from our appointment as auditor of the Fund and is for the purpose of assisting the Board of Fund to report to the Financial Sector Conduct Authority (the "Authority").

In our opinion, Schedule IB "Assets held in compliance with Regulation 28" at 30 June 2019 by the Eskom Pension and Provident Fund is prepared, in all material respects, in accordance and in compliance with the Regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Fund in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the purpose of our report as indicated in the opinion paragraph, and the basis of accounting. Consequently, the Schedule and our auditor's report may not be suitable for another purpose.

Other matter

The information contained in Schedule IB has been extracted from the Fund's underlying accounting records that were the subject of our audit engagement on the annual financial statements and forms the subject matter of this engagement. Our audit of the annual financial statements of the Eskom Pension and Provident Fund for the year ended 30 June 2019 was conducted in accordance with International Standards on Auditing and in our report of 29 November 2019 we expressed an unmodified opinion, and therefore the annual financial statements are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Other information

The Board of Fund is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "*Annual Financial Statements in terms of section 15 of the Pension Funds Act no 24, 1956, as amended (Pension Funds Act), for the period 1 July 2018 to 30 June 2019*". The other information does not include Schedule IB and our auditor's report thereon.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1989/012055/21, VAT reg.no. 4950174882.



Our opinion on Schedule IB does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of Schedule IB, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with Schedule IB or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Schedule

The Board of Fund is responsible for the preparation of the Schedule in accordance and in compliance with the Regulation, and for such internal control as the Board of Fund determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Schedule.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


PricewaterhouseCoopers Inc.
Director: Clinton Mitchelson
Registered Auditor
Johannesburg
29 November 2019