



Protecting and advancing
the interests of members





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www.eppf.co.za

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ABOUT THIS REPORT

The theme of this 2021/22 Eskom Pension and Provident Fund ('the Fund' or 'EPPF') Integrated Report is 'Protecting and advancing the interests of members'. This is the core of what we do. Our members' interests are paramount and every investment decision, organisational change and strategy direction is determined with this in mind.

Although COVID-19 has receded from global consciousness to a great degree, the international and local economic environments remain volatile and demand our full attention as we ensure that our members are afforded the retirement they deserve through judicious investment, financial and risk decisions.

This integrated report will provide a snapshot of the performance of your pension fund from 1 July 2021 to 30 June 2022, indicating how internal and external developments weighed on results for the year. Material matters that may influence performance are highlighted and our approach to these is described. A detailed financial report and an investment report appear towards the back of this report for those requiring more detail on matters presented in the earlier chapters.

In compiling the integrated report, we have taken guidance from the legislation that governs us and principles of good governance to which we adhere:

- The Pension Funds Act No 24 of 1956.
- King IV Report on Corporate Governance.
- Regulatory Reporting Requirements for Retirement Funds in South Africa.
- Circular PFI 30 issued by the Financial Sector Conduct Authority (FSCA), previously known as the Financial Services Board.
- International Integrated Reporting Council (IIRC) framework.

Forward-looking statements

Forward-looking statements made in the report involve both known and as-yet unknown risks and other factors that could cause actual performance and outcomes to be materially different from those presented here.

The entire report is available on www.eppf.co.za and an electronic copy may be requested by mailing info@eppf.co.za

Combined assurance

The Fund practises a combined assurance approach with five levels of defence:

1.

Management oversees daily internal controls and implements the risk management strategy of the Board of Fund.

2.

The internal legal, risk and compliance functions ensure that the Fund adheres to legislative requirements.

3.

Our internal audit function assesses the effectiveness of internal controls, governance and risk management and reports to the Audit and Risk Committee (ARC). The Board of Trustees holds the ultimate fiduciary control.

4.

Our external auditor, BDO South Africa, expresses an opinion on our regulatory annual financial statements. Our valuator, Willis Towers Watson, provides assurance on the solvency and sustainability of the Fund. External legal counsel and consulting actuaries are used when deemed appropriate.

5.

Regulatory inspectors and licensing authorities, conducting reviews in accordance with relevant legislation, provide a final, entirely independent overlay of external assurance.

Full financial statements of the Fund, in compliance with statutory requirements, are available at www.eppf.co.za

STATEMENT OF CHAIR OF THE BOARD AND CHAIR OF AUDIT AND RISK COMMITTEE

The Board, through the Audit and Risk Committee (ARC), oversees the integrity of this Integrated Annual Report and acknowledges its responsibility for this. Board members have monitored and assessed the preparation and presentation of this report and believe it to be a fair representation of the performance of the Fund and its material matters. The Board accordingly approved this report on 8 November 2022.



Caroline Mary Henry

Chairman of the Board



Izak du Plessis

Chairperson of the Audit and Risk Committee



ON THE YEAR IN FOCUS

Protecting and advancing
the interests of members

CHAIRMAN'S REPORT



It is my privilege to set the scene for the 2022 Integrated Report, an account of the Eskom Pension and Provident Fund's progress and activities for the year to 30 June 2022.

It was a period in which the market was capricious, to put it poetically, with an unexpectedly strong rebound resulting from the initial COVID recovery, followed by moderation of this overcorrection – and then the renewed assault on markets and increased inflationary pressure due to the war in eastern Europe in the fourth quarter of our financial year.

However, the Fund not only stayed the course, but stayed very much on course, capitalising on its proven, robust approach to asset management and emerging stronger, wiser and more determined to grow its funds and satisfy its stakeholders in the months and years to come.

The Board continued its close oversight of the Fund's journey and directed strategy and plans to ensure that members' interests remained at the forefront of all developments and decisions. All of this work is performed with an ongoing review of the Fund's governance framework which aims to strengthen practices and processes.

Caroline Henry
Chairman of the Board of Fund

- ▶ **It was a period in which the market was capricious ... the Fund not only stayed the course, but stayed very much on course, capitalising on its proven, robust approach to asset management**
- ▶ **We continue to make rule changes which create more choice while ensuring that the financial health of the Fund is not compromised**

Cohesive collective

The current Board has come a long way since its inception in June 2020, at the height of the pandemic. At the time, we were 14 “virtual” strangers assessing our strengths and getting to grips with the challenges facing us, but committed to becoming a cohesive entity focused on advancing Fund governance, strategy, and technological and societal transformation.

We have settled into an effective structure, confident in our combined ability to fulfil our mandate. The Board has an appreciation of the collective skills and expertise on hand and, where there is an imbalance, we readily enlist the support of independent experts.

Updating the rules

Updated regulations, the potential needs of members, the evolving employer landscape, and ensuring the Fund's flexibility and relevance, all demand that our rules are kept current. We continue to make rule changes which create more choice while ensuring that the financial health of the Fund is not compromised. In our decision making we benchmark our offerings against others in the market, striving to ensure ours are at least on a par if not better than alternatives available.

Given the size of our fund we have a vast asset manager network. Over the years, we have empowered many black-owned and emerging investment managers in a strategy that has served us – and them – well. We are satisfied that the spread of our portfolio across managers continues to fulfil our objective of building capacity in the industry and setting up designated groups for future success. This is done by consciously balancing the development mandate with the business imperative.

Executive structure

The year brought considerable change to the executive structure with a replacement Chief Financial Officer; an Executive: Governance and Assurance, a new Company Secretary and the search for a new Chief Investment

Officer. These executives provide critical support to the Board in the exercise of its mandate and therefore – as dictated to by good governance – the Board was keenly involved in the recruitment process. We believe the appointed executives are the correct fit for the culture and purpose of the Fund. As they have assumed their duties, they have demonstrated commitment to complementing the existing executive team under the focused leadership of our Chief Executive and Principal Officer.

Attracting these scarce skills is always a challenge and we are fortunate that the people we want by and large recognise the value in being associated with a fund that is ethically managed and solid, with positive prospects.

The Board believes that this executive team has the skills to lead the fund soundly and navigate responsively what lies ahead.

Ongoing focus

During the year, following court delays exacerbated by COVID, an order was made that former Eskom head Brian Molefe, having unlawfully benefited from the pension scheme, must repay the EPPF the money he received from the Fund plus interest accrued from 31 October 2019. The Fund will, in this process of recovery, off-set a portion of this amount against funds transferred by Mr Molefe's previous retirement savings to the Fund. The Fund has repaid Eskom the R30m it received from the employer to fund Mr Molefe's early retirement. Immediately following the order, Mr Molefe filed an appeal which was subsequently dismissed.

Eskom's unbundling plans were also front of mind in 2022. We are very conscious of the concerns of our members in this regard. We consulted with Eskom throughout the year on progress and will remain very measured in our response to the restructuring to ensure service continuity. That said, we see the development as an opportunity for the Fund to cater more flexibly to our members and in the longer term to broaden our horizons.

“THE FUND WORKS WELL. ITS DECISION MAKERS ARE ALIGNED IN THEIR THINKING AND ON TOP OF ISSUES BOTH INTERNALLY AND IN THE MARKET

Outlook

The Fund works well. Its decision makers are aligned in their thinking and on top of issues both internally and in the market. We are excited at the prospect of giving our members greater choice in what they do with their pension money, but remain confident in the financial sustainability of what we offer them. As long as we constantly evaluate our approaches and question our methods, even if just to confirm that our initial thoughts were correct, we believe we will remain agile and responsive to market and stakeholder needs.

Appreciation

During the year, we said farewell to Martin Buys. We thank Martin for his commitment to the Fund and in particular for his valued chairmanship of the Audit and Risk Committee. His contribution was always made with a genuine concern for beneficiaries and in the best interests of the Fund, and we wish him well in his retirement. In his stead we welcomed aboard Natasha Salis and look forward to benefiting from her perspectives and insights.

We also said farewell to Mabatho Seeiso who resigned at the end of October 2022. Mabatho chaired the Strategic Investment Committee, and we will miss her astute leadership and passion for sustainable investment.

With a stable, single-minded Board and executive, the Fund is well-positioned to weather the ongoing challenges in domestic and global financial markets and we are certain that our members, both in-service and retired, will benefit from decisions and changes made in the review year to protect and advance their interests.

The Board thanks the executives and staff for their enduring commitment to meeting stakeholder expectations and safeguarding the EPPF's status as a reputable and respected pension fund.



Caroline Henry

Chairman

C.A.R.E. is that warm feeling
that's about being my
brother's keeper



CEO'S REPORT



“ The EPPF’s C.A.R.E values (customer-centric focus, accountability, resourcefulness and excellence) are what drives each member of our team. We show up everyday with the intention of doing better than the day before. When we don’t get it right, we find out why quickly and we fix it. We don’t just want our members to know that we value them. Our members must feel that we value them. ”

- ▶ With assets under management (AuM) valued at about R170bn at 30 June 2022, compared to R166bn at 30 June 2021, the Fund remains financially sound
- ▶ The Fund will continue to maintain a liability-driven approach while maximising risk-adjusted returns
- ▶ Our investments created 54 117 direct jobs, spent R9.26bn on procurement of local goods and services, and contributed R1.03bn in taxes

Shafeeq Abrahams
Chief Executive and Principal Officer

Global developments in the financial year to 30 June 2022 wove a tale of two halves. During the first half, the worldwide rollout of COVID-19 vaccinations and easing of restrictions led to a market recovery that was felt across major investment asset classes. However, the second half witnessed events such as the Russia/Ukraine conflict, China's zero-COVID lockdown, the associated supply chain disruption and price instability resulting in record high inflation, and steep hikes in interest rates domestically and abroad.

These conspired to take the wind out of the world economy's sails. And the Fund was not spared.

Whatever the prevailing climate, as the theme of this Integrated Report suggests, our activities at the Fund centred firmly on protecting and advancing our members' interests.

Market volatility

The current market upheaval is unavoidable and is a reality faced by every economy and investor. This has necessitated that the Fund to review its capital market assumptions, and assess the reasonability and applicability of these assumptions within the context of the medium- to long-term market outlook. The Fund continues to maintain a long-term investment perspective, and will ride out the depressed times to benefit from the inevitable rebounds. At the same time, we continue to concentrate on enhancing our risk management capabilities and ensuring the necessary resilience and diversification of our investment portfolio, both by asset class and geography, to make the best of an unfortunate situation.

Regulatory amendments

Recent amendments to Regulation 28 of the Pension Funds Act, which increase the limits on both infrastructure investment and foreign investment, afford retirement funds more flexibility and choice. The Fund welcomes these amendments as they increase the range of investment opportunities available, and support its diversification efforts. However, in formulating its investment objectives and strategic asset allocation, the Fund will continue to

maintain a liability-driven approach while maximising risk-adjusted returns.

The Fund also welcomes the proposed "two-pot" retirement system as announced by National Treasury. It recognises the tricky balance act that the government needs to strike between encouraging long-term saving and meeting short-term challenges that members may experience during their working lives. The two-pot retirement system will encourage retirement savings in the long run through a retirement pot, while assisting members to address short-term financial needs by accessing funds in a savings pot. However, the implementation of the two-pot system is complex, particularly for defined benefit funds, and requires careful consideration before it can be implemented. The Fund will continue to participate in industry discussions and awaits further clarity from regulatory authorities.

Competitive benefits

As the Chairman has mentioned, we conducted a study to establish how Fund benefits compare on a like-for-like basis with what's available in the market. It confirmed that ours are among the best replacement ratios on offer and at a lower cost, and reinforced the value our members enjoy. It also highlighted areas for improvement within the deferred benefit scheme.

Following this exercise, the Fund embarked on a review of the deferred pensioner scheme with a view to providing greater choice to members of the scheme. The first set of changes resulted in a rule amendment to provide deferred members with a choice on whether to exit the scheme. The second set of changes is aimed reviewing the benefit design and operation of the scheme with a view to improving the competitiveness of this product.

Pension increases and policy review

Following the 2021 actuarial valuation, the Board approved an increase of 5% for all pensioners effective from 1 January 2022, with top-up increases of up to 3.7% for those whose increases had been below inflation as measured by the Consumer Price Index (CPI) in the period since January 2001. This maintained the trend of

an inflation-aligned increases every year for two decades. More than R230m was paid out in bonuses, down from the R319m of 2020 which included a special COVID-19 relief payment.

In addition to this, the Fund conducted a pension increase policy review, a first for the Fund. We assessed how well our practices met the obligations of the pension scheme and examined the methodologies used to arrive at an annual increase. We were satisfied that the current model serves its purpose well, balancing inflation-linked increases with Fund sustainability. Over 20 years, annual fluctuations aside, the Fund's average pensioner increases have exceeded CPI.

However, there was one key proposed amendment. Although the policy aims to award increases in line with 100% of headline CPI, this is subject to affordability. The rules of the Fund contain a provision that the pension increase can never be less than 2% in any one year. Drawing from industry practices, the policy review has proposed that the minimum increase be changed from an absolute rate of 2% to 60% of headline CPI in order to assist pensioners maintain some purchasing power during difficult times. This would require a Fund rule amendment. Members are currently being engaged on the proposed change and the Board aims to complete this process by the end of November 2022.

Unbundling of Eskom Holdings

The corporate unbundling of the principal employer, Eskom, has raised concern among members about the potential implications for the future of the Fund and their benefits. The Fund continues to engage Eskom regularly on the status of unbundling with a view to managing potential risks proactively. At the same time, the Fund has conducted actuarial modelling to understand the potential implications for the Fund under different scenarios. Overall, this exercise indicates that the Fund is financially sound and its resilience would enable it to maintain a healthy financial position should any of the entities be migrated out of Eskom.

Financial performance

Despite the asset value dropping from a peak of about R184bn during December 2021 to about R170bn at financial year-end, the Fund managed a one-year return of 4.44% (2021: 17.63%). This is 2.78% below the one-year CPI target of 7.42% but 0.89% above the strategic asset allocation benchmark of 3.52%. The CPI rose aggressively in the last two months of the financial year as a result of food and fuel inflation sparked by the Russia/Ukraine conflict.

The three-year investment return of 7.72% was 0.76% below the benchmark of CPI + 4.5% (2021: 0.53% below).

With assets under management valued at about R170bn at 30 June 2022, compared to R166bn at 30 June 2021, the Fund remains financially sound. Its funding ratio at

30 June 2022 was 139% (2021: 145%). The decline in the funding level was due mainly to lower-than-expected returns earned on the Fund's assets and a rise in liabilities.

Addressing legacy matters

The member eligibility and assurance process, designed to establish whether all our members were permanently employed by our employers when they joined the Fund, is now drawing to a close. A number of declaratory orders will be filed with the courts to formalise membership identified as irregular. The Fund has reached financial settlements with some individuals who had not met eligibility criteria and could not continue in the Fund. This has been an extensive exercise for the Fund but entirely necessary in light of the Brian Molefe case.

Positioning for the future

Membership numbers continued to decline during the year, with a drop of around 1 200. At the Fund's peak, membership stood at 46 000. This has fallen to about 39 000 but is stabilising. The downward trend presents the Fund with an opportunity to look beyond its current membership to swell its ranks when it is strategically ready to do so.

Vision 2024 milestones

The Fund's strategic framework, Vision 2024, is aimed at building a member-centric fund while positioning it for future growth. During the financial year, Vision 2024 continued to guide all activities and it produced some outcomes well worth mentioning. Among them was our technology and digital transformation journey, which reached 68% completion by 30 June 2022. Achievements included the conclusion of the development of the Pension Administration System, which will offer members advantages in automation, enhanced communication channels and integration, with vastly improved turnaround times. New digital channels have been implemented to streamline and speed up administrative functions such as evidence of survival. Cybersecurity systems have been bolstered to ensure resilience and member peace of mind. I would like to express my gratitude to the members who volunteered their time and insights in testing and improving the functionality of these channels.

We increased the frequency of distribution of information bulletins to enhance understanding of our processes, share useful information on key topics and promote transparency.

We intensified member engagement and education through virtual meeting platforms and resumed in-person engagements where it was practical to do so. Our sentiment survey found that personal interaction remains one of the preferred communication methods for Fund beneficiaries. We greatly value the input of members as a means of helping us refine and improve the functionality of our communication channels.

The attraction and retention of highly skilled individuals has become an increasingly significant competitive advantage. The Fund filled key executive and management roles during the review period and currently has a team which is 145-strong and 59% women. Our leadership development journey, succession planning and skills development are well entrenched. The hybrid work model continued to serve us well during the year, while face-to-face meetings made a strong comeback enhancing team cohesion.

Outlook

We anticipate the next 24 months will be a volatile period as central banks continue to rein in inflation through unprecedented increases in interest rates. This situation, together with turbulent geo-political dynamics, brings the risk of a global recession to the fore. Such a recession would have a negative impact for emerging markets, such as South Africa, as capital is likely to flow to markets that are perceived to be less risky. Domestically, shortages of electricity and other critical infrastructure requirements will be an added disadvantage for the country and will dampen remaining economic growth aspirations. The Fund has positioned the strategic asset allocation to ensure adequate diversification, within our risk appetite, to weather the storm in the long term.

The sustainability of the broad environment in which we operate determines our sustainability. Consequently, we maintain a broad view of responsible investing, not only to promote transformation through our private and listed markets development programme – which is currently incubating 10 emerging asset managers – but through support for good environmental, social and governance practice. This is done with a strong focus on maximising investment returns. We will release our climate change policy shortly, which will define our commitment to a net zero future in the context of responsible investing.

In 2022, for the second consecutive year, we tracked the economic stimulus provided by companies and funds in which the Fund has invested and established that these entities created 54 117 direct jobs, spent R9.26bn on procurement of local goods and services, and contributed R1.03bn in taxes. We were also able to count the benefits of our impact investing in terms of the number of hospital beds provided, housing units delivered, schools upgraded, taxis financed and the volume of renewable energy generated. As a result, we are more committed than ever to an investment approach that balances risks, returns and developmental impact.

Digital information and communication systems are very much part of our vision for the future. In the reporting period, optimisation of the Pension Administration System focused on business process improvement, end-to-end process automation and enhancing the front-end portal. The gains are mainly in efficiency and a better user

experience. We have also begun to migrate some services to the cloud and have improved infrastructure and controls to combat cybercrime.

The Fund maintains a cost leadership position when compared to its peers and will sustain its effort to contain operational costs. This will entail bringing investment management increasingly under the Fund's roof and shifting to low-fee investment mandates where possible. As the Fund allocates investments to more expensive mandates such as private equity, infrastructure and global mandates, this will place pressure on the cost structure. The Fund will continue to take a considered approach in allocating these mandates to ensure effective cost management.

This goes hand-in-glove with operational excellence, which will require continued research and enhanced benefits design. We have the necessary tools, and the team is aligned with this objective. We will remain focused on creating an environment that fosters high performance and embedding a culture founded on a willingness to serve members without question or compromise.

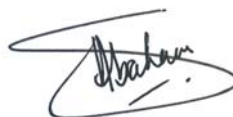
Acknowledgements

I would like to express my gratitude to the Board for the counsel and support it has provided to the executive team over the past year. My sincere gratitude goes to every member of the team for flying the C.A.R.E flag high throughout another challenging year. Your efforts are regarded highly by the Fund and its beneficiaries.

We are pleased to welcome to the executive team our new Chief Financial Officer Thandie Mashego who joined us in February 2022, and Chief Investment Officer Sonja Saunderson who joined us in November 2022. We wish Thandie and Sonja a long, happy and fulfilling association with the Fund.

To our valued members, without whom we would serve no purpose, we greatly appreciate the trust you have placed in us to protect and grow your savings and safeguard your future. Please continue to interact with us, and where convenient, to use our new digital platforms, to tell us what is important to you.

We are listening!



Shafeeq Abrahams

Chief Executive and Principal Officer

THE YEAR AT A GLANCE

ASSETS
UNDER
MANAGEMENT

R170.0bn
(2021: R166.4bn)

ONE-YEAR
INVESTMENT
RETURN

4.44%
(2021: 17.63%)

THREE-YEAR
ANNUALISED
INVESTMENT
RETURN

7.72%
(2021: 8.07%)

BONUSES
PAID TO
PENSIONERS

R230m
(2021: R319m)

PENSION
INCREASES

5% for all
individual top
ups up to
3.7%
(2021: 3%)

BENEFITS
PAID

R6.82bn
(2021: R5.97BN)

CONTRIBUTIONS
RECEIVED

R3.78bn
(2021: R3.87bn)

BLACK
EMPOWERMENT
SPENDING

R443m
(2021: R357m)

PROCESSING
TIME FOR
CONTRIBUTIONS

5 days
(2021: 5 days)

PERCENTAGE
OF CALLS
ANSWERED
< 3 MINS

80%
(2021: 87%)

CLAIMS
PROCESSED
< 6 WEEKS

72%
(2021: 76%)

PENSIONERS

33 496
(2021: 33 756)

IN-SERVICE
MEMBERS

39 224
(2021: 40 440)



02 OUR ORGANISATION

Protecting and advancing
the interests of members

OUR BUSINESS

The EPPF is driven by a firm commitment to our **vision**, **mission** and **purpose**, all of which are underpinned by our **values**.



Vision

Our vision is to be a sustainable, trusted retirement savings provider, positively impacting a change in society.

As the custodians of retirement savings, we owe our members a duty of **C.A.R.E** and this requires us to make decisions in good faith and in a prudent manner.



Mission

Our mission is to demonstrate that we are a member-centric fund, delivering sustainable results for our membership.



Purpose

Our purpose is to help prepare our members for a better financial future.

Our values

Our values guide our day-to-day decisions. They have a direct impact on the conduct of our employees and their relationships with our members, partners and stakeholders. Our C.A.R.E. values are the moral code of the Fund.



EXECUTIVE TEAM



Mr Shafeeq Abrahams
Chief Executive and Principal Officer

BCompt (Hons) in Accounting, Masters in Business Leadership. CA (SA)

Mr Ayanda Gaqa
Executive: Governance and Assurance

BTech (internal auditing), Post-graduate diploma in financial planning, Certified Compliance Professional, Certified Financial Planner, Certified Fraud Examiner

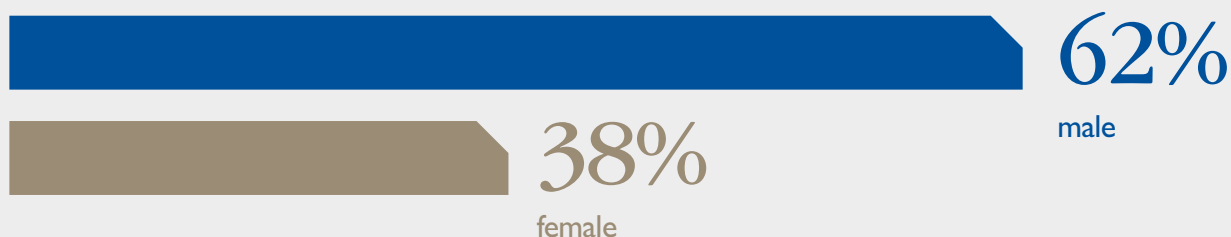
Ms Thandie Mashego
Chief Financial Officer

BCom (Hons) in Accounting, Masters in Business Leadership, CA (SA), Leadership Development Programme

Mr Thabo Letlaka
Deputy Chief Investment Officer

Post-graduate diploma in actuarial science conversion

Gender





Mr Phathutshedzo Mabogo
Deputy Chief
Investment Officer

*BSc Actuarial Science, CFA
Charter Holder, MBA*

Ms Shyless Nkuna
Executive:
Human Capital

*BA and BA (Hons) in
Psychology, MCom (Business
Management), Registered
psychometrist*

Mr Kishore Joey Sankar
Executive:
Pensions Administration

*BCom (Management), Masters
in Information Technology,
Certified pensions specialist*

Ms Yolisa Skwintshi
Executive:
Information Technology

*BSc, BSc (Hons) Computer
Science, Executive Leadership,
Advanced Management
Development Programme*

Number of years with the EPPF

more than 10 years



5 – 9 years



2 – 4 years



less than 2 years



OPERATING ENVIRONMENT

By the end of the review period, economic and social activity had normalised in most countries following COVID-19 lockdowns and this had a positive effect on global growth. However, the conflict between Russia and Ukraine counteracted this and saw countries' globalist visions replaced with nationalist perspectives. Europe, in particular, focused on domestic production of energy rather than relying on Russia.

South Africa is largely shielded from the Russia/Ukraine conflict but, because the Eurozone is such a significant trading partner, the slowdown in Europe has had a negative impact on our domestic growth. This has been somewhat off-set by a surge in commodity prices and coal prices.

Low growth and high unemployment remain key challenges in South Africa. In his 2022 state of the nation address, President Cyril Ramaphosa announced a structure dedicated to easing the regulatory burden on business and cutting red tape with a view to encouraging growth. However, the ruling party returned less than 50% of the vote in the November 2021 local elections and a national coalition government could be on the cards come the 2024 general election.

Global economy

The global policy and economic landscape were shaped by fears of resurgent COVID-19, as the delta variant drove cases up in the middle of 2021. Market risk aversion increased, compounded by softening commodity prices and slowing global growth. Certain economies extended their COVID lockdowns, which slowed growth further.

The emergence of the omicron variant of COVID-19 in December 2021 caused unwarranted but short-lived panic. Most geographies started relaxing their lockdown restrictions significantly by year-end, giving a positive bump to global economic activity.

Global inflation rose materially at the end of 2021. Energy prices surged, resulting in higher prices for most goods,

including food. Many economists and central banks initially believed that inflation was linked to supply-chain disruptions and pandemic demand factors. However, the persistent rise in inflation began to reset this view and changed global monetary policy expectations.

With the Russia/Ukraine conflict lasting longer than expected, Western sanctions against Russia continued to broaden. Fuel and energy prices soared to unprecedented levels. Chinese economic lockdowns intensified due to that government's pursuit of a zero COVID policy. While China's lockdowns affected supply chains and global markets adversely, oil prices would possibly have been higher if China had not locked down. Both the Chinese restrictions and high global oil prices were significantly inflationary.

In the first half of 2022, central banks in most regions hiked interest rates to curb rising inflation and applied other tools to tighten monetary conditions. A fear of global stagflation – stagnant growth with high inflation – took hold. In this context, the calibration of the speed and size of interest rate hikes is crucial because they will further slow growth in the interests of curbing inflation.

World economic growth projections for 2022 were revised downward to 3.6%. Europe's growth forecast for 2022 was revised from 5.3% to 2.8% due to the Russia/Ukraine war. China's growth was expected to decline to 4.4% in 2022 (from 8.9% in 2021) and South Africa's growth expectations were below 2% in the medium-term.

South African economy

The social unrest that started on 12 July 2021, affecting mainly KwaZulu-Natal and Gauteng, claimed hundreds of lives and destroyed commercial properties. Law enforcement agencies and the military stabilised the situation within a few weeks. The response of local investment markets to the situation was relatively muted.

Less than a year later, in April 2022, severe floods in KwaZulu-Natal also caused more than 300 deaths and extensive damage to infrastructure and homes. Again, investment markets were not materially affected.

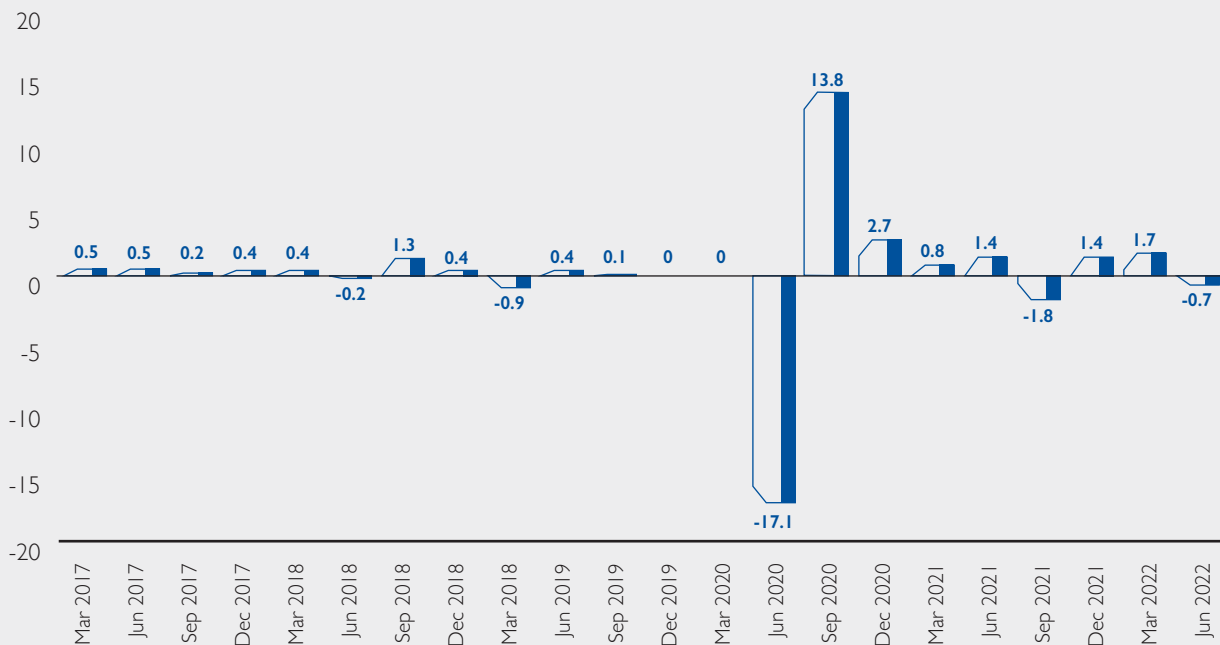
Although South Africa experienced a fourth COVID-19 wave in December 2021, this was sharp and surprisingly short. With a fair proportion of the population vaccinated by then, the South African government eased lockdown restrictions rather than tightening them. This was a welcome relief in the light of weak consumer activity and business confidence.

Robust revenue growth due to higher commodity prices boosted GDP growth and tax collection. Initially the commodities boost was thought to be short-term, but it has persisted. The gains appear to have contributed to a reduction in government debt relative to GDP. The rand also strengthened off the back of higher commodity prices.

The South African economy expanded by 3% in the first quarter of 2022 compared to first quarter of 2021. This was the fastest rate of growth since the second quarter of 2021.

Following banks in other regions, the South African Reserve Bank (SARB) started hiking the repo interest rate from the low level of 3.5%. This was in response to a rise in local inflation – which was, however, more moderate than inflation increases in many other countries due to a relatively strong rand. The first hike took place in November 2021 and the repo rate was 4.75% at the end of the reporting period.

SOUTH AFRICAN GROSS DOMESTIC PRODUCT ANNUAL GROWTH RATE (%)



SA INFLATION & SA INTEREST RATE



WHAT IS THE REPO RATE?

When money is borrowed from a bank, the transaction attracts interest on the principal amount. This is the cost of credit. Similarly, banks borrow money, if needed, from the central bank and are required to pay interest. This interest rate is called the repo rate. When the repo rate goes up the commercial banks and other lenders put up their interest rates.

MATERIAL ISSUES

Through ongoing engagement and risk management, the Fund identifies material matters of strategic significance to our primary stakeholders. We consider financial and non-financial developments in the external and internal environments that have the potential for major impact on our business model and operating environment.

The Fund also takes into consideration historic information and regulatory developments, follows local and

international trends, and leverages the experiences of our peers in the industry. We monitor the media discourse and public sentiment as reputational issues can constitute a serious risk.

Material issues identified by the Fund for the reporting period fell into three broad categories:

- The impact of external events on market conditions and therefore on Fund investment performance and financial sustainability.
- Changes in the regulatory landscape that increase the compliance burden and potentially change the Fund's operating model.
- Cyber-risk exposure which accompanies the use of technologically advanced IT systems and infrastructure.

The nature of these material issues and the Fund's mitigation measures are set out in the table below.

Material matters of strategic importance

Stakeholder group	How we engage	Stakeholder concerns	Fund response
The macro-economic environment			
Fund members and clients	<ul style="list-style-type: none"> • 'Town hall' sessions where members can raise issues with the Chief Executive and management team • Member satisfaction surveys conducted by independent parties • Ongoing communication with members through newsletters, digital platforms, the call centre and our complaints management channel 	<ul style="list-style-type: none"> • The impact of government policy and retirement reform interventions on the retirement industry • The impact of external events (such as the Russia/Ukraine war, COVID-19 and Eskom unbundling) on investment performance • The Fund's ability to meet funding and solvency requirements in unfavourable market conditions 	<ul style="list-style-type: none"> • Prudent financial management of the Fund through disciplined actuarial valuations and management decisions • Robust investment strategy • Alignment between criteria used to determine the affordability of CPI-related pension increases and the timeframe required to generate required returns • Ongoing review of the ability of the investment strategy to support pensioner increases • Ongoing engagement with employer to ensure Fund readiness for pending structural changes • Annual actuarial valuations to confirm that benefits are adequately funded • Increased member communication

Stakeholder group	How we engage	Stakeholder concerns	Fund response
Changing regulatory landscape and requirements that affect our operating model			
Retirement industry regulators Fund members	<ul style="list-style-type: none"> • Regular and proactive engagement with regulators • Periodic submission of statutory reports • Participation in industry events and forums • Onsite visits and reviews by regulators • Fund rule amendment submissions and related engagement • Ongoing communication with members on key changes 	<ul style="list-style-type: none"> • Fund governance and compliance with regulatory requirements • Financial Sector Regulation Act (FSCA) and Twin Peaks financial sector regulatory reform: the Conduct of Financial Institutions (COFI) Bill and Treating Customers Fairly (TCF) • Ongoing changes to regulations under the Pension Funds Act and Income Tax Act: <ul style="list-style-type: none"> – Amendments to Regulation 28 to enable greater infrastructure investment – Retirement reform, including the 'two-pot system' and tax changes affecting members and pensioners 	<ul style="list-style-type: none"> • Implementation of a COFI-ready gap assessment and project plan • Ongoing review of Fund's investment strategy • Enhancement of member processes and implementation of our complaints management system in alignment with TCF principles • Exploring IT enhancements in preparation for changing requirements
Technological advancements and digitisation			
Third parties Fund members Fund employees	<ul style="list-style-type: none"> • Periodic service level agreement (SLA) meetings with service providers • Consultation with industry experts • Ongoing engagement with employees by the IT, governance and assurance units 	<ul style="list-style-type: none"> • The Fund's ability to keep up with the speed of the digital revolution and associated cyber-risks, including the risks associated with use of cloud solutions, such as high-profile cyber-attacks to gain unauthorised access to information • The impact of hybrid work arrangements, prompted by the COVID-19 pandemic, on Fund operation • The Fund's ability to implement digital connectivity 	<ul style="list-style-type: none"> • Third-party SLA monitoring • Rigorous monitoring of security environment • Consultation with industry experts on cyber and business resilience • Third-party due diligence • Ongoing review of information security policies and procedures • Training and awareness sessions for employees

Additional material issues are discussed in Managing Risk on page 23.



WHAT IS MATERIALITY?

Materiality defines why and how certain issues are important for an organisation. A material issue can have a major impact on an organisation's financial, economic, reputational and legal status, and on internal and external stakeholders. Organisations constantly monitor, evaluate and revise their material issues and take steps to avoid adverse effects.

Ethics

At the EPPF, we believe that ethics transcend legal and regulatory compliance and should be embedded in the organisational culture. While the tone is set by the Board of the Fund, leaders in the business must set the example by displaying exemplary conduct. This top-down, bottom-up approach to ethics management in the workplace ensures that there is shared accountability.

To manage ethics day-to-day, the Fund has put in place proactive and reactive interventions. These include ongoing communication and awareness, formal training for key personnel, a safe reporting mechanism through which staff or members of the public may report misconduct, and ongoing monitoring and strengthening of the ethics management programme. To help manage various ethics scenarios, bespoke policies have been designed such as the Board members' code of ethics, employee code of conduct and business ethics, and an ethics code for external service providers. Standard procedures ensure conflicts of interest are managed and that recruitment procedures are fair and equitable.

Initiatives during the year included:

- A leadership charter, underpinned by the Fund's C.A.R.E values, to foster leadership commitment.
- An extensive review of our governance framework in order to strengthen governance practices.
- A review of the Fund's safe reporting mechanism in the light of best practice.
- Bolstering the mandates of governance structures in order to elevate ethics management.
- A comprehensive audit of the ethics management programme to identify areas for improvement in accordance with industry best practice and King IV guidelines.

Vuvuzela hotline

The Vuvuzela hotline, managed by an external, independent party, allows staff and members of the public to report confidentially and without fear of reprisal. During the year, only one out of 137 hotline users raised an incident of suspicious activity. All other calls were operational queries.

ADVANCING OUR STRATEGIC VISION

Protecting members and their funds is at the heart of our strategic vision. Our members should feel secure about their pension savings throughout their working lives and enjoy their well-earned retirement thereafter because the Fund has safeguarded and grown their assets.

By enabling working members to save for the future, retired members to live in comfort, and participating employers to contribute to their workers' retirement savings, the Fund serves significant social needs of its immediate stakeholders. In so doing, it contributes to alleviating the national challenge of economic hardship among older people. Furthermore, as a responsible and socially aware corporate citizen, the Fund focuses on investing for economic transformation and developmental impact.

Vision 2024 is our strategic instrument for understanding how various forms of organisational capital – financial, intellectual, human, manufactured, relationship and natural – advance the core social value created by the Fund. Vision 2024 is constructed around five strategic pillars.



The figure that follows indicates how key interventions under various strategic pillars create multiple forms of value for the Fund.



C.A.R.E. is supporting
someone, even when
they're afraid to ask

STRATEGIC INTERVENTIONS AND THE LAYERING OF VALUE

Highlights of 2022

Growth in AuM despite volatile markets
Payment of benefits to value of R6.80bn
Diversified investment by asset class and geography
Strong funding ratio of 139%
Review of pension increase method
CPI-related increase of 5%

Completion of Pension Admin System
New self-service functions for members and employers
Automation of evidence of survival process
Multiple communication platforms operational
Cyber security strengthened
Expanded capability to manage assets inhouse

Pillars of vision 2024

Strategic pillar 1:

Grow the confidence of our members by ensuring the sustainability of the Fund.

Strategic pillar 2:

Build our platform to serve our members better.



Social capital



Relationship capital



Financial capital



Human capital



Intellectual capital



Manufactured capital



Natural capital

Primary value impact

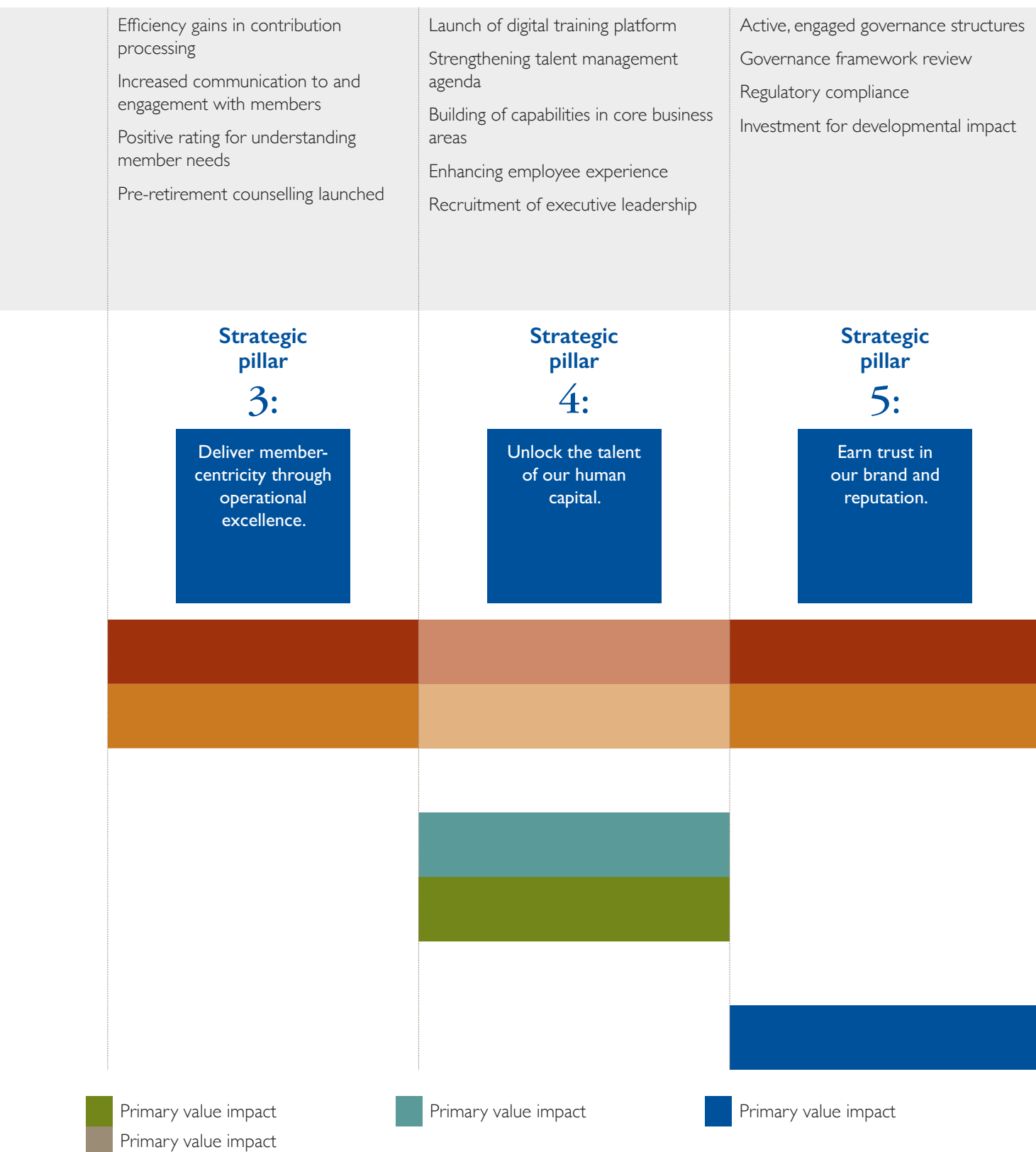
Secondary value impact


Primary value impact

Secondary value impact

Primary value impact

Secondary value impact





OUR PERFORMANCE

Protecting and advancing
the interests of members

OUR PERFORMANCE

Introduction

Continuity and sustained performance over time are in the DNA of a retirement fund. But stability need not – and should not – be the enemy of innovation in service to our members. For the past few years, the Fund has focused on a technology-led transformation of our administrative and communication processes. Our pensioners, in-service members and employers have begun to reap the benefits of this – although they have also shared the frustration of some of our teething problems.

It was thanks to member concerns that the Fund embarked on its first review of our method of calculating annual pension increases. While the review – described more fully on page 34 – confirmed the fitness of our existing approach, it highlighted the fact that increases over the past 20 years had in some instances been below CPI. Corrective action in the form of top-up increases was instituted in January 2022.

Another member-motivated change was our approach to African investments beyond South Africa. Historically, these







assets had been underperforming and the past two years have seen a rethink on this front, as described on page 40.

These developments illustrate how the “soft” activities of member engagement and the “hard” business decisions of the Fund are linked. During the past year we increased the frequency of our written communication and engaged with more members than in the past, thanks to digital technology.

Despite destabilising effects of historic events – a global pandemic and conflict in eastern Europe – the Fund reported a positive return on investment and a slight growth in assets, and is in a strong financial position. We continue to pursue a three-dimensional approach to investing that balances risk, return and social impact in the belief that the sustainability of the Fund and the prosperity of our broader society are totally intertwined.

Members of our Executive Committee are measured against a scorecard and, in the interests of transparency, this is summarised on page 32.

EPPF Executive Scorecard

	Measure	Target 30 June 2022	Actual 30 June 2022
 Fund sustainability index			
Funding level	Assets/total liabilities + contingencies (%)	100 – 115%	139%
Contribution surplus/shortfall	Five-year average of difference between contributions and benefits (%)	Between -1% to +1% of benefits paid	3.97%
Pension increases	Five-year average variance from CPI (%)	0%	>1%
Investment management costs	Total investment management costs as % of AuM	0.43%	0.46%
 Investment return index			
Investment return: 1 year	Actual relative to CPI	7.42%	4.44%
Investment return: 3-10 years	Actual relative to CPI + 4.5%	3 years: 8.55% 5 years: 9.18% 7 years: 9.47% 10 years: 9.66%	3 years: 7.72% 5 years: 6.96% 7 years: 6.73% 10 years: 9.59%
 Digital enablement			
Channel management digital enablement	% of plan completed	70%	80%
Investment administration upgrade	% of plan completed	100%	100%
 Membership satisfaction			
Independent rating of member satisfaction	Score of rating exercise	26	31
 Leadership index			
Leadership development, capability building	Evidence of targeted learning to address skills gaps	70%	80%
Strategic talent management	% of talent cycle initiatives implemented	70%	85%
Employee value proposition	% of employees engaged, motivated and feeling they belong	60%	66%
 Governance			
Review of governance framework	% of planned activities implemented	100%	100%

Providing a Member-Centred Service

It is easy to talk about a member-centred service but much harder to translate these words into actions that fulfil the promise in the opinion of our members. Over the past years we have harnessed technology to revitalise our service in multiple ways:

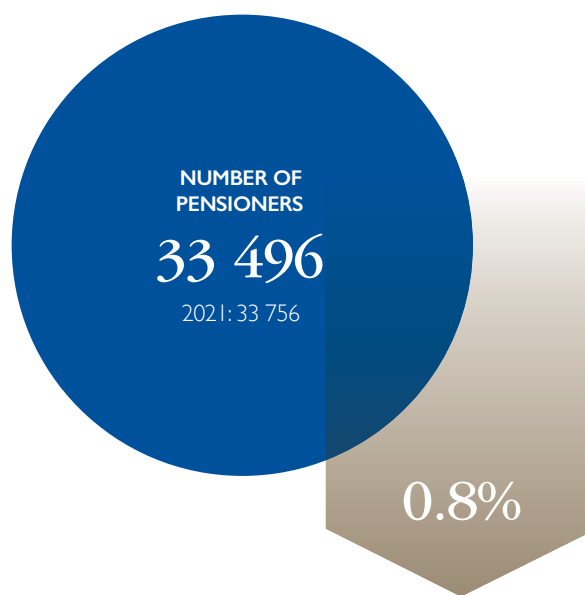
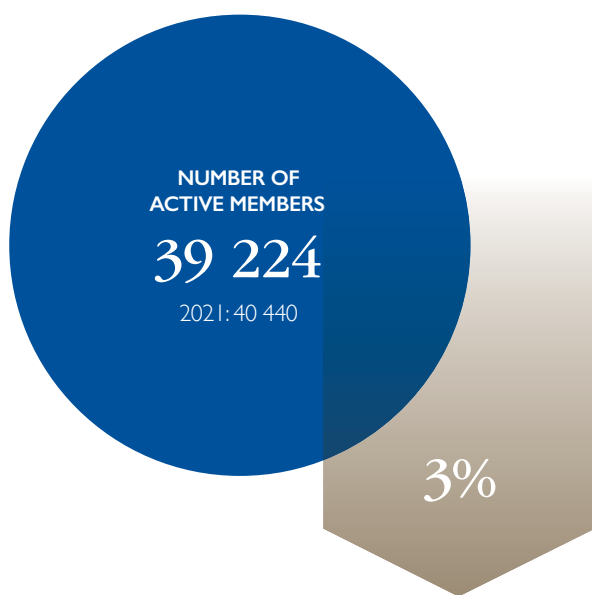
- We have increased the channels for members to talk to us, in the expectation that they will find one or two that suit them.
- We have begun to improve the turnaround times on business processes, recognising that delays can cause great inconvenience to members.
- We have created points of entry into our systems so that members and employers can access and submit information on a self-help basis.
- We have listened to members in various ways – in meetings, through surveys, by analysing queries and

complaints – in order to match future actions more closely to member needs.

There have been glitches in implementing new systems with short-term lapses in service quality but, overall, we have continued to move towards a service that is powerfully focused on improving the experience of our members.

Who are our members?

In 2022, the Fund had a total of 80 042 members, with slightly more pensioners and other beneficiaries than in-service or active members. Active membership continued its five-year downward trend to end the year at just over 39 200 individuals, a reduction of more than 1 200 on the 2021 number. This decline of 3.0% was due mainly to Eskom's reduced staff complement. Year-on-year pensioner numbers declined during the reporting period by 0.8%, after several years of slight increases.



See Chief Financial Officer's Report for more detail on membership trends.

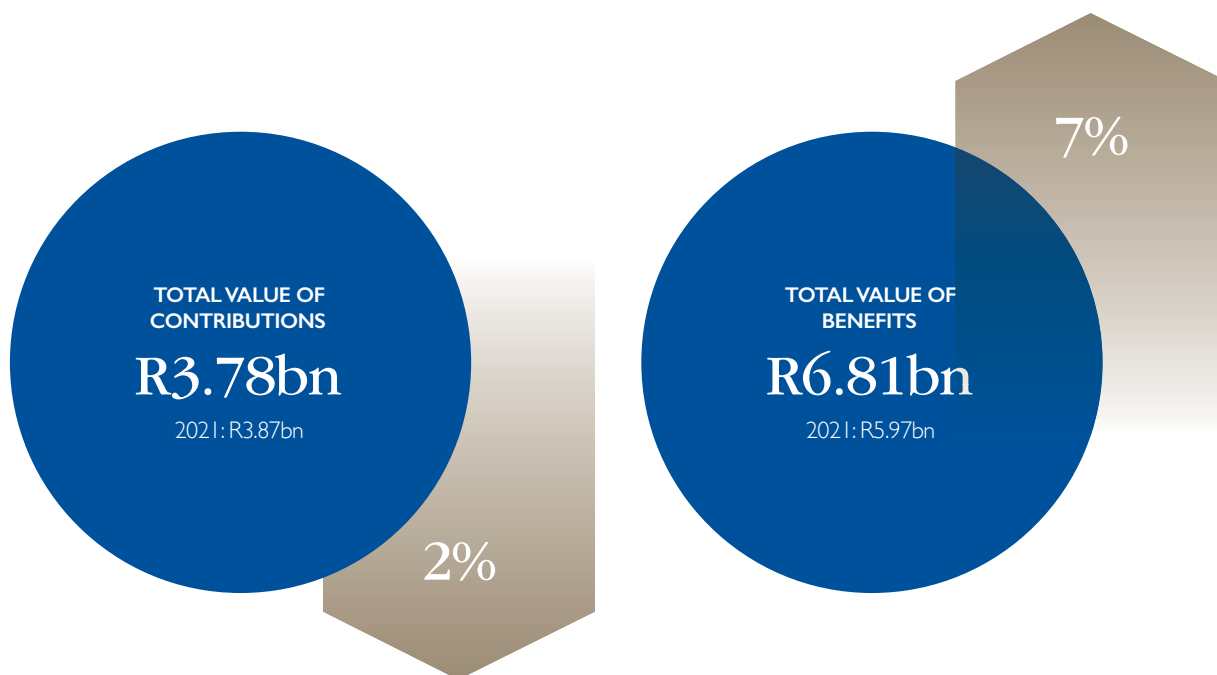
Fund contributions and benefits

Contributions totalling R3.78bn were received during the review period. All employers paid their monthly contributions on time and, on average, these were allocated within five days of receipt. There was a reduction of 2% in total contributions relative to 2021.

The rates of contribution from members and employers are fixed at 7.3% and 13.5% of the member's salary for members and employers respectively.

Benefits paid and accrued in 2022 totalled R6.81bn, an increase of 14% on the amount paid in the previous year. The amount disbursed in total benefits has increased annually for several years.

Due to the maturity of the Fund and the reduction in the number of contributing members, benefits paid have outstripped contributions received for a number of years. In 2022, the net cash outflow (excluding income and expenses) rose to R3.0bn, compared to R2.5bn in 2021. However, the healthy cash income generated from assets has covered this gap. In the medium to long term, if there is no growth in active members and contributions, the Fund's ability to make new investments will diminish and growth in assets under management (AuM) will be constrained.



See Chief Financial Officer's Report for more detail on contribution and benefit trends.

Annual increase

All pensioners received an annual CPI-linked increase of 5% as from January 2022. In addition, following the results of a valuation carried out by the Fund's actuaries, top-up increases were paid to those whose pensions had lagged behind inflation over the period from 1 January 2001. The rate was individually determined with the maximum top-up rate being 3.7%, payable in addition to the 5% across-the-board.

The Fund communicated in advance with pensioners to explain how calculations would be made and received very few queries once the increases were instituted.

In accordance with our commitment to member-centricity, the Fund carried out a pension increase review following concerns about pensioner increases. Together with the Fund actuary and two additional actuaries we evaluated our established method for calculating pension increases against other methods in use. An analysis of 20 years' data indicated that the Fund's established method yielded increases in line with headline inflation. The review concluded that such increases were fair and above the market in many instances. However, the review team considered it necessary to improve the provision on the minimum pension increase from an absolute rate of 2% to an inflation-linked rate. The intention was to protect members from sharp, but usually short-lived, increases in headline inflation. The proposal, which is still to be consulted with members, is for the minimum percentage pension increase to be set at 60% of headline inflation. The process is expected to be finalised in November 2022.

Annual bonus

The annual pensioner bonus, granted at the discretion of the Board, was paid in December 2021 and amounted in total to R230m (2021: R319m). The amount was lower than in the previous year when special once-off relief amounting to R104m was provided in light of the COVID-19 impact.

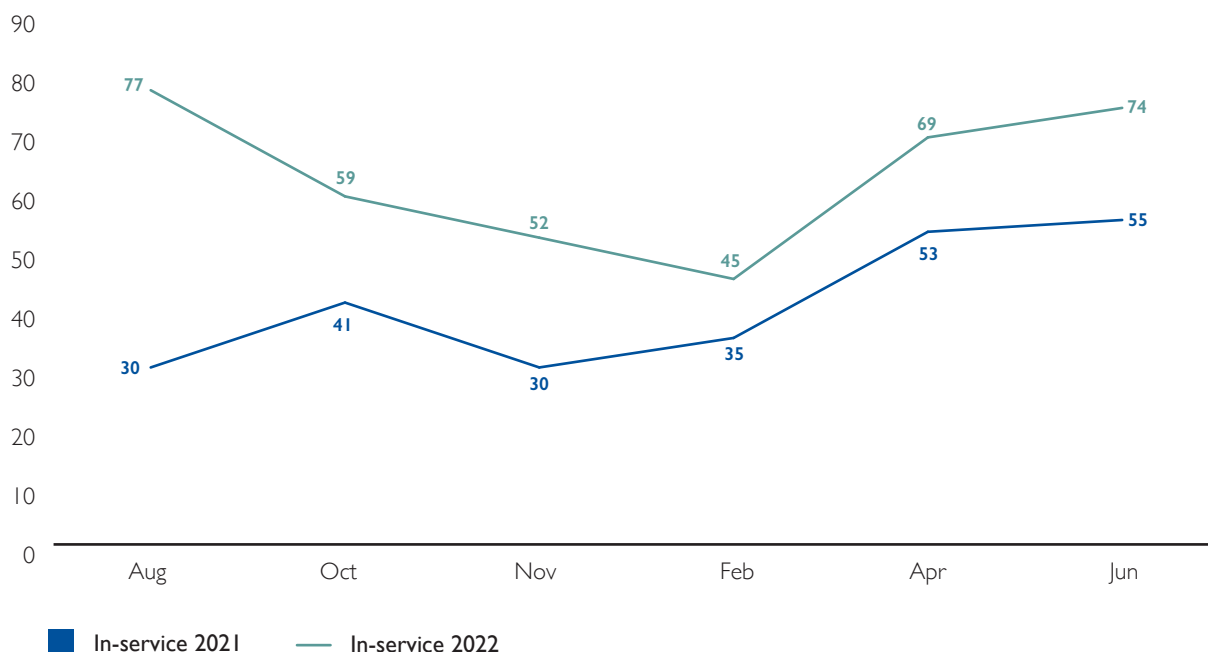
Bonuses were awarded on the following basis.

- Individuals with a monthly pension of R3 500 or more received a bonus of R7 560.
- Individuals with a monthly pension of less than R3 500 received R7 560 plus the difference between their monthly pension and R3 500.

Claims for death benefits

The Benefits Committee approves death claims in accordance with Section 37C of the Pension Funds Act. This committee meets every two months to make recommendations to the Board, thus expediting pay-outs to beneficiaries of deceased members. There was a marked increase in the number of deaths among in-service members, associated mainly with the COVID-19 pandemic. Overall, 78% of death claims under investigation were approved by the Board within the financial year against a target of 65%.

NUMBER OF DEATH BENEFITS APPROVED



Benefits processing

The EPPF did not find itself immune to the global “Great Resignation” phenomenon. Death claims were impacted by the sudden loss of skills and knowledge due to resignations. With a fully capacitated team and completion of process optimisation by the end of the financial year, the 2022/23 target is to pay 80% of claims within four weeks. Cross-skilling and multi-skilling among the team has started and will enable team members to not only assist during these unforeseen events, but also enable an element of growth.

The average benefit processing time for the year (after the receipt of completed documents) was 4.5 weeks. The team processed 72% of completed benefit forms within six weeks of receipt, slightly above the 70% target.

Customer service

The number of calls received by the call centre and its ability to answer them fluctuated during the year. On average, about 4 200 calls a month were received and 80% were answered within three minutes, against a target of 85%. Towards the end of the year, once system issues were resolved, the demand on the call centre stabilised and the rate of reply also rose above target level. Abandoned call numbers were reduced to 2% across the year, against a target of 3%.

Other highlights included:

- Improving the response rate to requests for evidence of survival, as well as lowering the cost of this exercise by using multiple channels such as USSD, mobile app and web portal.
- Reduction in the processing time of contributions received.

Unclaimed benefits

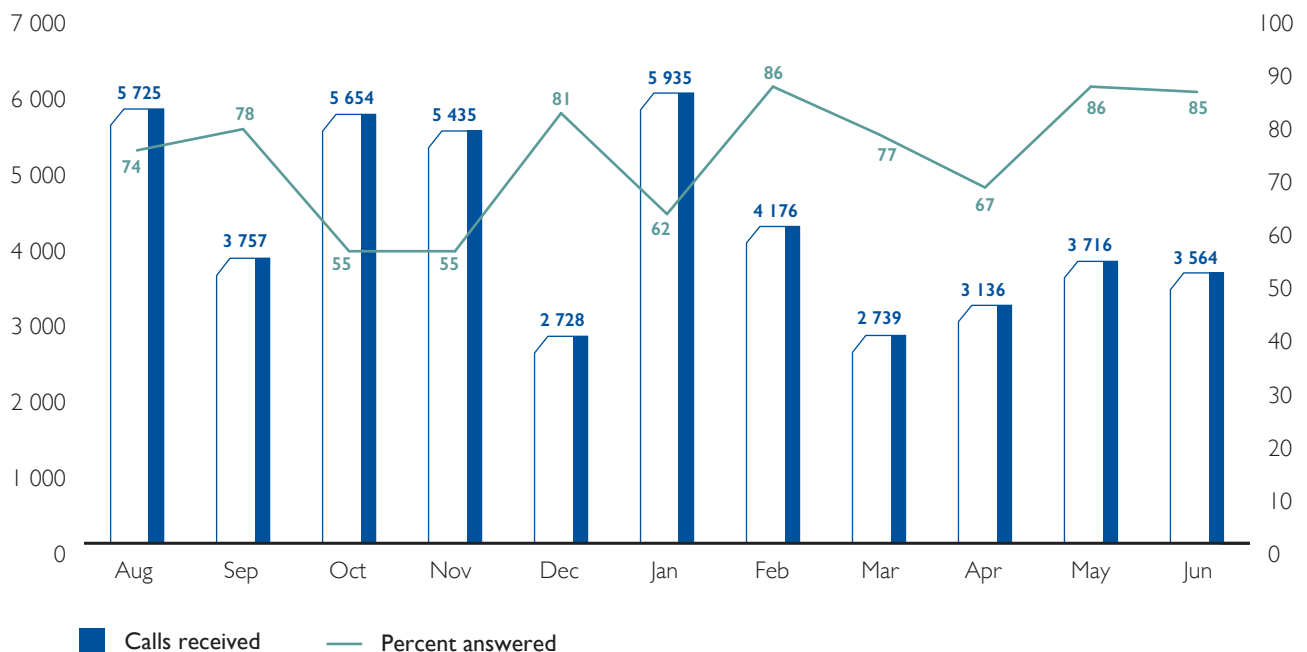
The Fund remained committed to implementing the unclaimed benefits strategy as approved by the Board. This three-pronged approach focuses on:

- Internal desktop tracing, in collaboration with participating employers.
- Providing data to a forensics agent that uses voice analytics when calling members with unclaimed benefits.
- Agent tracing to facilitate collation of documentation for processing.

As at 30 June 2022, the Fund had 1 942 unclaimed benefits totalling about R274.99m, a reduction of 17% on the 2021 amount. In instances where the Fund has been able to trace the relevant members only a minority had completed the documentation required for payment.

- Value of unclaimed benefits where traced members have completed documentation: R7.41m.
- Value of unclaimed benefits where traced members have not submitted documentation: R44.43m.

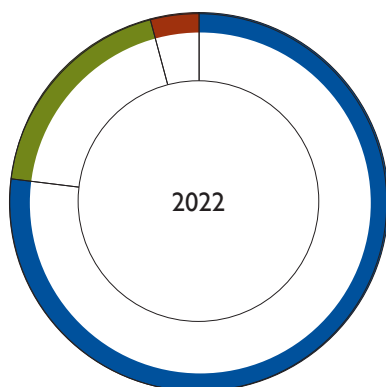
PERFORMANCE OF CALL CENTRE: NUMBER OF CALLS RECEIVED AND PERCENT ANSWERED



Interaction with members

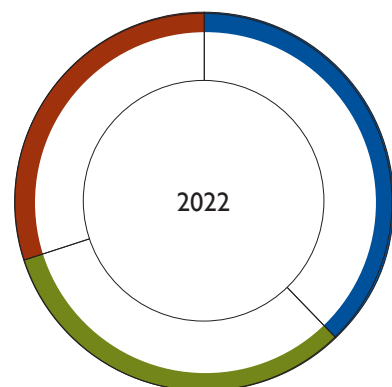
The current reporting period saw the largest number of annual member interactions to date – 13 326 – and this owes much to digital technology. A total of 77% of interactions took place on a digital meeting platform and, on average, each virtual meeting attracted a larger audience than each physical gathering. In all, 744 meetings were held and topics affected attendance – for example, 2 724 members attended sessions on the earnings yield in April 2022. Participation in physical meetings expanded as COVID-19 restrictions eased: 52% of physical attendance occurred in the last quarter of the financial year.

ATTENDANCE BY TYPE OF MEETING



	%
Digital platform	77
Physical	19
Telephonic	4

MEETINGS ORGANISED BY TYPE OF MEETINGS



	%
Digital platform	38
Physical	32
Telephonic	30

Tuning in to our members

In August 2022 Insites Consulting conducted an online survey of members to establish their attitudes to the Fund and experiences of service. The results are reported in this report because they reflect on the situation prevailing during the review period.

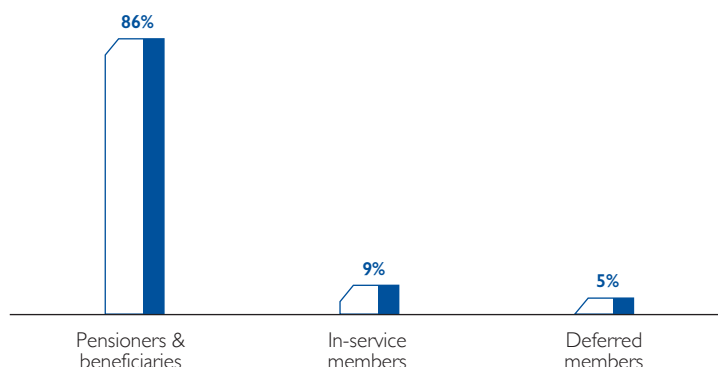
While a strong majority of EPPF pensioners consider the Fund easy to work with and treats them fairly, the proportion of in-service and deferred members who share these views is substantially lower, the survey found.

Whose opinions did we seek?

A total of 730 members completed the survey by email. The chart gives a breakdown of the composition of the respondent group.

About two-thirds were male and, since pensioners and beneficiaries predominated, it follows that two-thirds were 65 years and older.

The sample is small and the results indicative rather than generalisable.

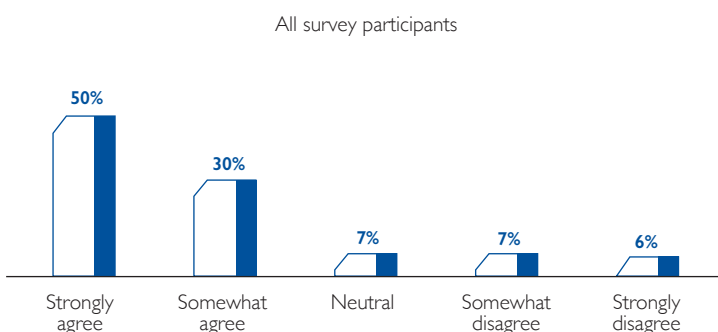


How many members agreed that interactions with the Fund were easy?

Opinion differed by member group:

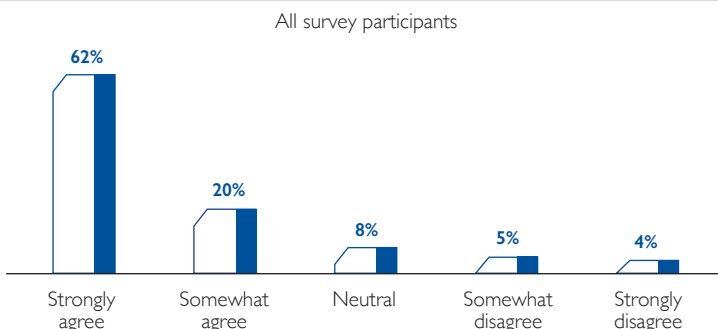
Among pensioners 84% were on the positive side of the spectrum.

Among in-service members 64% were on the positive side. This figure fell to 47% among deferred members, who recorded a high rate of neutral (21%) and negative ratings (33%).



Did members consider that the Fund treated them fairly?

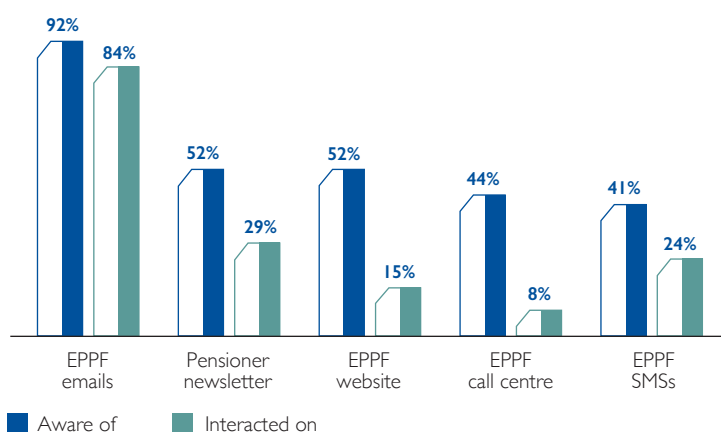
The overall scoring on fairness was high, with pensioners and beneficiaries once again holding the most positive attitudes, and in-service and deferred members following, in that order. About one-fifth of the latter groups recorded a neutral response.






What forms of Fund communication do members know about and use?

The most frequently mentioned channels are shown in the chart. In addition, just over one-third of members knew about the member portal and mobile app, while about a quarter were aware of brochures, walk-in centres and WhatsApp chat.

Results show a tendency to rely on passive communication, especially among pensioners.

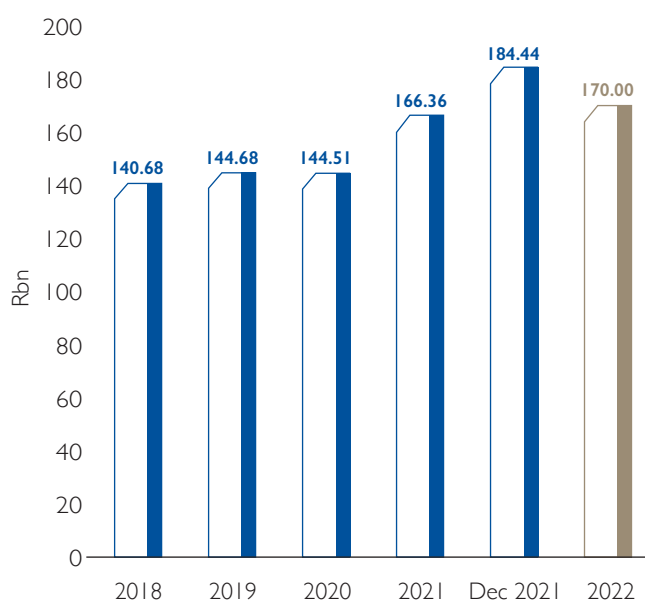


Why do various types of members interact with the Fund? The matters that prompted pensioners to engage with the Fund were simpler and more routine than the reasons for in-service and deferred members seeking information.	Pensioners and beneficiaries Evidence of survival Tax-related matters Payslip matters	In-service and deferred members Benefit statement Estimates of benefit pay-out Pre-retirement Withdrawal of benefits Deferred members: investment matters
Are members likely to promote or detract from the Fund? Pensioners and beneficiaries were much more likely to recommend the EPPF to others – 59% versus 33% for in-service members, and 15% for deferred members. Members' views depended largely on their perceptions of service quality or actual experience.	<div> Promoters: 54%</div> <div> Passives: 23%</div> <div> Detractors: 23%</div>	All survey respondents
The researchers observed that pensioners and beneficiaries have very different needs from in-service and deferred members. The fact that pensioners are mostly satisfied with Fund may indicate that the Fund is actually better geared up to assist and support pensioners. It should consider how to improve its service to in-service and deferred members so that they feel their needs are met.		

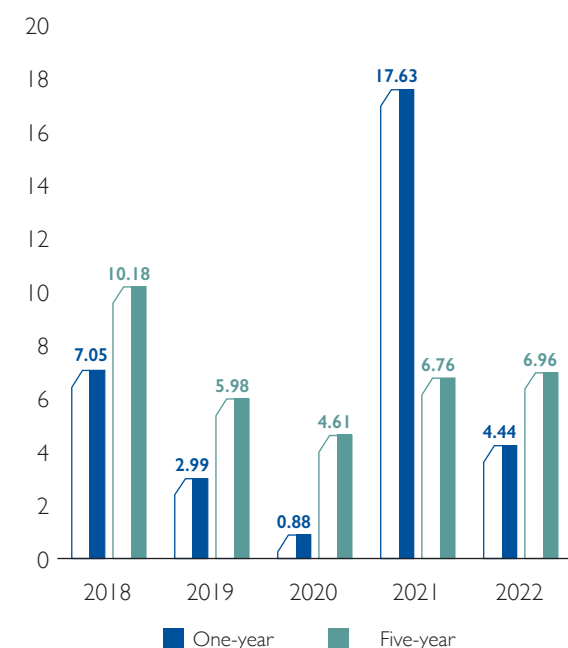
Preserving and Growing our Assets

In the period under review, global geo-political forces played a decisive role in shaping the investment environment. Until Russia's invasion of Ukraine in February 2022 market performance was strong and the Fund had seen robust growth with AuM reaching R184bn at end of December 2021. However, the gains were substantially reversed in the second half of the year due to concerns arising from the war in eastern Europe. The Fund ended the financial year with AuM of R170.0bn and a one-year return of 4.44%.

FIVE-YEAR TREND IN ASSETS UNDER MANAGEMENT AT FINANCIAL YEAR-END



TREND IN ONE-YEAR AND FIVE-YEAR INVESTMENT RETURNS (%)



The Fund's five-year rolling returns have been more stable and – with the exception of 2021, the COVID recovery year – consistently higher than one-year returns. This speaks to the Fund's ability as a long-term investor.

Net investment income

Assets are invested to generate returns to underwrite the Fund's pension and other benefits liabilities. Net investment income for the year, after deducting expenses of managing investments, amounted to R6 801m (2021: R24 459m), a decrease of 72% (2021: 999% increase).

Annual investment income

	2022 R'000	2021 R'000
Dividends	4 616	3 127
Interest and rentals	1 840	2 574
Profit on sale/redemption	6 887	7 784
Fair-value adjustments	(5 771)	11 652
Total investment income	7 572	25 136
Less investment management costs	(771)	(677)
Net investment income	6 801	24 459

Total expenses incurred in managing investments amounted to R771m (2021: R677m), representing a year-on-year increase of 13.88%. External investment management fees are levied monthly or quarterly and based on AuM. The increase is due to higher AuM that prevailed for the most part of the financial year, as well as increased allocation to private markets, which attract slightly higher fees.

Performance against benchmarks

The Fund's primary objective is to earn an annual net real return of at least 4.5% over a period of three years and longer. Over a one-year period, the target is to exceed CPI for that year.

For the 12-months ended 30 June 2022, the Fund's return fell 2.78% short of the CPI target, as inflation surged in the closing months of the financial year to end the year at 7.42% – the highest rate in more than a decade. To put this result into context: peer funds around the world have reported some of their worst 12-month returns on record.

The Fund's one-year return outperformed the strategic benchmark of 3.52% by 0.89%. The main contributors were:

- Domestic equities: Management maintained an overweight position in this asset class and benefited from the outperformance of domestic equities relative to offshore equities.
- Global equities: Although this asset class delivered a negative absolute performance, the Fund's performance within this class outperformed its MSCI ACWI benchmark.

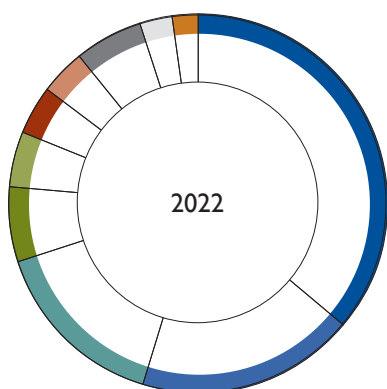
The Fund's return for the three years to 30 June 2022 was 7.72% – that is, 0.76% below the target of CPI + 4.5%.

See detailed table in Investment report, page 76.

Strategic asset allocation

The planned allocation of investments across asset classes – in accordance with the annual investment strategy approved by the Board – is depicted below. Domestic equities accounted for the largest share of investment (37%), followed by global equities (19%) and domestic inflation-linked bonds (15.5%).

STRATEGIC ASSET ALLOCATION OF FUND FOR 2022



	%
SA equities	37.0
Global equities	19.0
SA inflation-linked bonds	15.5
SA property	6.5
SA normal bonds	5.0
Africa ex. SA equities	4.0
SA cash	4.0
Emerging market equities	6.0
China-A equities	3.0
Global property	2.0



WHAT IS THE STRATEGIC BENCHMARK?

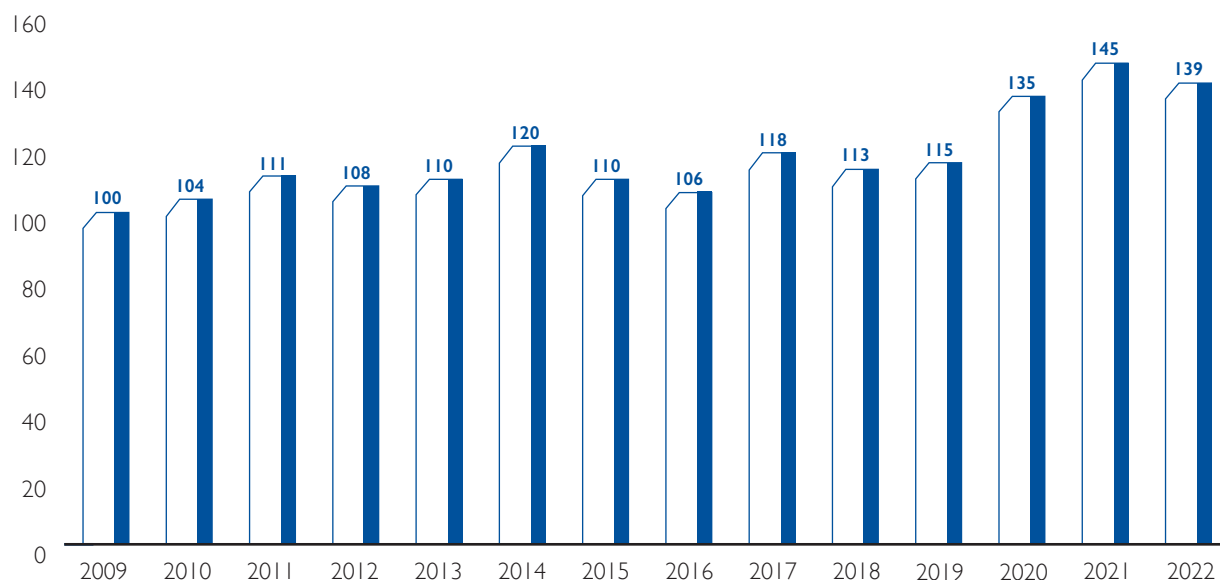
The strategic benchmark consists of the index returns of the various asset classes in the proportions set out in the Fund's Strategic Asset Allocation, and it assumes no active management.

In recent years, investments outside of South Africa had not delivered the expected returns. We therefore revamped our strategy to include both equities and debt investments, the latter being a safer asset class with lower expected returns than equities. Our debt investments comprise listed US-denominated bonds, which are managed inhouse, and unlisted debt, a portfolio which is allocated to an external asset manager with a demonstrable track record in this asset class. During the year our debt investments outperformed our return expectations.

Funding ratio

The funding ratio is considered the principal indicator of risk in the retirement fund industry. It indicates whether the Fund has sufficient funds to cover its liabilities to members when these are due. The Fund has maintained a healthy funding ratio over the years.

EVOLUTION OF EPPF FUNDING RATIO (%)



Transformation and incubation

The Fund is committed to national economic transformation and makes a contribution through affirmative policies and programmes in the area of investment management. As a general principle, the Fund only appoints investment managers with a B-BBEE rating of level 3 or better.

In addition, we promote black economic empowerment by allocating domestic investment management mandates to black asset managers and we have an incubation or development programme for emerging black asset managers. Initially the incubation programme applied only to listed markets, but it was expanded two years.



Black asset manager

- Licensed financial services provider
- Minimum 51% black ownership
- Minimum 50% black representation and 25% black women representation on the board among investment professionals
- B-BBEE level three or higher status



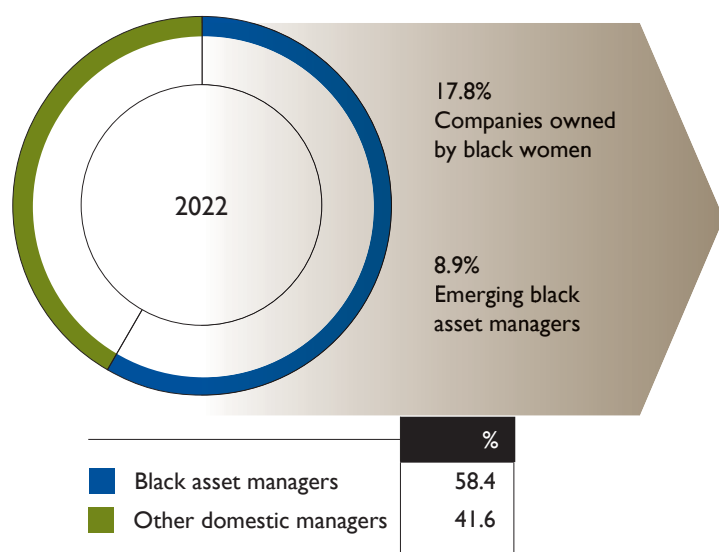
Emerging black asset manager

- Meets criteria for a black asset manager plus:
- Less than R10bn assets under management
- Asset management track record of more than three years

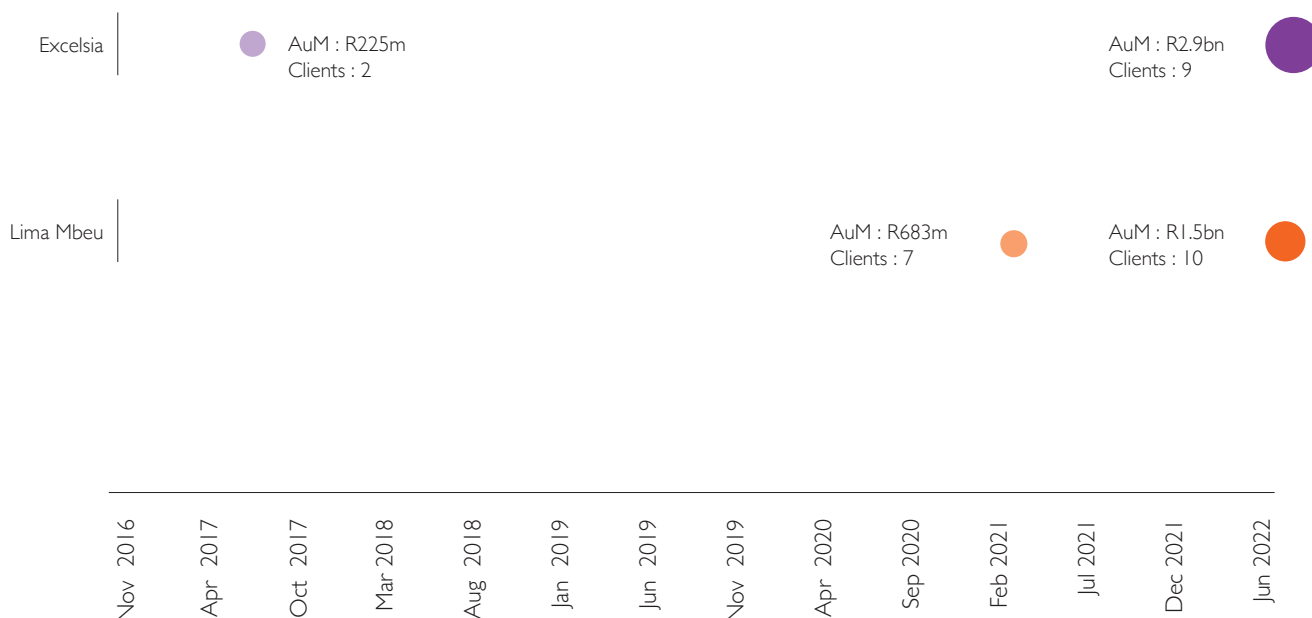
The Fund exceeded its transformation targets for the year under review. Currently 58.4% of externally invested domestic mandates is in the hands of black asset managers, against a target of 50%. Of that allocation, 8.9% is managed by emerging black managers – against a target of 4% – and 17.8% by companies owned by black women, against a target of 3%.

Furthermore, incubation participants in the listed market have performed successfully, growing their client base and assets under management during the course of incubation and sustaining this trajectory after graduating from the programme.

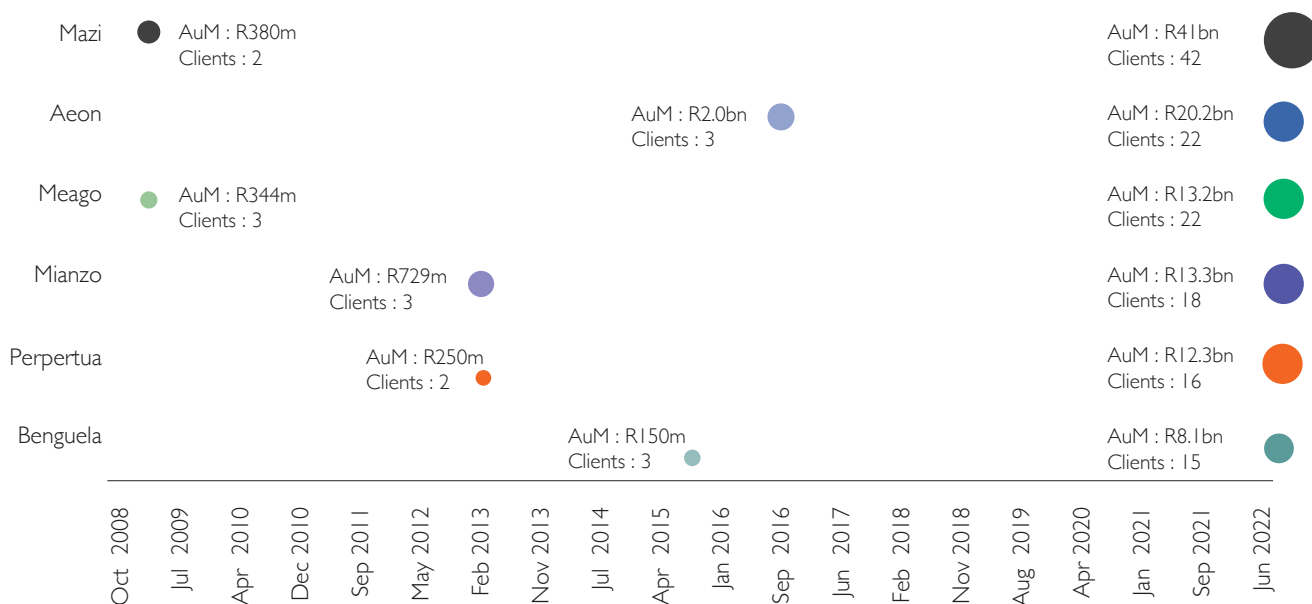
ALLOCATION OF DOMESTIC MANDATES TO BLACK ASSET MANAGERS



ASSET MANAGERS CURRENTLY IN THE EPPF INCUBATION PROGRAMME



ASSET MANAGERS THAT HAVE GRADUATED FROM INCUBATION PROGRAMME



The private markets incubation programme is managed by Thuso Partners and is in its early stages, with a proposed asset allocation of 40% to private equity and 60% to real assets. The programme seeds and supports emerging black-owned private markets managers by helping them to raise capital. It is fully committed to 10 managers.



PRIVATE MARKETS INCUBATION PARTICIPANTS

Ditiro Partners
Equity Partners
Infra Impact Investment Managers Fund I
Mahlako a Phahla Investments
Moshesh Partners Fund I
Sanari Capital
Summit Africa Fund I
Tamela Mezzanine Fund I
Urban Kraal Real Estate
Vuna Partners Fund I

Investment for developmental impact

The Fund has adopted a three-dimensional investment approach that balances risk, return and impact. Our Developmental Impact Strategy directs us to contribute to the socio-economic transformation of our country by investing where we sustain jobs, stimulate the economy, and advance groups that have been economically disadvantaged – black people, women and young people.

We also make targeted investments – often direct company investments – in sectors that correspond to certain priorities in South Africa's National Development Plan and the United Nations Sustainable Development Goals. The sectors that the EPPF has selected are:

- Affordable housing.
- Quality education.
- Renewable and clean energy.
- Healthcare.
- Commercial infrastructure in townships and rural areas.
- Agriculture.
- Public transport.
- Information and communication technology.
- Water and sanitation.

In our previous integrated report, we referred to a baseline study conducted in 2020 that established how our investments performed on key transformational and developmental indicators. We track progress against these indicators on an annual basis and are now able to report the position in 2021.

The findings relate to eight companies in which the Fund has invested directly and additional investments made through 53 fund managers mostly in South Africa but also in the rest of Africa and further afield.

Black economic empowerment

In 2021, in companies where the Fund was directly invested there was 100% B-BBEE compliance, up 17% on the previous year. On average, 64% of management positions were held by black people – 5% more than a year earlier – and 21% of board positions. Where we invested through fund managers, the average B-BBEE rating of companies was level 3.

Job creation

In companies where EPPF has invested directly, 6 054 jobs were supported. Of these, 52% were held by black employees and 28% by young people. Where our investment was through funds, the relevant companies provided 48 063 jobs and the rates of black employment and youth employment were 72% and 19% respectively.

Economic stimulus

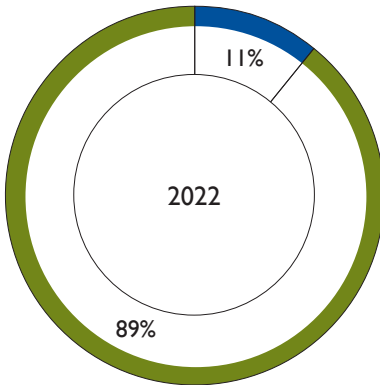
In terms of boosting the economy, companies in our combined portfolios spent R9.26bn on local procurement, R3.40bn on salaries and contributed taxes worth R1.03bn.

Gender equality

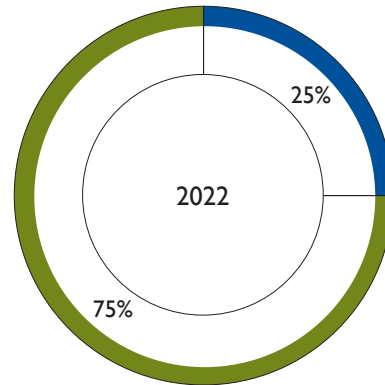
Women held about four out of 10 jobs in companies where the Fund was directly invested and 33% in companies where our investment was through fund managers. Women also held about four out of 10 management jobs in companies where we invested directly, with little year-on-year change in the ratio.

INVESTED FOR ECONOMIC STIMULUS

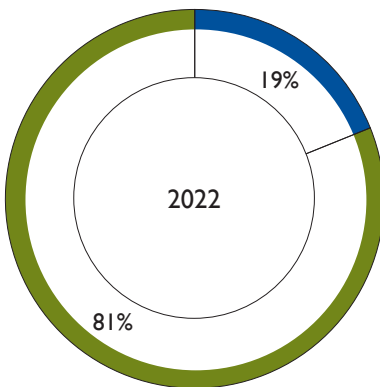
Direct jobs supported
54 117



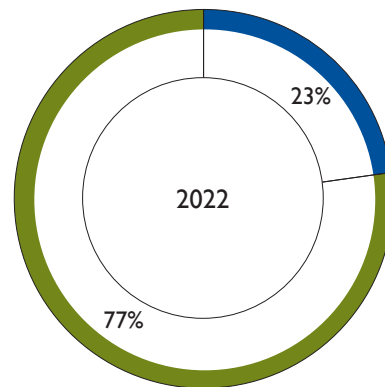
Local procurement spend
R9.26bn



Salaries paid
R3.40bn



Taxes contributed
R1.03bn




















■ Companies in EPPF portfolio

■ Fund managed companies

Tracking impact in selected sectors

The table below provides a snapshot of the ways in which companies and funds in which the Fund has invested improved the lives of communities.

EPPF investment	Companies and funds	Indicators of impact in 2021
 AFFORDABLE HOUSING R550m	Trust for Urban Housing Finance (TUHF) HIS Fund II	 Jobs supported: 3 624  Local procurement: R41m  Housing units delivered: 9 976  Housing units occupied/leased: 8 941
 QUALITY EDUCATION R883m	Nova Pioneer SASAI Van Schaik Bookstore Old Mutual Schools Fund	 Jobs supported: 701  Local procurement: R426m  Value of school upgrades: R1bn  Value of bursaries: R4.14m  Learners supported (fees/ accommodation): 2 539
 HEALTHCARE R541m	Busamed	 Jobs supported: 1 528  Local procurement: R781m  Hospital beds provided: 944  Patients treated: 34 975  Surgeries performed: 20 932

EPPF investment

Companies and funds

Indicators of impact in 2021



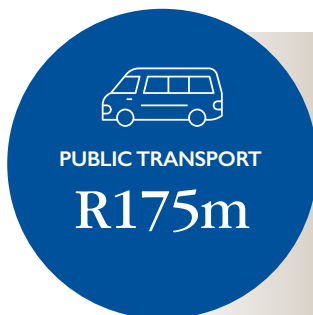
Capital Harvest
Kleoss Capital



Jobs supported:
1 697



Local procurement:
R467m



SA Taxi



Jobs supported:
1 460



Local procurement:
R1 029m



Funding to taxi owners:
R4 217m



Taxis acquired:
8 783



Plumbago Investment-
DSV Campus

Future Growth
Community Property
Fund



Jobs supported:
10 541



Jobs in local communities:
75% of total jobs



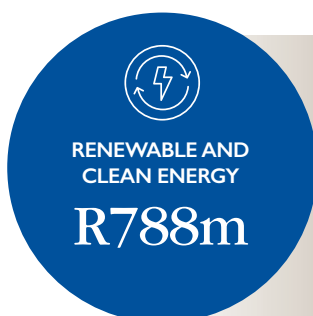
Warehousing capacity:
651 000sqm



Carbon emissions offset:
106 000tCO₂



Retail tenants accommodated:
1 255



Vantage Green
Stanlib
Revego



Wind and solar energy projects:
38



Installed energy capacity:
2 904MWh



Potential supply:
2 million households

Legal and Regulatory Matters

The regulatory and statutory landscape was characterised by a number of changes which had immediate or future implications for the EPPF. These are outlined below.

Legislative requirement	Description	Implications
Pension Funds Act	The FSCA published a draft conduct standard prescribing conditions for pension fund benefit administrators	EPPF is a registered retirement fund but, as a self-administered fund, may also be required to register as a pension funds administrator and an institution providing advisory services as well as financial products. The Chief Executive and executive team may require specific approvals and our investment professionals may need to qualify as representatives
	National Treasury has amended Regulation 28 to allow retirement and savings funds to invest up to 45% of their investments offshore. This includes the 10% allowance for investments in other African countries	This amendment enables the Fund to increase offshore exposure where this would maximise returns
	Regulation 28 has been amended to allow greater infrastructure investment by retirement funds and improve reporting on such investments. The limit on infrastructure investment is now 45%	The amendment has been noted by the Fund. The decision to invest in any asset class, including infrastructure, is at the discretion of the Board which takes into account relevant risks and returns objectives
Income Tax Act	Changes are proposed in relation to tax treatment of an individual's interest in a pension fund, pension preservation fund, provident fund, provident preservation fund or retirement annuity fund if the individual ceases to be resident in South Africa	This will impact on active and deferred members who are exiting the Fund and emigrating. They will have to meet the SA Reserve Bank and SA Revenue Service revised domicile test
Financial Sector Regulation Act	The FSCA has revised the annual levies payable by retirement funds. The total levy is determined by the number of fund members and recipients of regular periodic payments	The new rate became payable by the EPPF during the year. The FSCA charges interest on all overdue payments at the prime interest rate
Broad-based Black Economic Empowerment Act (B-BBEE Act) Rules for Discretionary Collective Enterprises	A practice note on the Rules for Discretionary Collective Enterprises was issued to clarify requirements for black people to be recognised as holding ownership rights	The notice will inform how the Fund interprets ownership requirements under the B-BBEE Act. This will be crucial in driving social transformation and inclusivity in asset management companies
Cybercrimes Act	The Cybercrimes Act was enacted, making cybercrimes a new class of criminal offences	The Fund is obliged to report certain offences within prescribed timelines

Developments during the year

Rule amendments

In the review period the FSCA approved rule changes we submitted the previous year following an exercise largely designed to align our rules more closely with members' needs. The amended rules allow deferred pensioners under the age of 55 years to withdraw their benefits or transfer them to other approved funds. This change is in line with default regulations that encourage easy portability.

Towards the end of the review period, the Board approved a further rule amendment to allow deferred pensioners over the age of 55 years and under retirement age to withdraw their deferred benefit from the Fund or transfer it to another approved fund. Cumulatively, the rule amendments allow all deferred pensioners under the retirement age of 65 years to withdraw or transfer their deferred benefits from the Fund.

Membership assurance initiative

For several years, the Fund has been engaged in establishing the eligibility for membership of many thousands of members who joined the Fund prior to 2017. The purpose was to establish whether all members fulfilled the membership criteria in terms of the rules of the Fund.

The review of the last member records at Eskom Holdings has now been completed. By year end, in cases where there was no evidence of eligibility on record, Eskom was inviting individuals to submit evidence of their eligibility if they were in possession of such evidence. Following this response period, the Fund will confirm the membership of individuals who can demonstrate they were permanent employees. Those who remain ineligible will have the option of participating in a court application for a declaratory order regularising their position. Alternatively, they may request the Fund to reverse their purported membership together with applicable contributions. The court application is a lengthy exercise that will require each identified participant to be included in the action.

The membership audit has also been completed at Eskom Rotech Industries (ERI). A declarator application for ERI will be instituted after the Eskom court application has been concluded.

The Fund has also introduced an eligibility exercise into its onboarding process to ensure that only qualifying employees are admitted to membership.

Repayment order against Brian Molefe

Former Eskom CEO Brian Molefe was admitted to the EPPF as a member in September 2015, on the basis of information submitted by Eskom, and paid out about R10m by the Fund when he retired early from Eskom in December 2016. The amount paid to Mr Molefe comprised his pension and an amount for additional service.

A court challenge was subsequently brought by Solidarity, the Democratic Alliance and the Economic Freedom Fighters who contended Mr Molefe was ineligible to

receive a pension from the EPPF because he had been a fixed-term employee of Eskom, not a permanent employee. The High Court ruled that Mr Molefe was ineligible to be a member of the Fund, set aside his retirement from the Fund and directed him to refund the amount paid to him in benefits.

Mr Molefe tried unsuccessfully to appeal the matter in the Supreme Court of Appeal and the Constitutional Court, and the Fund then took legal action to enforce the High Court order for him to repay us.

The matter was heard in March 2022 and on 4 July 2022, the High Court confirmed Mr Molefe's indebtedness to the Fund and his obligation to repay the purported retirement benefit paid to him on his resignation from Eskom. The court also awarded costs against Mr Molefe, who sought leave to appeal the judgment.

In the July judgment, the court also ruled that the Fund must repay Eskom the R30m received from Eskom to fund Mr Molefe's early retirement, together with applicable interest. This is irrespective of the prospect of the Fund recovering its claim against Mr Molefe. In September 2022, the Fund paid R30m to Eskom in compliance with the court order. This amount was not in dispute between the Fund and Eskom and not the subject of any court appeal. It was therefore considered to be in the best interests of the Fund and its members to repay the amount and minimise the accrual of further interest. The Fund withheld the contributions received from Mr Molefe during his employment with Eskom together with interest accrued on the R30m Eskom amount, and will now enforce the repayment order as Mr Molefe's appeal was dismissed.

Steinhoff settlement

The Fund was one of many investors in Steinhoff that lost substantial amounts when the company collapsed. We joined a class action brought in the Netherlands and were represented during settlement negotiations with Steinhoff. During the course of the reporting year, Steinhoff's revised offer to claimants, amounting to about €630m, was certified in court in the Netherlands and also in the Western Cape High Court, where the approved amount was about R24bn. The Fund's claim of about €1.3m was noted in the claims record and we are awaiting information about our share of the settlement amount.

Complaints and queries lodged with regulators

The Fund has a complaints line that deals with a substantial number of queries and complaints each year.

In addition, members of retirement funds are entitled to lodge complaints with the Pension Funds Adjudicator (PFA) where they do not receive satisfaction from their funds. As of April 2022, the period for funds to respond to the adjudicator about such complaints has been reduced from 30 to 20 days, with an additional 10 days "grace" period allowed in instances where the 20-day deadline was missed. The Fund has updated its complaints system to ensure compliance with the revised timelines.

In the current review period, the Fund closed all PFA matters lodged in earlier financial years. In the current financial year, as indicated below, the Fund received 23 new complaints lodged with the PFA and resolved 19 of these within the year. The Fund responded to a further 155 queries on unclaimed benefits referred by the FSCA and awaits the regulator's confirmation of resolution in respect of 60.

The main reasons for complaints and queries:

- Late processing of payments.
- Dissatisfaction with calculation of benefits.
- Contestation about entitlement to and distribution of death benefits.
- Queries or confirmation of no further benefits.

Queries or complaints received by the Fund or lodged with relevant regulators

Nature of complaint/query	Number received	Resolved	Pending
Referred from PFA	23	19	4
Referred from FSCA	155	95	60
Divorce	800	800	0
Maintenance	26*	26	0
Life partnerships	65	48	17
Death benefit queries	19	19	0
PAIA queries	6	4	2
POPIA queries	3	3	0
General queries	320	320	0

* Including seven subpoenas

Managing Organisational Risk

Sound risk management is a responsibility that is shared by the entire organisation and overseen by the Board and the Audit and Risk Committee (ARC). The Fund's enterprise risk management (ERM) strategy considers, in a holistic way, the numerous risks facing the organisation. Many of these risks are intrinsic to retirement fund management.

During the reporting year, the Fund reviewed its ERM framework and risk appetite statement to ensure alignment with strategic imperatives. We continued to promote a culture of risk consciousness among our staff in all divisions. Vigilance is a key aspect risk management and the Fund insists on regular risk reporting. Operational risks are typically reviewed and reported monthly and strategic risks at least quarterly.

In line with King IV requirements, the Fund follows a five-tier combined assurance approach that rests on the

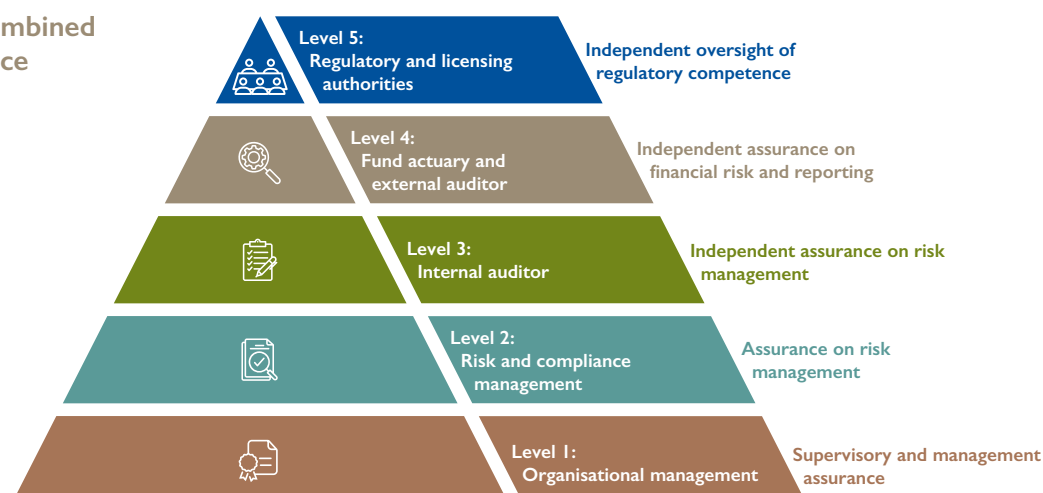
coordinated efforts of various role-players and ensures extensive assurance coverage.



HOW DOES COMBINED ASSURANCE WORK?

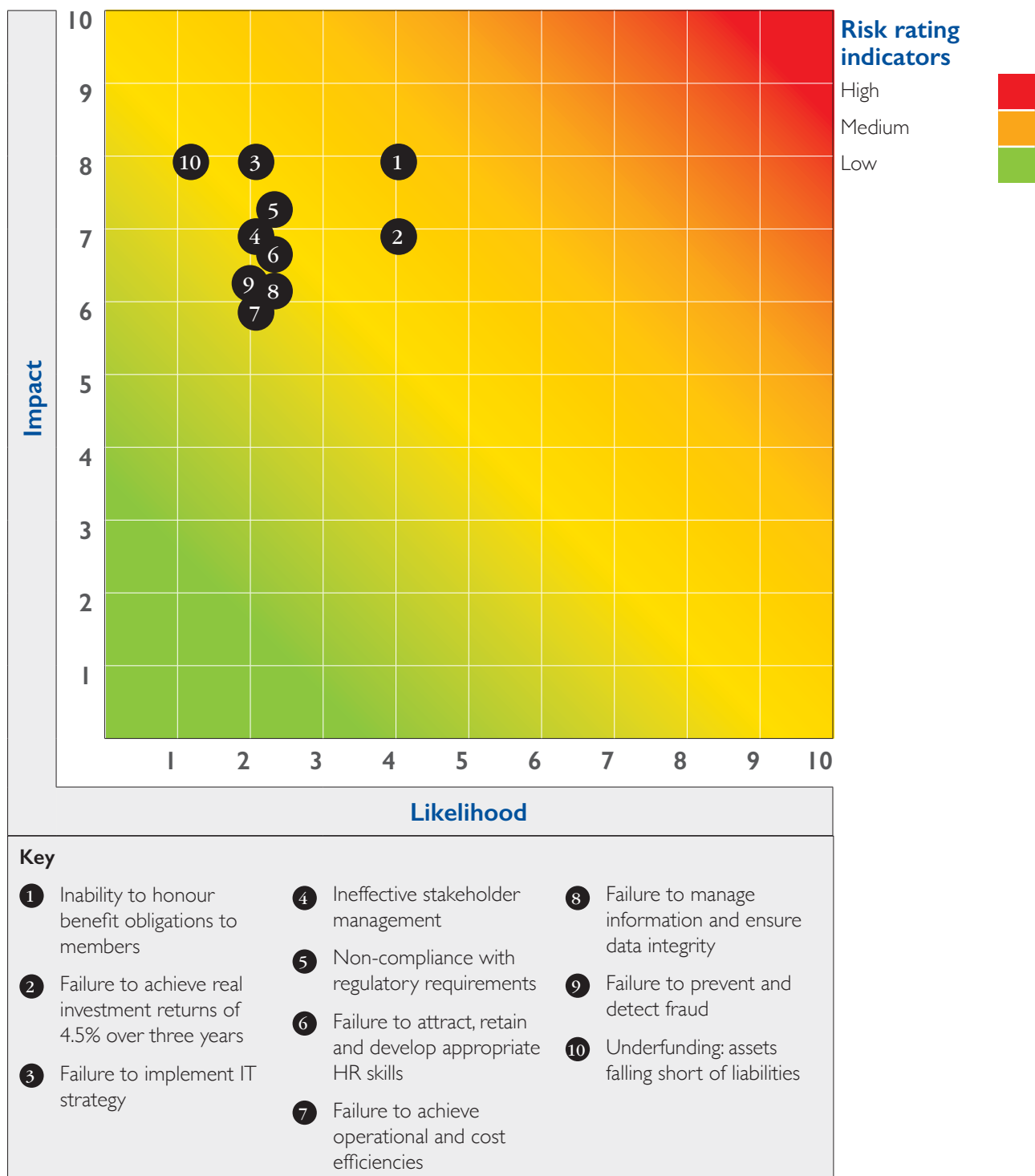
Combined assurance aligns assurance processes of internal audit and other assurance providers to deliver insights on governance, risk and control management to senior management and the audit committee. The EPPF's combined assurance comprises five levels of defence: management; internal legal, risk and compliance functions; internal audit; external auditor and Fund actuary; and regulatory bodies.

Model of combined risk assurance



Significant strategic risks

Each year the Fund ranks potential risks according to how severely operations would be affected if the adverse situation were to materialise and the likelihood that it may occur. In 2022, our assessment was that we continued to face a number of potentially high-impact risks but the likelihood of these risks occurring was considerably lower than in 2021. Our top three risks were the possibility of failing to honour our benefit obligations to members, an inability to achieve real investment returns of at least 4.5% over three years, and falling short on delivery of our IT strategy.



Risk reduction interventions

Risk description	Management of risk
EPPF's inability to honour benefit obligations to members as set out in the Fund Rules (including payment of annual CPI-linked increases to pensioners)	<p>The possibility of this situation occurring is reduced by sustaining a robust investment strategy and prudent financial management of the Fund. This includes making benefit decisions on the basis of actuarial valuations. We conducted our annual actuarial evaluation for 2022 and this confirmed our benefits are currently adequately funded. During the year we reviewed both our pension increase policy and our investment strategy in relation to supporting CPI-related increases. We communicated to members about our decisions on increases and bonuses.</p>
Failure to achieve real investment returns of 4.5% over a three-year rolling period	<p>Over the last three years major global developments have led to great volatility in domestic and international markets, making this a challenging risk to manage. Good practice in investment planning and management are our best defence. In this regard, in 2022:</p> <ul style="list-style-type: none"> • Our investment strategy, which includes asset allocation, was reviewed by two independent actuaries to ensure it was appropriate. • We constantly monitored the adherence of fund managers to their mandates and asset allocation requirements. • We reviewed fund managers and appointed some specialist asset managers. • We monitored investment performance against strategic benchmarks and reported regularly to the Board. • We introduced a risk budgeting approach to investment management which distributes risk across various asset classes by taking account of the risk-return trade-off for each asset class. • We implemented a tactical asset allocation overlay to minimise impact of adverse market conditions. This involved adjusting the long-term strategic allocation of assets for a short period in order to capitalise on market and economic opportunities.
Failure to implement the Fund's IT strategy	<p>Progress against the three-year IT strategy is constantly monitored and it is on track for completion in 2023. Important developments during the year were stabilisation interventions following implementation of the Pension Administration System and enhancement of data security.</p>
Ineffective stakeholder management	<p>The Fund communicates regularly with pensioners, other members and a range of stakeholders and strives constantly to improve communication.</p> <p>In 2022, we enhanced the platforms or channels available to members to connect with the Fund.</p> <p>We engaged with pensioners, members, trade unions, employers, asset managers, and the FSCA in a targeted manner, according to their particular interests.</p>
Non-compliance with regulatory requirements	<p>Measures taken to comply with a range of regulatory requirements included:</p> <ul style="list-style-type: none"> • Reaching agreement with our participating employers on: <ul style="list-style-type: none"> – Protocols for rule amendments and informing the FSCA. – Protocols for filling vacancies on the Board. • Establishing a project to ensure continued adherence to the Protection of Personal Information Act (POPIA). • Ensuring compliance with occupational health and safety provisions. • Embedding process controls in the Pension Administration System. • Ensuring quarterly reports on unclaimed benefits were submitted on time.

Risk description	Management of risk
Failure to attract, retain and develop the necessary human resource skills	<p>The Fund follows a forward-thinking pro-active approach to human resources and skills management. In 2022 we:</p> <ul style="list-style-type: none"> • Implemented our organisational design to build a fit-for-purpose organisation. • Strengthened succession planning to ensure depth of cover for all key positions. • Implemented a digital learning platform to build skills required by our capability road map. • Enhanced human capital policies to ensure we are people-centred and progressive in a changing world.
Failure to achieve operational and cost efficiencies	<p>The Fund built on cost-containment measures achieved in recent years by:</p> <ul style="list-style-type: none"> • Continuing to implement the IT cost-reduction strategy. • Negotiating contracts with suppliers to achieve greater savings. • Monitoring expenditure against the budget and managing variance strictly. • Insourcing of investment management activities in a way that improves operational efficiency without increasing risks.
Failure to maintain data integrity and information management	<p>The Fund increased accountability for service delivery in relation to implementation of the Pension Administration System and data archiving.</p>
Failure to detect and prevent member and organisational fraud	<p>The Fund has a fraud prevention policy which we continued to apply and in addition we:</p> <ul style="list-style-type: none"> • Introduced new controls, including segregation of duties to reduce the risk of fraud. • Performed stringent background checks at staff recruitment. • Conducted staff training and awareness. • Enforced a zero-tolerance policy.
Underfunding – that is, assets becoming insufficient to cover liabilities	<p>The Fund conducted an asset/liability management study to inform its investment strategies. The actuarial valuation indicated that assets adequately covered liabilities.</p>

Optimising Technology

Technology continues to transform and disrupt business operations globally and the retirement fund industry is no exception. The Fund recognises the need to advance its technology constantly in order to remain competitive and enhance its members' experience.

In the review year, our technology and digital transformation journey progressed well, building on achievements in the previous year when we reported 40% completion of our IT transformation programme comprising 40 projects. By end-June 2022, 80% of the work had been completed, and a further 20% was in progress. The Fund is on track to reach its digital destination in 2023.

Main 2022 achievements

 Cloud strategy and roadmap is in progress with some services migrated to the cloud	 Improved infrastructure and controls to combat cybercrime	 Enhanced digital channels, including transactional capabilities	 Data analytics to advance the Fund's monitoring and planning
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Certain IT-related risks and issues were identified during the year but none negatively affected the business. All risks were managed within the Fund's ERM framework. We are comfortable in our management and mitigation of current risk.

Pension Administration System completed

The Pension Administration System (PAS), which offers a new era of service to members and heightened efficiency to the Fund, was completed and closed in late 2021. System optimisation followed, focusing on business process improvement, end-to-end process automation and an enhanced web portal front-end. This phase enabled efficient processing and further reductions in transaction and service turnaround times. It included:

- Redesigning of electronic forms for user-friendliness and simplicity.
- Automation and improvement of claims processes to reduce service turnaround times.
- Integration with the Department of Home Affairs to validate death claims and reduce fraudulent claims.
- Development and digitisation of the Fund's web portal and HR portal to enable human resources personnel to initiate and complete claim forms for withdrawals, retirement and deaths in service. The HR Portal will be rolled out in quarter two of this calendar year.

Digitalisation and data

In 2022, the Fund's digital transformation continued, with existing digital channels strengthened and new channels introduced to increase efficiency, improve communication and enhance member experience. Information distribution progressed from print, posts and voice to real-time digital channels which lower operational costs. The improvements included:

- A channel for members to submit their evidence-of-survival forms digitally. This capability is available via the EPPF mobile application, web portal and USSD.

- Integration of the PAS into USSD and WhatsApp channels to enable real-time responses to transactional requests and provide member documentation, such as benefit statements, IRP5 certificates, payslips and other Fund documents.
- Extension of WhatsApp capability to manage COVID-19 screening, as employees returned to the office and the state of disaster was lifted. Digital screening minimised interaction with personnel and facilitated access to our premises and electronic storage of COVID-19 records.
- Upgrading of the member portal with improved branding, enhanced usability, and additional security and encryption methods to protect members from cybercrime.
- Addition of security features to the mobile app to protect member information and expand functionality, including – for example – benefits enquiries and projections.
- Introduction of digital pensioner cards.
- Initiation of the data warehouse project to provide a central repository with improved data quality and data consistency. The next phase is to provide more data analysis to help us understand our members better and be aware of changes and milestones in their lives.

Cybersecurity strengthened

The COVID-19 pandemic facilitated higher levels of cybercrime globally as the use of digital systems increased and security measures failed to keep pace. During 2022 we undertook dedicated staff training to enable employees to combat this type of crime and awareness campaigns to create a security-conscious culture.

The Fund is gaining more visibility as activity on our social media pages grows. This is likely to attract more attention from cyber criminals and, consequently, we have been increasing the security of our technology infrastructure. We have conducted frequent cyber-simulations to ensure

that we are able to detect, respond to and manage any cyber threats that may arise. We also performed a cyber risk and IT security risk assessment, with specific focus on the security of our servers, workstations and network infrastructure.

Culture change in process

The Fund is driving a culture change among its staff, its in-service members and pensioners with the aim

of enabling and persuading them to embrace a “digital first” approach to service. We believe technology can accelerate our journey to achieving a member-centred organisation. The COVID-19 crisis expedited the digital transformation of the Fund. We ensured our staff were equipped to operate remotely, our service to members was uninterrupted and our communication strengthened.

It is, understandably, a gradual process but we saw a great increase in usage of digital channels in the reporting year.



Future priorities

The completion of the data warehouse project, optimisation of systems, ensuring an increase in member digital adoption and strengthening of security are priorities

for 2023 in order to ensure that the Fund realises the full benefits of IT initiatives implemented. The customer relationship management, enterprise content management and robotics projects have been deferred to 2024.

Unlocking the Talent of our Human Capital

The Fund strives to unlock the potential of its human capital because fulfilled employees contribute more meaningfully to quality service and member satisfaction. Our human capital mantra is ‘Soaring to new heights’ and we aim to achieve it by building capability, driving a high-performance culture, and growing an employer brand that enhances the employee experience.

During 2022, we were guided by the following deliverables:

- Leadership development and capability building.
- Strategic talent management.

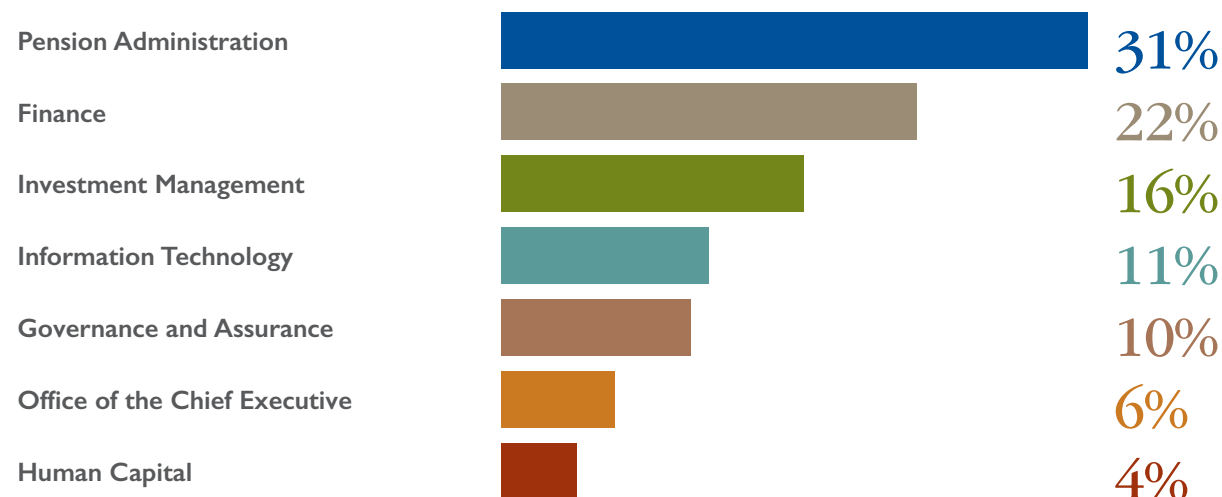
- Organisational effectiveness.
- Embedding the culture journey.

These strategic activities aim to strengthen the spirit of C.A.R.E. and thereby benefit our members.

Human capital snapshot

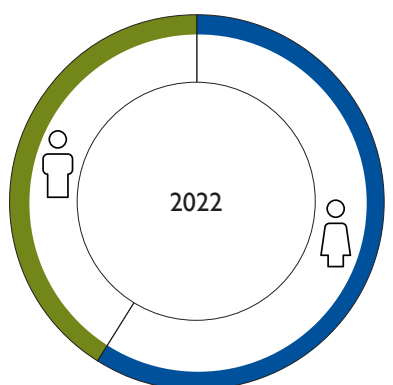
At 30 June 2022, the Fund had 145 employees comprising 120 permanent employees and 25 contractors, 12 of whom were part of the South African Institute of Chartered Accountants internship and learnership programme.

Distribution of the Fund’s employees



Gender composition of employees

GENDER COMPOSITION OF EMPLOYEES



	%
Female	59
Male	41

The Fund aims to build a diverse workforce, eliminate unfair workplace discrimination and achieve equitable representation of employees through affirmative action. Our gender representation reflects our efforts to create an environment in which women can thrive. We are committed to improving participation by people with disabilities – who currently comprise 1.4% of our staff complement – and have taken measures to achieve this. Foreign nationals account for 0.68% of total employees.

Capability building

Organisational capabilities are intangible, strategic assets that enable an organisation to accomplish its deliverables and satisfy its customers. The EPPF understands this and its learning plan was developed to strengthen internal capabilities through diverse initiatives outlined below.

Elements of capability building



Leadership development

The Fund aims to build visionary leadership that will steer the organisation into the future. As part of the journey in 2022, we hosted leadership empowerment sessions intended to help position the Fund ahead of the curve in the changing world of work and drive a high-performance culture.

The Fund cultivates an environment where women can thrive and take up opportunities. We have appointed several women to critical and leadership positions. The appointments of our new Chief Financial Officer, Thandie Mashego and (subsequent to year end) our new Chief Investment Officer, Sonja Saunderson, have brought gender parity to our executive management team.

'A better me'

The Fund equips its people with the knowledge and tools they require to deliver what members expect. We have developed and utilised a competency framework to match our development interventions with the capabilities required in our organisation. A digital learning platform was launched during the reporting year, allowing learning to occur anytime and anywhere. In accordance with our ethos of inclusivity, employees were involved in this project and named the platform 'Elevate'.

The Fund sponsored several employees to enrol in courses leading to formal qualification and certification. Their studies are related to their current roles, future aspirations and EPPF competency requirements.

'My EPPF'

'My EPPF' is a suite of learning modules that all employees are required to complete. It is delivered on the Elevate platform. With a strong focus on governance and risk, it encourages employees to share the goal of protecting and future-proofing the Fund.

Leaders of Tomorrow

The EPPF offers school leavers and new graduates various opportunities to gain work experience and begin to practice in their area of professional study. This is a contribution to the national mission of enabling young people to participate in the economy. The work-readiness programme:

- Promotes social inclusion of previously disadvantaged groups.
- Provides trainees with an opportunity to learn while working.
- Offers mentoring and workplace-readiness opportunities.



Embedding our culture

Today's employees want more than a job for life. They are looking for meaningful, purposeful and rewarding work. An attractive employee value proposition is a powerful tool in the war for talent and it differentiates an employer-of-choice from a provider-of-jobs.

To fashion a more competitive employer brand, the Fund undertook an employee engagement survey to obtain insight into the organisational climate. We also conducted focus groups to identify actions to improve the employee experience. Employees expressed a need for:

- Ways to be recognised and recognise each other.
- A safe space to connect with leaders and freely discuss the people agenda.

In response, the Fund launched 'All-day-aces', a digital platform for managers and other employees to recognise each other for using initiative and delivering work that is beyond expectations. The Fund also established HC Connect sessions where employees engage in guilt-free conversations with managers and the human capital team. These sessions further informed the crafting of our value proposition.

Organisational effectiveness

Building a capable organisation requires a human capital structure that ensures we have the right talent in the right roles at the right time. In the past year we reviewed our operating model in terms of its fitness for meeting our strategic objectives. We addressed structural redundancies, redesigned some roles and introduced new roles as part of our workforce plan for 2024 and beyond. We filled 80% of the roles identified for 2022. Furthermore, we cultivated a high-performance environment that ensures member-focused delivery, real-time rewards and recognition, and effective consequence management.

Strategic talent management

Organisations face formidable challenges in terms of engaging, retaining and purposefully developing talent. These include future-skills shortages, a cross-generational workforce, limited knowledge transfer and significant leadership gaps. The EPPF has therefore identified talent management as a strategic issue. The primary purpose of an effective talent management strategy is to unlock the talent of human capital, create a motivated workforce, and mitigate risks related to human capital. Talent is potentially a competitive advantage and a primary factor in successfully executing business strategy.

In the reporting period the EPPF:

- Launched a Talent Management Handbook to enable leaders across the organisation to manage talent actively.
- Established talent review forums (TRFs) to support the strategic management of talent and, more particularly, to set standards and provide guidance to ensure fairness, transparency and accountability in relation to talent management.
 - The TRF for Demand Review focused on the alignment of talent strategy and business strategy, shifting the talent philosophy to focus on potential rather than performance, and identifying critical roles where succession planning is key to managing risk.
 - The TRF for Supply Review paid attention to identifying and developing high-potential employees, developing leaders able to deal with complexity and uncertainty, ensuring business continuity through depth of talent, and harnessing the potential of all employees.

The Fund understands that encouraging workplace innovation builds a more satisfying work experience and therefore we established the Ingenuity Incubator which will take on various innovation challenges. In 2022, the Incubator focused on benefit enhancements to improve the Fund's competitiveness and sustainability.

Remuneration philosophy

The EPPF views its Total Rewards approach as a business imperative to unlocking existing and emerging talent. We are aware our investment in Total Rewards directly impacts operational expenditure, organisational culture, employee behaviour and, ultimately, sustainable Fund performance. The EPPF's approach to rewards is consistent with its business objectives. It is designed to attract, retain and motivate high calibre individuals with integrity and who share the organisation's values.

The EPPF's philosophy of Total Rewards reflects its core values and:

- Provides clear guidance on how remuneration and incentives have been formulated.
- Underpins an organisational culture that nurtures and unlocks new and existing talent.
- Addresses critical strategic issues, including the long-term sustainability of the EPPF.

- Responds to shifting trends in the remuneration and reward landscape.

The EPPF participates in benchmarking surveys with reputable service providers to ensure that our compensation is externally competitive and internally equitable. The remuneration mechanisms that we employ to compensate employees fairly and competitively include:

- A cost-to-company package, comprising base salary and benefits, which is market competitive.
- An annual cash incentive, related to operational and Fund performance.
- A cash-based long-term value incentive plan intended to align of interests of stakeholders and eligible employees over the longer term.

Annual cash incentives

All permanent employees and some fixed-term contract employees are eligible for annual cash incentives that are linked to the EPPF's performance and that of its employees. The aim is to:

- Drive organisational, team and individual performance.

- Encourage and reward participants for achieving and exceeding performance targets.
- Foster a high-performance culture.

The annual cash incentive is differentiated according to performance at the participant level and takes into account annual Fund returns and affordability. On-target incentives are linked to employment level and are calculated as a percentage of cost-to-company package.

Long-term incentives

The Long-Term Value Incentive Plan is a deferred cash bonus, the value of which is tied to units of value in the Fund. Long-term incentives are designed to attract, retain, motivate and reward executives, investment professionals and employees with scarce and critical skills who have a significant influence on the Fund's long-term performance. There are two categories of incentive – performance units and restricted units – with slightly different eligibility criteria and evaluation processes. However, both are awarded annually and the units awarded are only vested on the third anniversary of each award.

Sustaining Stakeholder Relationships

The Fund prioritises communication to and engagement with its primary stakeholders – in-service members, pensioners and other beneficiaries – and strives to maintain positive relationships with other external stakeholders through appropriate engagement.

As South Africa rolled out its COVID-19 vaccination programme, face-to-face engagements returned to the Fund's schedule. However, we also continued to communicate with members and pensioners on digital platforms, and the combination of physical and virtual meetings enabled us to interact with 13 329 individuals. Many of these interactions were onboarding or pre-retirement information sessions while others dealt more broadly with Fund performance.

Stakeholder category	Nature of engagement
Members: in-service, pensioners and beneficiaries	<p>Routine communication occurred via e-mail, SMS, website updates, digital engagement sessions, and employees in our walk-in centres</p> <p>Written communication included quarterly updates, member newsletters and educational materials. Four issues each of <i>Power Talk</i> (for in-service members) and <i>Pensioner Talk</i> (for pensioners) were published, giving readers information about the Fund, as well as featuring articles on lifestyle, health matters and other topics of general interest</p>
Participating employers: Eskom and subsidiaries	<p>Engagement is broadly defined by a service level agreement and occurs through:</p> <ul style="list-style-type: none"> • Appointment of Board members. • Executive-level meetings. • Consultation on major decisions, such as Fund rule amendments.
Labour organisations recognised by participating employers	<p>Labour organisations appoint member to the Board and have structured access to full information on Fund developments.</p> <p>We hold customer network centre meetings with our membership, which include engagement with trade unions</p>

Stakeholder category	Nature of engagement
Regulators: FSCA and PFA	<p>Interaction occurs through:</p> <ul style="list-style-type: none"> • Meetings of the Fund's Board Chairman and Chief Executive with senior FSCA officials. • Formal written submissions to FSCA on Fund rules and other statutory matters. • Engagement with FSCA on unclaimed benefit queries in line with the regulator's drive to reduce unclaimed benefits. • Engagement with PFA on member complaints.
Industry bodies: Batseta	<p>Communication is through:</p> <ul style="list-style-type: none"> • Representation on structures of Batseta. • Participation in conferences and events.
The media	<p>Engagement with media occurs through:</p> <ul style="list-style-type: none"> • Media releases. • Responses to media queries. • Individual interviews with print or broadcast journalists. • Thought leadership articles shared through industry publications. • Contributions to industry opinion pieces.



HOW DID BATSETA GET ITS NAME?

Despite its name, Batseta is not one of South Africa's 21 sector education and training authorities (SETAs). It is a non-profit organisation focused on the interests of retirement industry principal officers, trustees and fund fiduciaries. The name, coined by a longstanding employee, is a Sepedi word meaning advisory council.

The Fund has steadily expanded the reach of its social media by consistently posting high-quality content. The EPPF LinkedIn page grew from 2 876 followers in June 2021 to 3 822 in June 2022, an increase of 33%. The LinkedIn page drives traffic to EPPF's YouTube channel, which gained 552 new subscribers in the reporting year.

In order to strengthen communication, the Fund capacitated its communications team towards the end of the year, bringing in strategic and operational expertise. The new communication strategy will see reprioritisation within the function to be more responsive to member needs. Digital forms of communication will be explored while being mindful that some members do not have adequate access to electronic channels.

04

GOVERNANCE

Protecting and advancing
the interests of members

GOVERNANCE

Mandate and Operation of the Board

Retirement funds play an important social and developmental role in society as they exist primarily to provide financial security in the form of benefits to their members at the end of their working lives. To this end, retirement funds regularly make important decisions on matters such as investment, regulatory compliance and general fund administration to ensure they honour their obligations to members and their dependants. It is essential that retirement funds are effectively and properly governed to win confidence in the legitimacy and effectiveness of their business processes.

Maintaining an ethical culture, setting policy, establishing effective controls and providing scrupulous strategic oversight of fund performance are all important governance ingredients. These not only ensure value for fund members but sustain relationships of trust with other important stakeholders, including participating employers, regulators and industry bodies.

Governance at the EPPF is entrusted primarily to its Board, which directs, controls and oversees Fund operations in accordance with legislation and the registered rules of the Fund. The Board owes a fiduciary duty to members and beneficiaries, and a fiduciary duty to the Fund to ensure that it is financially sound, and responsibly managed and governed. The Board must act with due care, diligence, good faith, impartiality and independence, and must avoid conflicts of interest in discharging its responsibilities. The Board has certain statutory duties in terms of the Pension Funds Act, which include:

- Keeping proper records.
- Ensuring proper control systems.
- Ensuring adequate and appropriate communication with members and beneficiaries.

The Board is responsible for strategic decision-making and oversight. The former is exercised through policy and strategy formulation, in consultation with management of the Fund. Oversight involves reviewing the functioning of Board committees and executive management, ensuring the adequacy of systems and controls, and overseeing implementation of policies.

In performing its role, the Board:

- Makes major policy decisions.
- Approves strategy.
- Delegates responsibilities to various Board committees.
- Delegates to the Chief Executive and Principal Officer the authority and responsibility to run the day-to-day affairs of the Fund and make further delegations, as necessary.
- Reviews the performance and effectiveness of committees and the Chief Executive.

The Board comprises 14 members constituted in terms of the rules. Seven members are appointed by Eskom. They include at least two independent experts in fields recommended to Eskom by the Board. The Chairperson

of the Board is elected by the Board from the ranks of the independent expert Board members. Seven members are elected by members – two by pensioners, two by non-bargaining unit members, and three by bargaining unit members.

Committees of the Board

In accordance with the Pension Funds Act and the Rules of the EPPF, the Board has delegated certain responsibilities to its committees in order to balance its strategic oversight role with operational efficiency. Each committee has clear terms of reference and delegated authority. Deliberations and recommendations of the committees do not diminish the fiduciary responsibilities of Board members, who are bound to exercise due care and judgment in line with their legal obligations.

Governance Framework review

The Board has adopted a Governance Framework which prescribes principles, practices and procedures that must be observed by the Board, its committees, the Chief Executive and Principal Officer and other role players in the governance of the Fund. The framework includes the Board Charter, Board committees' terms of reference, and the overarching delegation of authority. Collectively, these clearly articulate the roles, responsibilities and delegated authority of various governance structures and personnel.

During the period under review, the Fund embarked on an extensive reviewing and updating of the framework. This was done with a view to strengthening governance processes, aligning our practices with best practice, ensuring effective allocation of responsibilities to various role players, and striking an appropriate balance between effective strategic oversight and operational efficiency. The reviewed Framework will benefit our members and beneficiaries by ensuring that the Fund operates within the strict confines of good governance.

Board policies on conflicts of interest

Conflicts of interest are dealt with in terms of Rule 3.9.14 of the Fund's rules, the Board and Committee Member Code of Conduct and the Fund's Governance Framework. Rule 3.9.14 requires any Board member who has a direct or indirect personal or financial interest in a decision to be taken by the Board to disclose the interest before the matter is dealt with, to recuse himself/herself from deliberations and refrain from voting on the matter. The Code prescribes appropriate standards of conduct for Board and committee members when discharging their responsibilities. The Code also provides a framework for addressing conflicts of interest. In terms of clause 5.7, Board members are not allowed to have any direct or material financial interests in service providers to the Fund, including administrators, expert advisers, actuaries, fund managers and consultants. Board members must annually declare their business interests in writing in the Fund's interests register. The Governance Framework reiterates these principles.

Board member education

Section 7A(3) of the Pension Funds Act requires Board members to attain and retain prescribed levels of skill and training. Principle 7 of King IV states that a board should comprise individuals with the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. Board members should have opportunities for professional development and receive regular briefings on legal and corporate governance developments.

The depth and relevance of knowledge of current Board members is evident from their individual details provided in this report. Soon after their election in 2020, Board members attended the prescribed 'Trustee toolkit training' provided by the FSCA. During the review period, they received additional training and briefings on various matters, including investment fundamentals, information technology governance, distribution of death benefits in terms of Section 37C of the Act, and general regulatory trends. Some Board members attended industry conferences.

Board member compensation

Rule 3.14 of the Rules of the Fund provides that Board members shall receive reasonable remuneration and allowances, as determined by the Board from time to time. The setting of compensation for Board members is governed by a remuneration policy adopted on 13 November 2020. The policy states that remuneration is to be determined in accordance with market benchmarks,

the scope of work and number of meetings attended. The Fund conducts remuneration benchmarking every three years.

Details of expenditure on the Board and remuneration of Board members appear in the report of the Chief Financial Officer (page 69) and the full annual financial statements (www.eppf.co.za).

Board evaluation

During the period under review the Board and its committees underwent a self-assessment process facilitated by the Institute of Directors South Africa (IoDSA). The Board received an overall rating of 3.7 out of 5, which indicates good level of performance. The evaluation process culminated in recommendations to enhance effectiveness and the Board has adopted a plan to implement these. The next external evaluation will be conducted in 2024.

Board turnover

Martin Buys, an employer-appointed Board member who also served as Chairperson of the Audit and Risk Committee, retired from service and accordingly stepped down from the Board with effect from 30 June 2022. Eskom appointed Natasha Salis with effect from 1 July 2022.

Composition of Board committees

The Board has six committees to assist it to fulfil its responsibilities.

Audit and Risk committee (ARC)		Chairperson	Members
5 meetings were held, in August, October, November, February and May			Izak du Plessis (5/5)
		Martin Buys (5/5)	Anah Makgopa (5/5)
			Lufuno Ratsiku (5/5)
			Sincedile Shweni (4/5)
Responsibilities			
<ul style="list-style-type: none">• Safeguarding Fund assets• Monitoring operation of systems and controls• Reviewing financial information• Reviewing functions of internal audit• Preparation of annual financial statements• Reviewing independence, objectivity and effectiveness of external and internal auditors• Reviewing concerns identified by external and internal audit• Governance and strategic direction of the Fund's IT function• Reviewing Fund actuarial valuation information and reports			

Figures in brackets indicate how many meetings (out of the total number held) the member attended

Benefits Committee (BC)

6 meetings were held, in August, October, November, February, April and June

Chairperson

Khehla Shandu (5/6)

Members

Liza Brown (6/6)
Deon Jenkins (6/6)
Ben Steyn (6/6)
Hasha Tlhotlhemaje (6/6)

Responsibilities

Overseeing and making recommendations on:

- Investigation of transactions under Section 37C of the Pensions Fund Act and making recommendations to the Board
- Rules on to the disposition of death benefits
- Applications for lifelong pensions and ill-health retirements
- Allocation of disability benefits
- Applications for Section 14 transfers from other funds
- Establishment of instalment lump-sum accounts for major and minor beneficiaries
- Determination of pension benefits and suspension of pension payments

Communication Committee (CC)

5 meetings were held, in August, October (two meetings), February and May

Chairperson

Ben Steyn (5/5)

Members

Caroline Henry (5/5)
Helen Diatile (4/5)
Peter Mashatola (3/5)

Responsibilities

- Overseeing review of communication policies and strategy
- Overseeing implementation of the Fund's communication strategy and activities
- Considering management's reports on communication with stakeholders
- Reviewing media releases on Board matters and identifying matters for action
- Considering any *ad hoc* communication issues referred to it by the Board or committees

Human Resources and Remuneration Committee (HRRC)

6 meetings were held, in August, September, October, November, March and May

Chairperson

Lufuno Ratsiku (6/6)

Members

Deon Jenkins (6/6)
Peter Mashatola (6/6)
Kokodi Morobe (Independent expert) (6/6)
Mabatho Seeiso (6/6)

Responsibilities

- Approving HR policies and strategies and monitoring compliance with statutory requirements and best corporate practice
- Determining executive management remuneration and the remuneration policy framework, and making recommendations to the Board
- Ensuring that executive management remuneration and practices are in accordance with best corporate practice

Figures in brackets indicate how many meetings (out of the total number held) the member attended

Legal and Governance Committee (LGC) 5 meetings were held, in August, October, February, May and June	Chairperson	Members
	Liza Brown (5/5)	Martin Buys (2/5) Helen Diatile (1/5) Izak du Plessis (5/5) Hasha Tlhotlhamajaje (5/5)
Responsibilities • Oversight role of legal and governance affairs of the Fund in accordance with the Fund Rules and statutory requirements		

Strategic Investment Committee (SIC) 6 meetings were held, in July, August, September, October, February and May	Chairperson	Members
	Mabatho Seeiso (6/6)	Caroline Henry (6/6) Anah Makgopa (6/6) Khehla Shandu (5/6) Sincedile Shweni (6/6) Lebogang Mogotsi (Independent expert) (6/6) Refilwe Moloto (Independent expert) (5/6) Mohatla Tseki (independent expert) (5/6) (term ended 28 Feb 2022)
Responsibilities • Investment affairs of the Fund in accordance with Fund rules, Investment Policy Statement and statutory requirements		

Figures in brackets indicate how many meetings (out of the total number held) the member attended

Attendance at Board meetings

	Meetings in 2021						Meetings in 2022	
	28/8	16/9	28/10	11/11	12/11	14/12	17/3	23/6
Caroline Henry	✓	✓	✓	✓	✓	✓	✓	✓
Liza Brown	✓	✓	✓	✓	✓	✓	✓	✓
Martin Buys	A	A	✓	✓	✓	✓	✓	✓
Helen Diatile	✓	✓	✓	A	A	✓	✓	✓
Izak du Plessis	✓	✓	✓	✓	✓	✓	✓	✓
Deon Jenkins	✓	✓	✓	✓	✓	A	✓	✓
Anah Makgopa	✓	✓	✓	✓	✓	✓	✓	✓
Peter Mashatola	✓	✓	✓	✓	✓	✓	A	A
Lufuno Ratsiku	✓	✓	✓	✓	✓	✓	✓	✓
Mabatho Seeiso	✓	✓	A	✓	✓	A	✓	✓
Khehla Shandu	✓	✓	✓	✓	✓	✓	✓	✓
Sincedile Shweni	✓	✓	✓	✓	A	✓	✓	✓
Ben Steyn	✓	✓	✓	✓	✓	✓	✓	✓
Hasha Tlhotlhamajaje	✓	✓	✓	✓	✓	✓	✓	A

Current board of Fund



Caroline Henry	Helen Diatile	Khehla Shandu	Martin Buys*
Chairman of the Board Employer-appointed	Member elected – bargaining unit	Member elected – Non-bargaining unit	Employer-appointed
Qualifications BCom, BAcc (Hons), CA(SA)	Qualifications Diploma in technology management and innovation, MBA	Qualifications BTech (Electrical Engineering), MBA, certificates in equities and governance, and Certificate: Registered Persons Exam Equity Markets	Qualifications MCom (Taxation), CA(SA)
Experience and skills Director of companies, strategy, investment management and treasury management	Experience and skills Credit control, contact centre operation, treasury and education	Experience and skills Operations, general management, production and shift supervision	Experience and skills Financial management and management * Retired 31 May 2022



Audit and Risk Committee



Benefits Committee



Communications Committee



Human Resources and Remuneration Committee



Legal and Governance Committee



Strategic Investment Committee



Anah Makgopa	Peter Mashotola	Izak du Plessis	Deon Jenkins
Member elected – bargaining unit	Employer-appointed	Member elected – Pensioner	Member elected – bargaining unit
Qualifications BCom, BCom (Hons), MBA	Qualifications BA, BA (Psychology), Masters (Psychology), Master of Management (HR)	Qualifications BCom (Hons), advanced certificates in taxation and management, MCom (Financial Management), CA(SA)	Qualifications National Diploma: Human Resources Management
Experience and skills Occupational health and safety, human capital, finance	Experience and skills Human Capital, Management	Experience and skills Director of companies, strategy, risk management, financial management and management	Experience and skills Human Capital

- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Benefits Committee
- Legal and Governance Committee
- Communications Committee
- Strategic Investment Committee

Current board of Fund continued



Lufuno Ratsiku	Mabatho Seeiso*	Liza Brown	Sincedile Shweni
Member elected – Non-bargaining unit	Employer-appointed	Employer-appointed	Employer-appointed
Qualifications BTech (Quantity Surveying), BTech (Project Management) MTech (Construction Management)	Qualifications BEcon (Hons) in economics and marketing, BCom (Hons) in financial analysis and portfolio management, MBA	Qualifications BProc, LLB, post-graduate diploma in contractual drafting and interpretation, certificate in project management	Qualifications BCom, post-graduate diploma in accounting, CA(SA)
Experience and skills Project management, engineering, integration management	Experience and skills Independent expert trustee, strategy and investment management <i>* Resigned 31 October 2022</i>	Experience and skills Corporate legal and compliance. Admitted in High Court of SA	Experience and skills Treasury, management

Audit and Risk Committee

Benefits Committee

Communications Committee







Human Resources and Remuneration Committee


Legal and Governance Committee

Strategic Investment Committee



Natasha Salis*	Hasha Tlhotlhamaje	Ben Steyn
Employer-appointed	Employer-appointed	Member elected – Pensioner
Qualifications BCompt, BCompt (Hons), CA(SA)	Qualifications BSc, BSc (Hons), MSc (Biochemistry), MSc (Environmental Health) MBL	Qualifications BAdmin (Hons), MBA, post-graduate diploma in financial planning, advanced certificate in leadership, online trustee training
Experience and skills Corporate finance and accounting	Experience and skills Regulatory affairs, management	Experience and skills Retirement fund industry, administration, audit, treasury, HR management in public and private sectors, and membership of diverse boards
* Appointed 1 June 2022		

-  Audit and Risk Committee
-  Benefits Committee
-  Communications Committee
-  Human Resources and Remuneration Committee
-  Legal and Governance Committee
-  Strategic Investment Committee



FINANCIAL REPORTS 05

Protecting and advancing
the interests of members

CHIEF FINANCIAL OFFICER'S REPORT



The Fund's financial capital comprises contributions from members, investment income generated by assets, and accumulated funds and reserves. In protecting and advancing the interests of our members, we manage and allocate the Fund's financial capital prudently to support our strategy and ensure sustainable value creation. Given the Fund's significant exposure to listed assets, financial performance is driven largely by local and global market events. This is reflected in the results for the year in review.

This report describes and evaluates the financial performance of the Fund under the following key themes:

- Membership trends.
- Actuarial liabilities and funding level.
- Investment performance and net investment income.
- Cost management.
- Cashflow.

Thandie Mashego
Chief Financial Officer

Membership trends

Active members

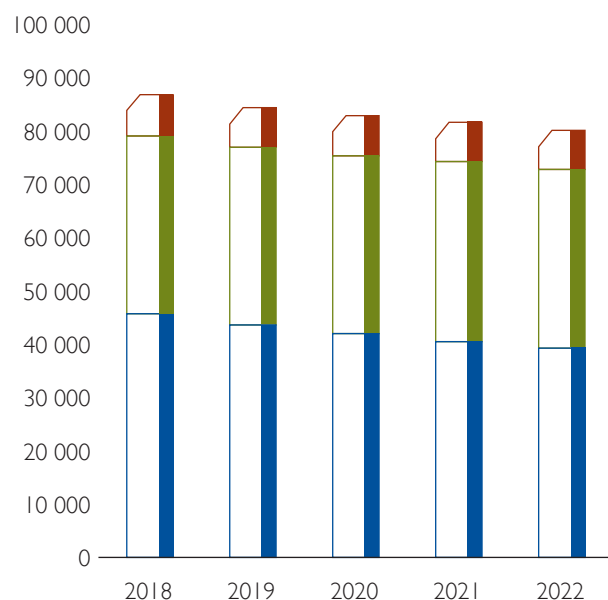
As indicated in our previous report, active membership has been declining over the last few years and this continued in the year under review. In 2022, the rate of decline in active members was 3.01% (2021: 3.5% decline) and the average over the past five years was 3% a year.

The continued drop in active members was due largely to a reduction in the number of staff employed by Eskom, the main employer contributing to the Fund, following implementation of voluntary severance packages announced in the previous financial year. The drop in active membership is reflected in slow growth in total pensionable salaries and lower contributions received by the Fund.

Pensioners and other beneficiaries

Year-on-year pensioner numbers declined by 0.78% in the 2022 financial year, whereas the 2021 financial year saw an increase of 1.31%. Over the past five years, pensioner numbers have grown marginally by an annual average of 0.26%. The number of deferred pensioners, trusts and unclaimed benefits remained relatively stable compared to previous years.

FIVE-YEAR TREND IN TOTAL NUMBER OF MEMBERS OF THE FUND

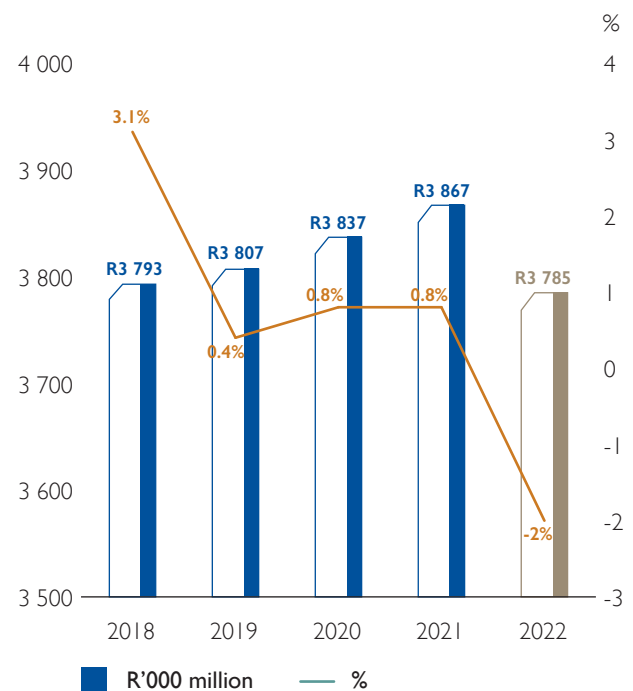


	2018	2019	2020	2021	2022
Active members	45 672	43 570	41 951	40 440	39 224
Pensioners	33 315	33 299	33 318	33 756	33 496
Others	7 741	7 428	7 523	7 355	7 097

Contributions received and accrued

Contributions received and accrued for the year ended 30 June 2022 amounted to R3 785m (2021: R3 867m), representing a year-on-year decrease of about 2% (2021: 0.8% increase). The reduction in contributions is attributable largely to the 3.1% decline in active members which was only partially offset by an increase of 0.1% in the average contribution per member.

FIVE-YEAR TREND IN TOTAL CONTRIBUTIONS TO THE FUND



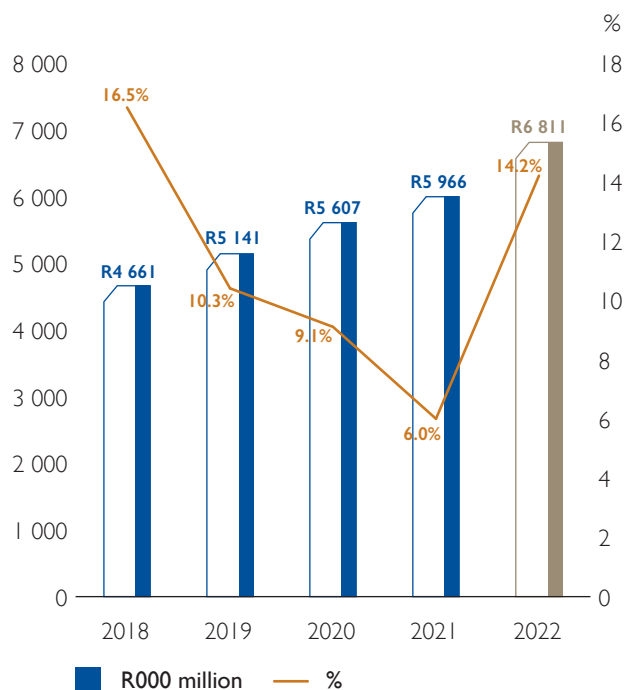
Benefits paid and accrued

Benefits paid and accrued for the current year amounted to R6 811m (2021: R5 966m), an increase of 14.2% on the previous year (2021: 6% increase). Annual pensioner payments increased by 8% from the prior year (2021: 3% increase).

The value of lump sums commuted increased by 13.5% (2021: declined 15%) and withdrawals increased by 78% (2021: 25% decrease). Divorce benefits decreased by 25% (2021: 25% increase).

The average annual pension per member was R127 497 (2021: R118 864), representing an increase of 7.3% on the previous year.

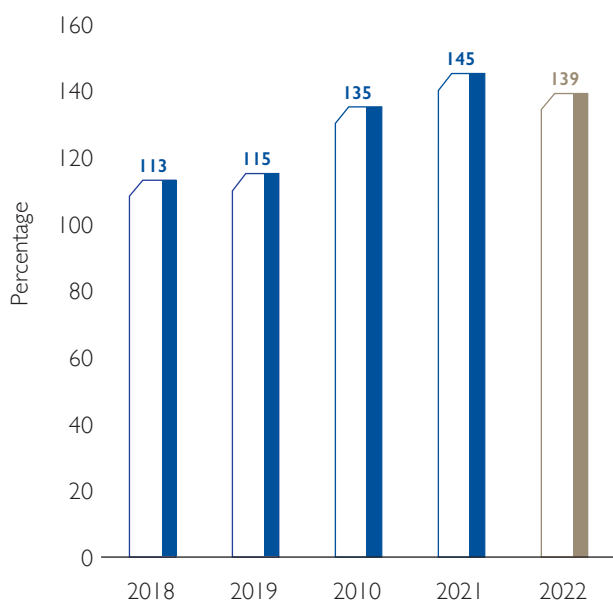
FIVE-YEAR TREND IN TOTAL VALUE OF BENEFITS PAID



Actuarial liabilities, funding level and solvency position

The Fund has maintained a healthy solvency position over the years, backed by a solid actuarial surplus which amounted to R47.4bn in 2022 (2021: R51.0bn) after providing for contingency reserves. The funding level declined to 139% at end of June 2022, from 145% in the prior year.

TREND IN FUNDING LEVEL AFTER PROVISION FOR CONTINGENCY 2018-2022



Actuarial liabilities decreased from R103.0bn in 2021 to R99.0bn in 2022, while contingency reserves increased by 93% to R21.8bn from R11.3bn in the prior year. This was primarily due to an increase of R10.7bn in the in-service solvency reserve from a zero base in the prior year.

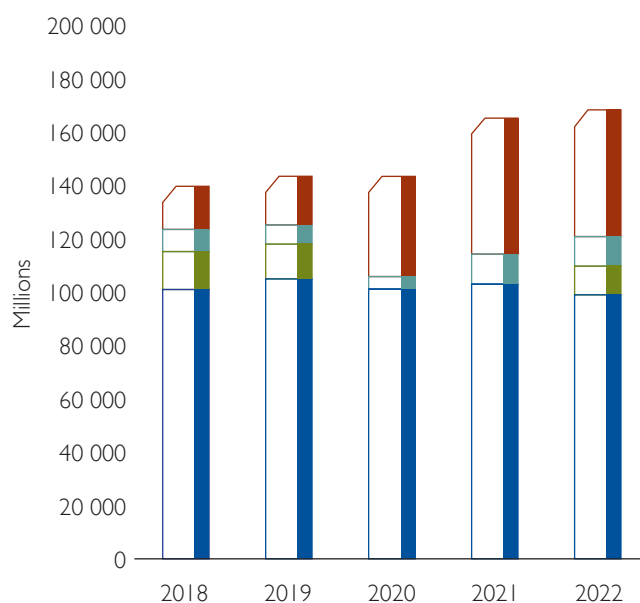
The key factors contributing to the decline in funding levels were:

- The increase in total contingency reserves.
- Lower-than-expected investment returns for the financial year to 30 June 2022.

The net pre- and post-retirement return of 5.9%, which is the discount rate used to value in-service member and pensioner liabilities, did not change from the prior year and therefore did not impact the change in liabilities. The net return is the long-term expected return on the Fund's assets, based on market conditions at valuation date, net of the salary increase assumption (in the case of in-service members) and net of the pension increase assumption (in the case of pensioner members).

The valuator's report is included on page 97.

TREND IN ACTUARIAL LIABILITIES, CONTINGENCIES AND SURPLUS 2018 – 2022

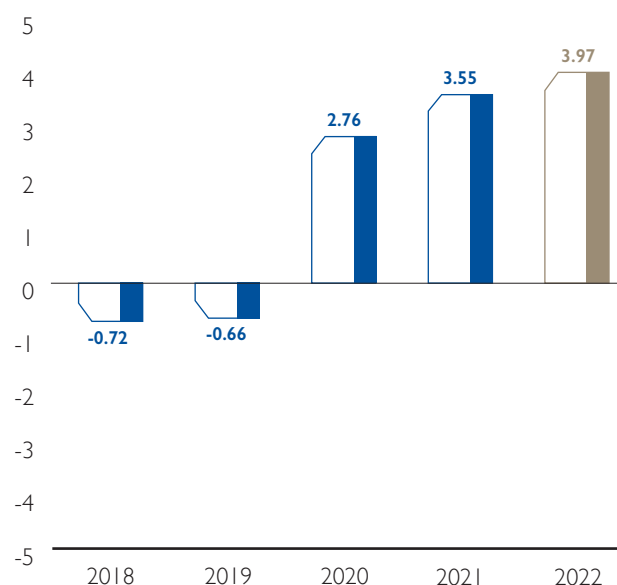


	2018	2019	2020	2021	2022
Actuarial liabilities	100 951	104 926	101 112	102 964	98 959
Contingencies – in-service	14 224	13 036	0	0	10 754
Contingencies – pensioners	8 300	7 197	4 696	11 253	11 083
Actuarial surplus	16 163	18 236	37 550	50 968	47 487

The contribution surplus – which measures the extent to which the current fixed employer and member contribution rates, totalling 20.8%, can cover the cost of future service benefits – was 3.97% at 30 June 2022 (2021: 3.55%). This increase is largely due to the following:

- A lower-than-expected salary payroll.
- Updated actuarial factors, specifically, lower commutation factors used in the calculation of liabilities.

EFFECTIVE CONTRIBUTION SHORTFALL/ SURPLUS 2018 – 2022 (%)



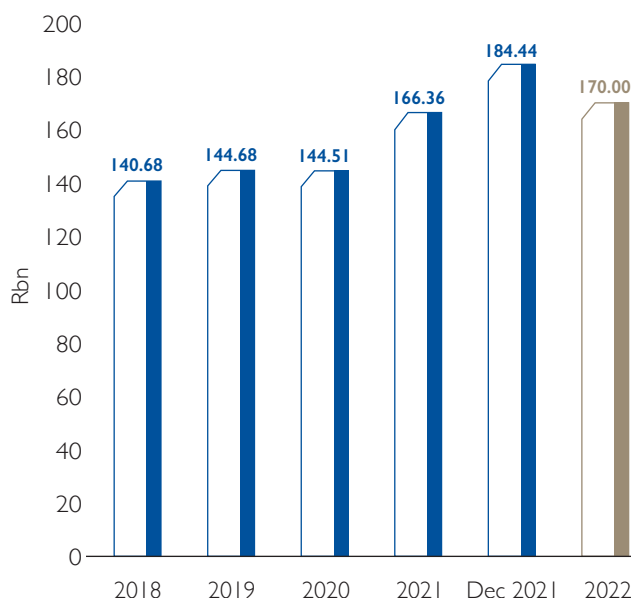
Investment performance and net investment income

Investment performance

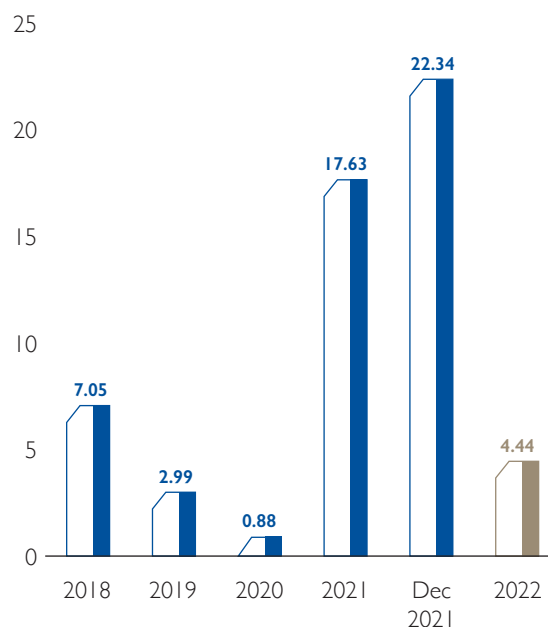
The first half of the financial year brought a robust, positive momentum in local and global equity markets, with assets under management (AuM) increasing from R166.4bn to R184.4bn at end-December 2021 and delivering a one-year investment return of 22.3%. These gains were substantially reversed in the second half of the financial year due to increased market volatility, driven largely by the ongoing geopolitical events involving Russia and Ukraine and an increasing inflation risk outlook that prompted monetary policy responses to curb risk.

This reduced the Fund's one-year returns to 4.44% (AuM: R170.0bn) at June 2022. The movement in markets and the resulting impact on AuM had a direct bearing on external manager fees, which are based on AuM and are paid either monthly or quarterly.

FIVE-YEAR TREND IN ASSETS UNDER MANAGEMENT AT FINANCIAL YEAR-END



FUNDS ONE-YEAR INVESTMENT RATE OF RETURN (%)



Net investment income

Net investment income for the year, after deducting the expenses of managing investments, amounted to R6 801m (2021: R24 459m). While there was a remarkable increase in dividend income, the sharp decrease of 72.2% (2021: 999% increase) in net investment income was attributable largely to fair value losses on financial assets caused by negative market movement in the second half of the financial year. In the financial year to June 2021, the Fund posted strong investment income largely due to recovery off a low base following the adverse impact of the COVID pandemic on local and global markets.

The investment income trend over several years is reflected in the table below. Securities lending income for 2022 amounted to R19.7m (2021: R21m) and this is reported separately in the statement of changes in net assets and funds.

Trend in net investment income of Fund

	2018 Rm	2019 Rm	2020 Rm	2021 Rm	2022 Rm
Dividends	2 956	3 343	3 327	3 127	4 616
Interest and rentals	1 688	1 552	1 363	2 574	1 840
Profit on sale/redemption	7 221	3 195	5 664	7 784	6 887
Fair-value adjustments	(2 422)	(1 545)	(7 555)	11 652	(5 771)
Total investment income	9 443	6 545	2 799	25 136	7 572
Less investment management costs	(514)	(521)	(573)	(677)	(771)
Net investment income	8 929	6 024	2 226	24 459	6 801

Investment management expenses

We aim to disclose to members clearly and understandably all costs directly or indirectly incurred by the Fund.

Total expenses incurred in managing investments amounted to R771m (2021: R677m), representing a year-on-year increase of 13.88% (2021: 18.1%). While annual investment returns were 4.44%, the increase in investment management fees is due to high AuM reported for most of the financial year, combined with an increased allocation to private markets which attracts slightly higher fees. The allocation to private markets almost doubled to R9.9bn from the prior year, with a proportionate increase in private market investment costs, from R100m to R210m.

Inhouse investment management expenses

The Fund has an inhouse investment management capability, which cost R99m in the year under review (2021: R85m). This cost is included in total investment management expenses to facilitate comparison of investment management expenses with those of other funds. The lower cost of managing assets inhouse offsets the high costs of outsourcing asset management. The inhouse investment team has scaled up its resources and capabilities to take on more mandates in line with the Fund's current strategy to lower management fees by bringing external assets in different asset classes – including private markets – inhouse. Savings of R14m were realised for the year to June 2022 due to reallocating certain mandates to the internal team.

Cost management

Over the past few years, the Fund has allocated financial resources to strategic initiatives that support delivery of key objectives. Annually, the Fund's operating budget is approved by the Board on recommendation of the Audit and Risk Committee (ARC). Costs are monitored by management against the budget and delivery of strategic and operational plans. Performance against budget is reported quarterly to the ARC and the Board, ensuring crucial oversight of the management of the Fund's financial resources.

During the year under review, the Fund continued implementation of the IT transformation strategy. As detailed in the IT report, the Pension Administration System was optimised during the year, with further enhancement of digital platforms to enable transactional capabilities. With completion and maturation of the IT transformation project, we expect to extract additional benefits through improved member experience, better turnaround times, cost efficiencies from migration of manual processes to digital platforms, and improved productivity.

In the previous year, we undertook to improve costs through insourcing of certain activities and enhancing our procurement capabilities to support insourcing. As mentioned above, reallocation of certain investment mandates to the inhouse team saved on external management fees and other operating costs. This allowed us to manage the increase in costs within budget and below annual inflation.

Administration expenses

Administration expenses include costs of the Fund's retirement fund operations, member-related activities, expenses of the Board and shared administration services such as finance, IT and legal services, human resources, communication, and risk and compliance management. The table below presents the review year's expenditure against the previous year:

Administration expenditure 1 July 2021 to 30 June 2022 with previous year comparison

Expenditure category	2022		2021		Annual change %
	R'000	% of total	R'000	% of total	
Staff costs	145 609	49	143 221	47	2
Principal Officer expenses	2 223	1	1 819	1	22
Governance costs	7 854	3	7 069	2	11
IT costs	65 098	22	59 199	20	10
Member interaction and related cost	1 851	1	469	0	295
Office rental	13 014	4	11 362	4	15
Consultancy and legal costs	13 309	5	22 604	7	(41)
Other	29 887	10	25 604	8	17
Core fund operating costs	278 845	95	271 277	90	3
Project expenditure	15 656	5	31 757	10	(51)
Total administration expenses	294 501	100	303 034	100	(3)
Investment services	(98 961)		(84 744)		17%
Total fund administration expenses	195 540		218 290		(10)

In 2022, the Fund's total administration costs decreased by 10% (2021: 2.36% increase). When once-off project costs of R15.6m are excluded, the increase in the core administration cost amounted to 3% (2021: 4%) which was in line with inflation. The following should be noted:

- A muted increase of 2% in staff expenses was due to annual inflation, provision for variable pay and an increase in our headcount (mainly in the investment management team) which was partially offset by staff attrition.
- Principal Officer costs increased by 22% due to inflation and variable pay provision.
- Governance expenses included costs related to Board members, support for the functioning of governance structures, and remuneration of experts serving on Board committees. The increase of 11% in governance expenses was due to additional training provided to Board members and additional meetings held.
- IT costs saw an increase of 10% due to migration of processes to digital platforms, which incurred annual licence fees, and maintenances of systems.
- Member interaction costs increased substantially due to the resumption of face-to-face member interactions.
- Office rental increased by 15% in line with the rental agreement and increased utility costs off a low base in the previous year. Other costs included market research subscriptions to support investment management, repairs and maintenance, and assurance costs. The increase is largely driven by increased employee presence in the office after relaxation of COVID-19 restrictions.
- Consultancy and legal fees decreased by 41% due to decline in investment-related due diligence and legal costs.

- Costs related to special projects declined by 51% and related mainly to legal costs arising from continuation of the membership eligibility audit, IT optimisation and member projects.

Shared cost allocation

In the annual financial statements, the Fund allocates the inhouse costs for managing assets on a directly attributable cost basis. To calculate the costs per member and costs of managing assets, a shared services allocation is made as indicated in the table below.

Cost item	2022 R'000	2021 R'000
Inhouse direct asset management costs	98 961	84 744
All costs in managing assets	132 805	160 750
Pension administration costs	161 696	142 284
Total costs	294 501	303 034

Total net expense ratio

The Fund's total net expense ratio – the ratio of total costs to AuM – amounted to 0.58% for the year under review. This represents an increase of 7% on the previous year which was due largely to an increased asset allocation to private markets (which attract higher fees) and, to a lesser extent, to the higher AuM prevailing for most of the year. Monthly investment fees are higher in absolute terms in periods when AuM are higher.

Calculation of net expense ratio and three-year trend

Total expenditure	Unit	2020 Actual	2021 Actual	2022 Actual	Difference 2021 to 2022
Assets under management (AuM)	R'000	144 506	166 358	169 977	3 619
Net investment management costs/AuM	%	0.43	0.39	0.46	0.07
Pension administration costs/AuM	%	0.13	0.13	0.11	(0.02)
Recurring costs		0.56	0.52	0.57	0.05
Project expenditure/AuM	%	0.02	0.02	0.01	(0.01)
Total expenditure/AuM = Net expense ratio	%	0.58	0.54	0.58	0.04

For the year under review, the internal investment team managed about 40.8% (2021: 43.7%) of total AuM, including listed equity, private equity and real assets. The internal cost to manage assets, relative to applicable AuM, increased from 0.13% in 2021 to 0.16% in the year ended June 2022, due to additional resources to build internal capacity. Internal investment costs remain substantially lower than the average cost of 0.63% of AuM (2021: 0.59%) paid to external managers, including private equity. The reduction in pension administration costs has been covered in detail in preceding sections.

Cashflow

Net operating cashflow

The Fund receives contributions from active members to invest in assets which are in turn used to meet future pension benefit obligations. In addition, the fund pays benefits to pensioners and other eligible members. The transactions between the Fund and its members are reflected in the member individual reserve accounts and accumulated surplus in the accompanying financial statements.

The cash flow depicted alongside shows the movement for the year under review. Due to the maturity of the Fund and a reduction in active members, benefits accrued and paid to members continued to exceed contributions received for the year under review. Despite this, the Fund's cashflows from investment income were sufficient to ensure that all benefits and transfers were paid when due without necessitating excessive liquidation of assets. With cash investment income increasing marginally from the previous year, the Fund generated a positive net operating cash flow for 2022, although 8% lower than in the prior year.

The Fund has adopted a robust liquidity management policy and cash management system to manage liquidity requirements. This includes liquidating assets, dynamically, efficiently, timeously and responsibly.

Summary of annual net inflows

	2022 Rm	2021 Rm
Contributions and transfers received	3 785	3 867
Investment Income	13 617	13 485
Less benefits and transferred paid and expenses	(7 087)	(6 241)
Net cash inflow	10 315	11 111

Outlook

The Fund's financial performance and solvency position have remained strong and resilient, underpinned by healthy funding levels, despite the mixed performance in global and local equity markets. This year was a post-COVID-19 recovery period which saw businesses returning to normal.

We are cognisant of ongoing pressure on our members in an uncertain environment with an increased inflationary outlook and continued macro-economic volatility in our markets. We will look to counter these headwinds through growing and diversifying investment, seeking an appropriate balance between active and passive mandates, maintaining a focus on insourcing and cost control, and driving operational excellence. To ensure sustainability of the Fund and deliver on our promises to members, we must meet and exceed targeted returns over the long term. Therefore, we will continue to invest capital prudently in opportunities that meet our objectives while managing investment performance, including risks.

Having joined the Fund in the second half of the financial year, I would like to acknowledge the significant contribution made by my predecessor and interim Chief Financial Officer, Thandeka Meslane, in overseeing the organisation's financial affairs and ensuring a seamless handover. I also extend my sincere appreciation to the Chief Executive, the Board and the EPPF team for their warm welcome and support.



Thandie Mashego
Chief Financial Officer

INVESTMENT REPORT 2022

Introduction

This account of the EPPF's investment philosophy, processes and performance should be read in conjunction with the Report of the Chief Financial Officer and the section titled 'Preserving and growing our assets' in the main body of the report. (See pages 39 to 46). It provides comprehensive information on our investment strategy, governance of investment, major assets held, benchmarking of performance and performance of various asset classes over a longer period.

Investment strategy

The investment strategy of the Fund is developed within the provisions of Regulation 28 to the Pension Funds Act. This regulation stipulates that the primary role of the Board and management is to understand the nature and term of the liabilities of the Fund and to consider all risks

involved in meeting these funding obligations. Management then needs to develop and pursue an investment strategy that will provide the highest probability of success within the established risk parameters.

On an annual basis, management of the Fund uses asset liability management (ALM) to formally investigate investment strategies to match the Fund's liability cash flows. This is done by the ALM actuary appointed by the Fund. The process begins with modelling of the Fund's liability cash flows using data and rules. Concurrently, Board members, management, the ALM actuary and the valuation actuary attend a capital markets assumption workshop to set the long-term return assumptions of various asset classes in which the Fund invests. On the basis of these two exercises, the ALM actuary then proposes a strategic asset allocation for the Fund and the Board considers it for approval.

Strategic asset allocation for 2022 and related benchmarks

Asset class	Allocation (%)	Benchmarks
Equities	37.0	Capped Shareholder Weighted All Share Index (Capped SWIX) less All Property Index (ALPY)
Nominal bonds	5.0	All Bond Index
Inflation-linked bonds	15.5	LDI benchmark
Cash	2.0	Short-term Fixed Income Composite
Property	6.5	All Property Index
Total domestic	66.0	Weighted average of the above benchmarks
International equities	19.0	MSCI World All Countries Index
Emerging market equities	6.0	MSCI EM Index
Africa ex-South African equities	4.0	MSCI EFM Africa ex-South Africa Index
International property	2.0	FTSE EPRA/NAREIT Developed Rental Index
International cash	0.0	One-month USD Euro deposit rate (Citigroup)
China-A	3.0	MSCI China-A Onshore Index
Total international	34.0	Weighted average of the above benchmarks
Total Fund	100.0	Weighted average of all the above benchmarks

Governance of investments

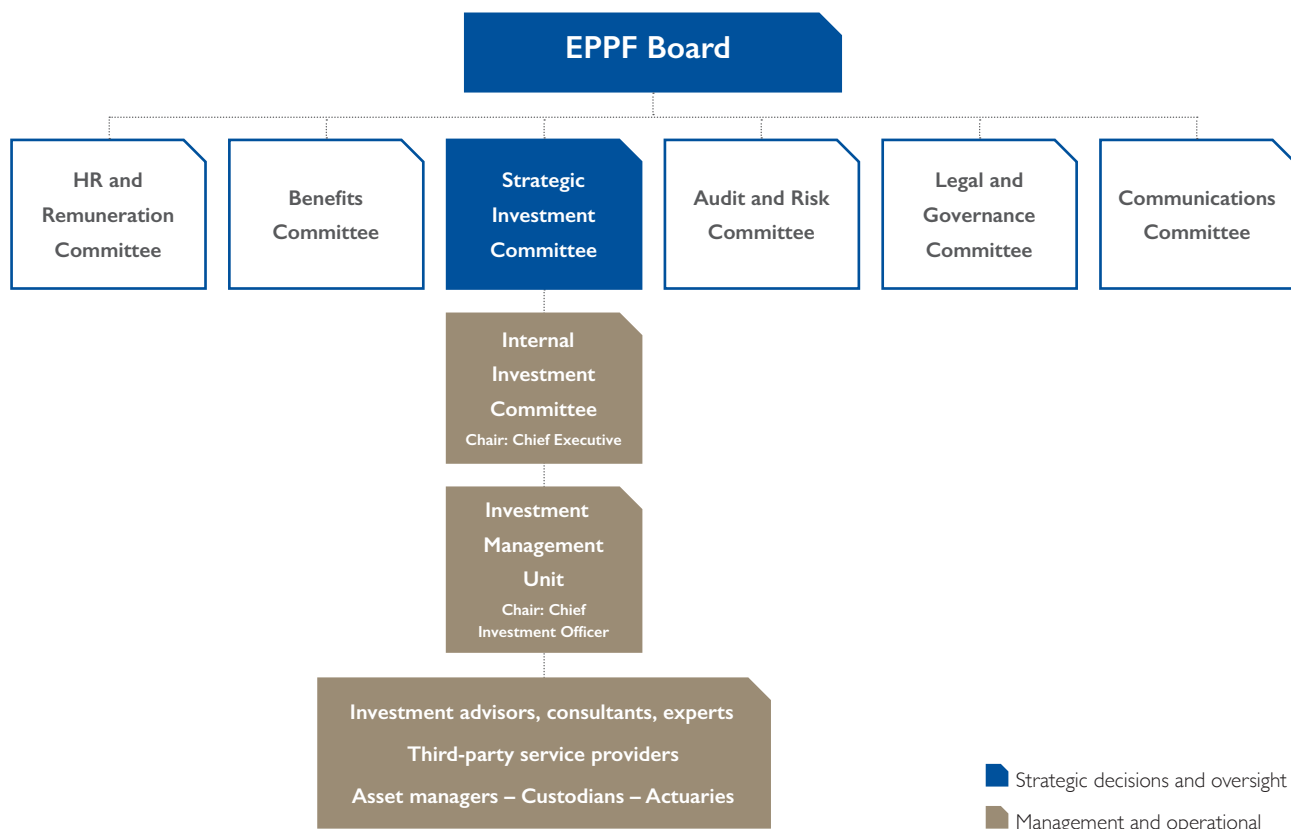
The Board of the Fund is responsible for oversight of investment planning and management. The Board has delegated certain governance responsibilities to the Strategic Investment Committee, which in turn delegates to the Internal Investment Committee, a management committee chaired by the Chief Executive and Principal Officer:

At an operational level, the Investment Management Unit is responsible for executing the approved investment strategy. This involves directly managing an increasing proportion of

assets under management inhouse and closely supervising external asset managers, in accordance with their particular mandates.

The Fund follows a core and satellite approach to investing by allocating within each asset class to internal and external specialist managers. Core portfolios carry less risk than satellite portfolios by investing in greater alignment to the benchmark portfolio. The Fund mostly invests in listed markets but also invests in unlisted markets and in a hedge fund.

EPPF investment governance structure



The Fund's investment policy statement, which is reviewed annually, sets out its risk budget and return objectives, governance principles and processes. The Fund's primary objective is to earn a net real return of at least 4.5% a year over periods of three years and longer. The strategic asset allocation is designed with the intention of achieving this long-term outlook. Thus, the Fund's actual net real return is compared to this objective.

The funding ratio risk is the principal risk considered – that is, the risk of the Fund having insufficient assets to cover liabilities when they are due. As indicated in the Chief Financial Officer's Report and other sections, the Fund has maintained a sound funding ratio for the last decade, with the funding level declining marginally to 139% as at 30 June 2022 from 145% a year earlier.

Investment Management Unit strategic priorities and regulatory update

In the recent past, key regulatory changes have had a direct impact on the way we invest members' hard-earned money. These changes are detailed in Regulation 28 of the Pension Funds Act, which imposes several quantitative limits to promote diversification and management of investment risks.

Changes in limitations on investment

The latest iteration of Regulation 28 allows retirement funds to invest a maximum of 45% of total investments offshore. It also collapses the old split between the rest of the world and Africa (excluding South Africa) to which investment limits of 30% and 10% respectively applied. Retirement funds are at liberty to apportion the 45% as they wish among world regions. The Fund currently invests approximately 4% of its assets in Africa (excluding South Africa) and 30% invested in the rest of the world, with the balance in South Africa.

To encourage retirement funds' participation in South Africa's development, Regulation 28 now allows investment in infrastructure to a maximum of 45%. Infrastructure includes any asset class that entails physical assets designed to provide social and economic utilities or benefit for the public. Renewable energy (wind and solar farms), toll roads, water reticulation, waste management, warehouses and other real estate with long leases fall in this category.

The EPPF will always maintain a diversified portfolio across asset classes and geographies to allow efficient return enhancement while managing risk. The increase in allocation to offshore markets will give the Fund many options should opportunities become available. In the short term, there is no intention to utilise the maximum allocation of 45% of total investments to global markets for two reasons:

- In the short term we expect South African assets to outperform offshore assets. The Fund's purpose is to pay benefits due which are in South Africa rands. Therefore, it is important to match assets and liabilities by nature, term and currency. The continuous allocation to global markets, while potentially good for return enhancement, introduces the risk of a mismatch between incoming and outgoing cashflows.

The EPPF welcomes the increase in the ceiling for the infrastructure asset class, as infrastructure – with long-dated and inflation-linked cash flows – has previously served us well, producing stable and high returns without adding undue volatility or risk.

The changes will support some of the EPPF's longer-term strategic objectives, including:

- Improving investment performance through increasing the Fund's allocation to passive strategies, optimising the

allocations to primaries and co-investments in private markets, and driving efficiencies in our capital allocations to external asset managers.

- Preparing for changes in membership demographics and introducing new products to cater for all our members – active members, retired beneficiaries and deferred beneficiaries.
- Maintaining and strengthening the Fund's position on responsible investing, which directs us to take into account investment impact in terms of environmental and social benefits, good governance practices, impact reporting, climate change policies and advancing women in the asset management industry.
- Growth of internal human capability, specifically in terms of leadership development and regulatory compliance.

Return on investment

Annualised Fund returns relative to targets at 30 June 2022

	1 year %	3 years %	5 years %	7 years %	10 years %	15 years %	20 years %
Fund return	4.44	7.72	6.96	6.73	9.59	9.26	11.81
CPI + 4.5%	7.42*	8.55	9.18	9.47	9.66	10.13	9.86
Return relative to target	(2.78)	(0.76)	(2.03)	(2.51)	(0.06)	(0.80)	1.78

* The one-year target is the CPI rate.

As indicated in the CEO's report, the Fund has underperformed against its absolute return target of CPI + 4.5% due largely to significant volatility in markets and a sharp increase in inflation.

The table on page 79 sets out the benchmark performance of various asset classes over different time periods.

It is important to note that over the five-year period, the only asset classes which met the CPI + 4.5% target were global equity and China A-equity. However, global cash and local inflation-linked bonds outperformed the CPI + 4.5% target for the 12 months to end-June 2022, on the back of the recent rise in inflation. With the total allowable

allocation to these asset classes capped at 30%, most of the Fund's capital was invested in asset classes that could not generate returns sufficient to meet the absolute target.

Over seven years, only global equity exceeded the CPI + 4.5% target. The picture was slightly more positive when the monitoring period was extended to a decade, with global equity, emerging market equity and China A equity all meeting or outperforming the absolute target of CPI + 4.5%. However, regulatory requirements imposed an upper limit of just under one-third for offshore investments and limited the Fund's potential exposure to these regions. This resulted in Fund returns underperforming the target of CPI + 4.5% over periods of three years and longer.

Asset class performance

Asset Class	Benchmark	1 year %	3 years %	5 years %	7 years %	10 years %	15 years %	17 years %	18 years %	20 years %
ZAR										
SA cash	SteFi	4.2	5.0	5.9	6.3	6.1	6.8	6.9	6.9	7.4
Nominal bonds	ALBi	1.3	5.8	7.8	7.4	7.2	8.2	7.9	8.6	9.2
Inflation-linked bonds	CILI	10.7	7.2	5.5	5.1	6.3	8.0			
SA equity	SWIX	2.8	5.6	5.9	4.8	8.8	8.5	12.1	13.8	12.4
SA Capped SWIX equity	Capped SWIX	6.9	6.8	5.9	4.6	9.1				
SA listed property	SAPY	0.2	(9.0)	(7.3)	(3.5)	2.7	6.6	9.9	12.2	13.9
All property	ALPI	(0.1)	(9.0)	(7.3)	(3.5)	2.7	6.6	9.9	12.2	13.9
Global equity	MSCI ACWI	(3.3)	11.7	11.9	11.7	16.4	10.8	12.4	12.7	9.7
Emerging equity	MSCI EM	(14.3)	5.7	6.8	7.3	10.3	7.9	11.6	13.2	10.9
China A	MSCI China A	(1.3)	16.3	9.9	2.9	13.8	9.0	18.8	16.7	10.4
International property	FTSE EPRA/NAREIT	0.2	5.5	7.9	9.1					
International cash	Citi 1 Month USD Euro deposit	15.1	5.8	5.8	5.4					
Absolute target	CPI + 4.5%	7.4	8.5	9.2	9.5	9.7	10.1	10.2	10.0	9.9
Strategic benchmark	SAA	3.5	7.9	7.4	6.9	10.5				
USD										
USDZAR	USDZAR	14.7	5.1	4.6	4.4	7.2	5.8	5.4	5.5	2.3
MSCI ACWI (USD)	MSCI ACWI	(15.8)	6.2	7.0	7.0	8.8	4.8	6.6	6.9	7.2
MSCI EM (USD)	MSCI EM	(25.3)	0.6	2.2	2.8	3.1	2.0	5.9	7.3	8.4
MSCI China A (USD)	MSCI China A	(14.0)	10.6	5.1	(1.4)	6.4	3.1	12.7	10.7	7.9
MSCI EFM AFRICA Ex ZA (USD)	MSCI EFM Africa Ex ZA	(15.4)	(2.8)	(2.1)	(2.7)	0.6	(2.1)	2.0	4.1	8.3

Local listed equities

During the July 2021 uprising in KwaZulu-Natal, numerous businesses suffered losses. The events weighed heavily on property counters and consumer stocks. In contrast, businesses reported better trading patterns in line with greater mobility due to the gradual lifting of COVID-19 restrictions.

Domestic companies continued to report results that exceeded expectations against the backdrop of a more resilient economy and rigorous cost-cutting measures. Business and consumer confidence was knocked, however, by social unrest, deteriorating affordability and uncertainty. Supply chain issues brought about by COVID-19-related business interruptions and the Russia/Ukraine conflict continued to weigh on inventory levels.

Given Russia's status as a significant commodity producer, commodity prices soared. Expectations for global growth decelerated amid concerns about inflation, higher cost of debt and slowing growth in China due to the impact of severe COVID-related lockdowns in 2022.

The fiscus benefited from higher commodity prices, which helped to stabilise the debt burden and facilitated

the extension of social relief efforts to aid the consumer. Consequently, international ratings agencies upgraded their outlook for South African debt from negative to stable, which bolstered local market sentiment.

Local listed property

The local listed property sector continued to recover from the impact of government lockdowns. However, from April 2022, this recovery was dampened by risks attributable to the Russia/Ukraine war which drove up energy costs and food prices across the world and added to global supply chain disruptions arising from COVID-19 restrictions. Russia accounts for 19.1% of the world's natural gas exports, and Russia and Ukraine combined export 28.5% of global wheat requirements. The war has resulted in widespread stagflation as higher import prices for items such as energy and food have combined with decelerating economic output. Most central banks were faced with the conundrum of balancing the management of inflation with support for economic growth.

In South Africa, the central bank began increasing interest rates in response to rising inflation and the US Federal Reserve's hiking of rates. Consequently, bond yields rose in the last few months of the reporting period.

The rand traded in a very narrow range for most of the year, supported strongly by improved terms of trade, mining company profits, lockdown relaxation and positive rhetoric from the rating agencies that upgraded South Africa's credit outlook from negative to stable.

The listed property sector benefited from the easing of lockdown restrictions, which resulted in better earnings visibility. Although sector fundamentals remain weak, the last two years have provided companies with opportunities to right-size their assets and deleverage their balance sheets to reasonable ratios of loans to value.

The industrial property sector, and logistics in particular, has been an outperformer of note, benefiting from e-commerce tailwinds. The retail property sector has stabilised somewhat, buoyed by escalations that are still ahead of inflation despite persistent negative reversions. The office sector remains a concern, having suffered from years of oversupply and structural shifts caused by the work-from-home trend and the shift to hybrid working.

Local listed fixed income

The fixed income market ended June 2021 relatively strong, with the benchmark R186 bond trading significantly lower than 8%, at 7.47%. All nominal bonds in the belly of the bond curve to the ultra-long-dated R2048 bond traded just below the psychological level of 11%.

Market buoyancy was challenged as the third wave of COVID-19 built and emerging market bonds fell out of favour with global investors. This pushed yields higher as we approached calendar year-end, with the R186 trading above the 8.15% level. The effects of the third wave were similar for inflation-linked bonds, driving their yields higher.

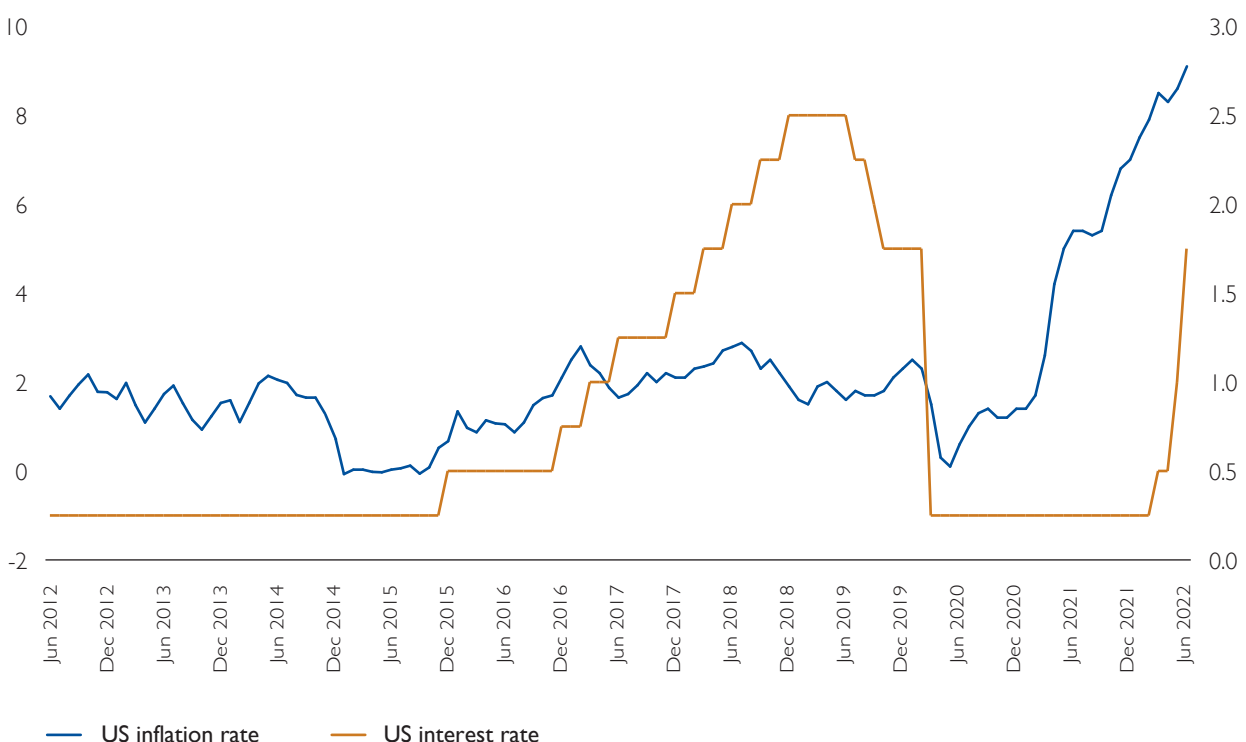
The medium-term policy statement in November 2021 did not alarm the market, as tax revenue windfalls from high commodity prices kept a lid on future long-term borrowing. The friendly national budget in February 2022 confirmed larger-than-expected tax collections.

The financial year to June 2022 ended with local and global monetary tightening in full swing. This will increase interest rates across the curve, putting pressure on nominal and inflation-linked bond valuations.

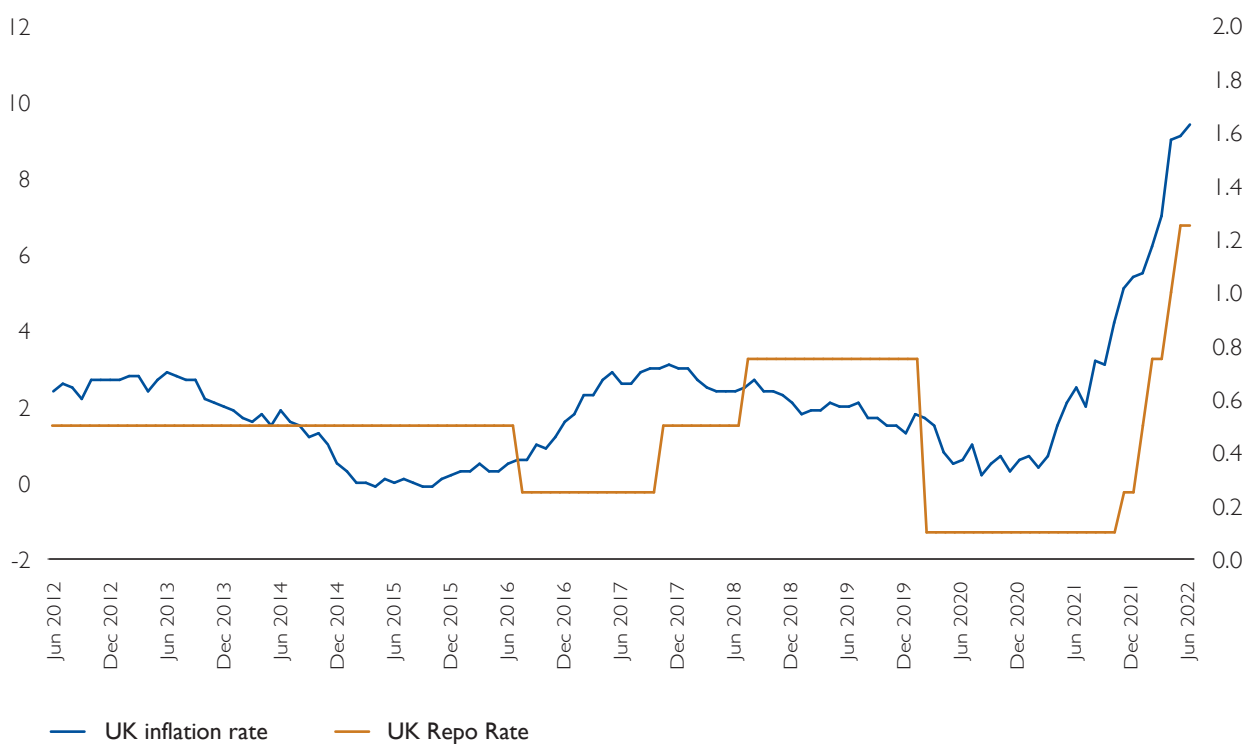
Economic environment

The economic climate that shaped Fund operations during the review period has been described earlier in the report. (See page 20.) For convenience we present graphics on the trends in inflation and central bank interest rates in South Africa and the key economies of the United States and United Kingdom.

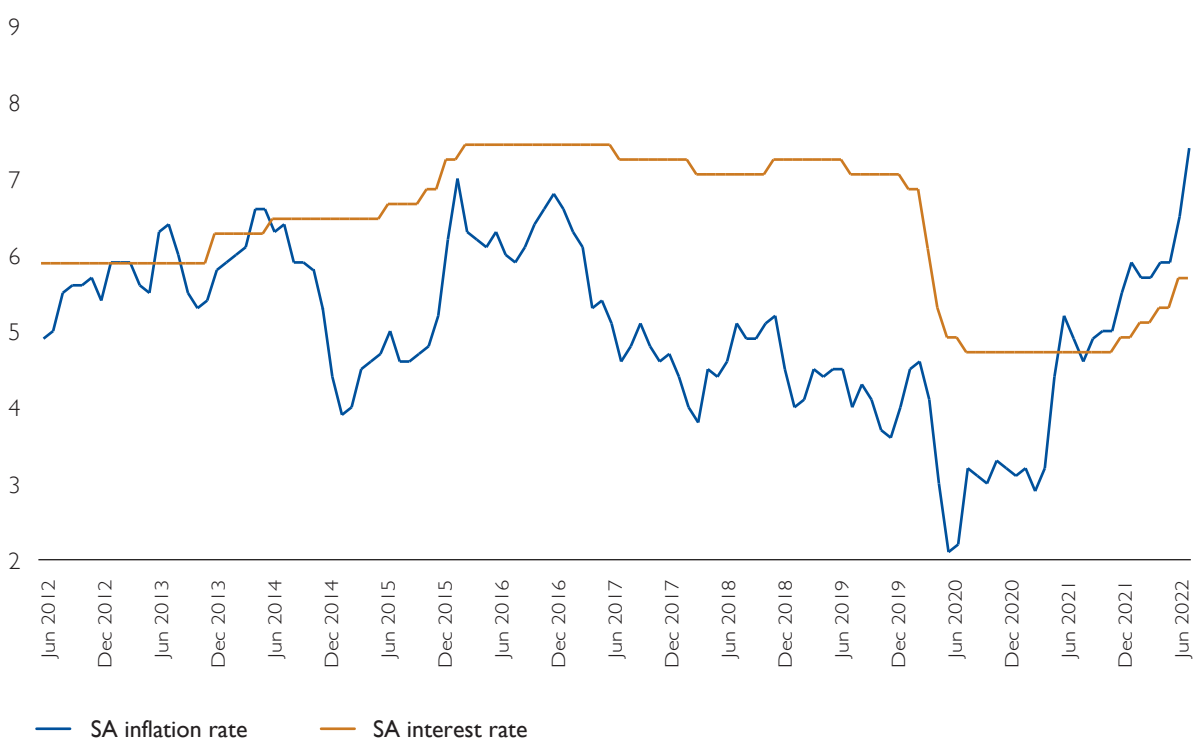
US INFLATION & US INTEREST RATE



UK INFLATION & UK INTEREST RATE



SA INFLATION & SA INTEREST RATE



Looking ahead

Central banks, including the South African Reserve Bank, are expected to continue to hike interest rates to curb inflation. This may send the global economy into recession. But central bankers, through monetary policy, and governments, through fiscal policy, will try to avoid this.

Most countries have normalised post-lockdown restrictions and this trend is expected to continue, affecting global growth positively.

Locally, slowing growth and high unemployment remain key challenges. The expectation is that policy and policy implementation will materially address this.

International Monetary Fund projections: April 2022

The International Monetary Fund (IMF) revised world economic growth projections downwards to 3.6%. The European area growth forecast has been trimmed from 5.3% to 2.8% due to the Russia/Ukraine war, supply chain disruptions and restrictions on Russian energy exports. China's growth is expected to decline to 4.4% in 2022 from the high of 8.9% in 2021 due to the strict COVID-19 restrictions imposed in the first half of 2022. South Africa's growth expectations are below 2% in the medium-term.

Growth projections for selected economies in 2022 and 2023

Real gross domestic product growth	2021 (% estimate)	2022 (% projection)	2023 (% projection)
World output	6.1	3.6	3.6
Advanced economics	5.2	3.3	2.4
Euro area	5.3	2.8	2.3
United States	5.7	3.7	2.3
Japan	1.6	2.4	2.3
United Kingdom	7.4	3.7	1.2
Canada	4.6	3.9	2.8
Emerging markets and developing economies	6.8	3.8	4.4
China	8.9	4.4	5.1
India	8.9	8.2	6.9
Brazil	4.6	0.8	1.4
Russia	4.7	(8.5)	(2.3)
Sub-Saharan Africa	4.5	3.8	4.0
South Africa	4.9	1.9	1.4
Nigeria	3.6	3.4	3.1

Source: IMF World Economic Outlook Report April 2022.

Fund performance

On the positive side, the Fund outperformed the strategic benchmark return by 0.68% over the one-year period ending 30 June 2022. The strategic benchmark consists of the index returns of the various asset classes in the proportions set out in the Fund's Strategic Asset Allocation, and it assumes no active management.

The Fund's performance was mainly on the back of domestic equities for which the core and satellite

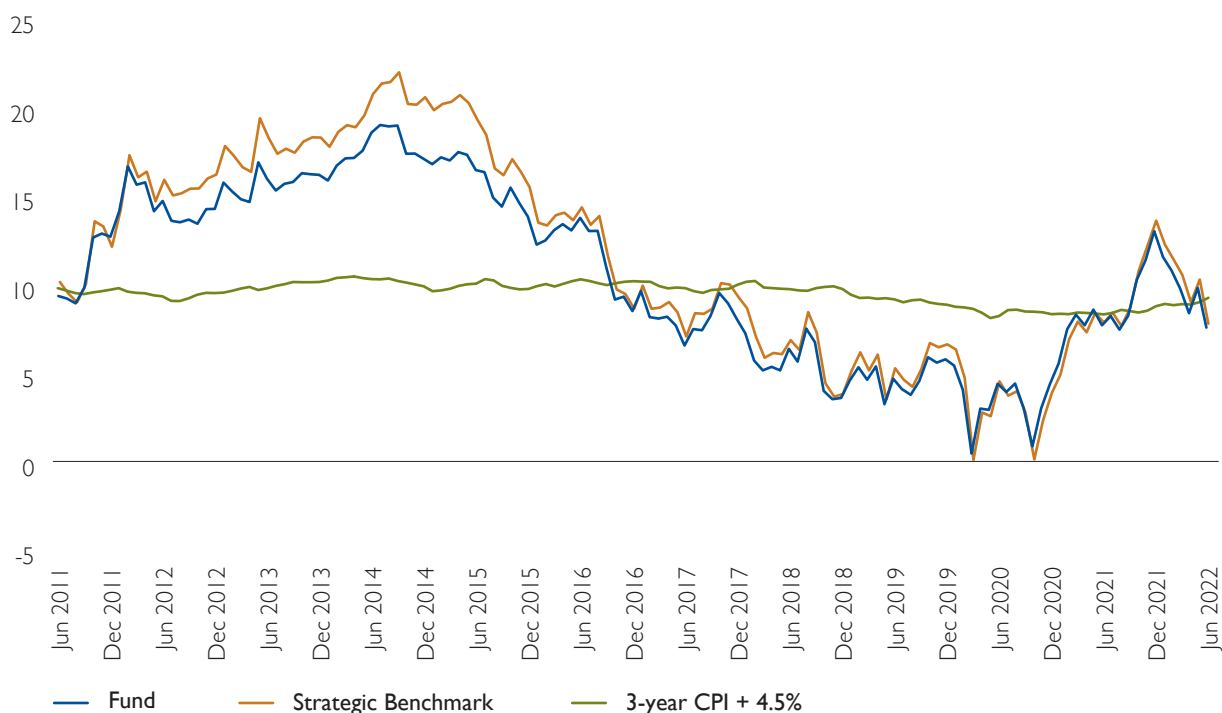
investment strategies outperformed the respective benchmarks. Global equities also contributed to performance with most of the relevant asset managers performing better than their respective benchmarks. Africa ex SA added to performance largely due to a fund manager whose country positioning benefited its strategy.

The Fund's return for the three years to 30 June 2022 was below the strategic benchmark by 0.22%.

Asset class	Strategic weight (%)	One year to 30/6/22 (%)			Three years to 30/6/22 (%)		
		Fund return	Bench-mark	Over/under	Fund return	Bench-mark	Over/under
SA equities	37	8.12	5.95	2.05	7.50	6.64	0.81
SA nominal bonds	5	2.16	1.25	0.89	6.59	5.78	0.76
SA inflation-linked bonds	15.5	13.39	13.34	0.05	6.43	8.58	(1.98)
SA hedge fund	0	(6.52)	4.18	(10.27)	11.25	5.01	5.94
SA property	6.5	0.91	(0.06)	0.96	(7.37)	(9.00)	1.80
SA cash	2	3.91	4.18	(0.26)	4.90	5.01	(0.10)
Global equity & property	21	(1.17)	(3.05)	1.94	11.29	11.83	(0.48)
Emerging market equity	6	(16.36)	(14.28)	(2.43)	5.34	5.72	(0.36)
China-A equity	3	(4.62)	(1.34)	(3.32)	—	—	—
Offshore cash	0	14.54	15.06	(0.44)	3.20	5.76	(2.42)
Africa ex SA	4	4.46	(2.97)	7.66	1.58	2.15	(0.56)
Total	100	4.44	3.52	0.89	7.72	7.88	(0.15)

Historically, the Fund outperformed the three-year rolling target of CPI + 4.5% for the period from June 2011 to October 2016. From November 2016 to September 2021, the Fund underperformed due mainly to returns in most asset classes falling below CPI.

FUND PERFORMANCE AGAINST TARGET OF CPI +4.5%



EPPF's top 10 listed equity holdings

Equity holdings	Weight (%)
Naspers Limited-N SHS	2.78
Prosus	2.33
Anglo American PLC	1.83
MTN Group Ltd	1.79
FirstRand Ltd	1.72
British American Tobacco PLC	1.62
Standard Bank Group Ltd	1.53
Sasol Ltd	1.47
Impala Platinum Holdings Ltd	1.13
ABSA Group Ltd	0.92
Total	17.18

EPPF's top 10 fixed income holdings

Bond holdings	Asset class	Weight (%)
I2050 2.5% 311250	Inflation-linked bond	5.21
I2046 2.5% 310346	Inflation-linked bond	4.25
I0238 2.25% 310138	Inflation-linked bond	1.81
R2 048 8.75% 280248	Nominal bond	1.17
R2 044 8.75% 310144	Nominal bond	0.69
R210 2.60% 310328	Inflation-linked bond	0.62
R2 037 8.50% 310137	Nominal bond	0.56
I2033 1.8750% 280233	Inflation-linked bond	0.45
R202 3.45% 071233	Inflation-linked bond	0.44
R2 032 8.25% 310332	Nominal bond	0.43
Total		15.62

Summary of new investments

	Asset Class	Commitment R'000	Deployed? Yes/No?	Amount if deployed R'000
Old Mutual Tracker	Tracker	1 974 722 000	Yes	1 974 722 000
Sanlam Tracker	Tracker	3 955 031 000	Yes	3 955 031 000
Crossfin Ventures Pty Ltd	Development Impact	103 930 000	Yes	103 930 000
Plumbago Investment-DSV Campus	Real Assets	703 150 000	Yes	703 150 000
		6 736 833 000		

Performance risk measures

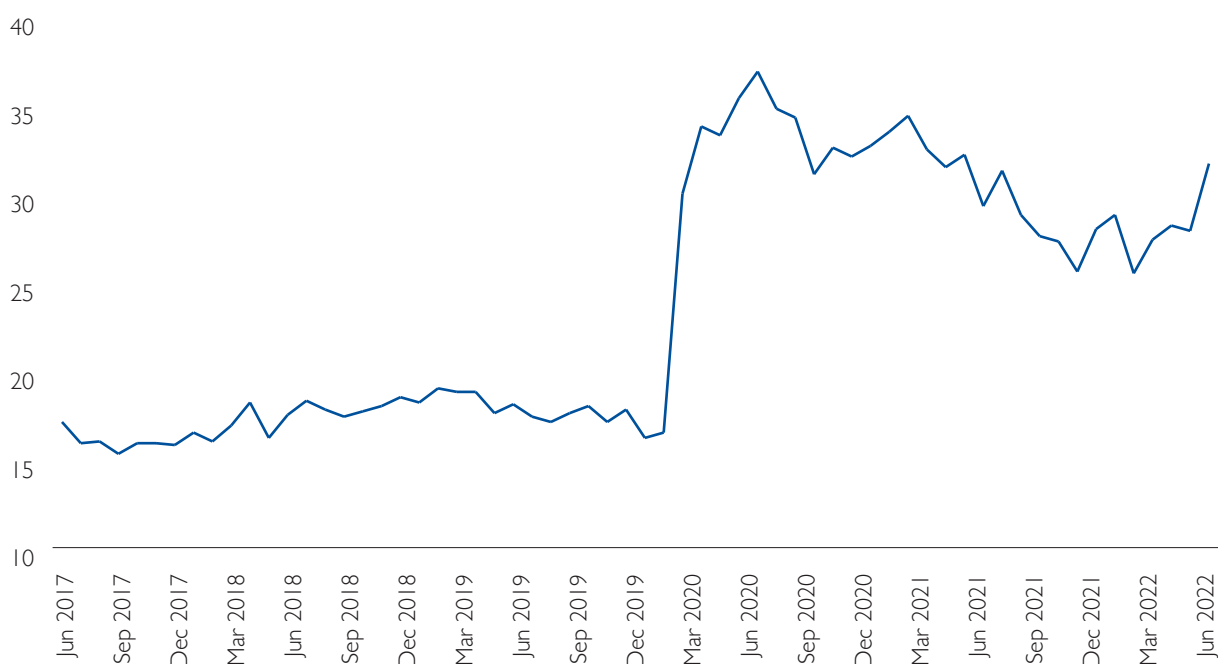
An important indicator of risk, in addition to the funding ratio, is the risk of loss indicator. This is tracked using a simulated conditional value at risk with a target range between 15% and 25%. With current values somewhat higher than this, the Fund is in the red zone for risk of loss. This indicator was relatively stable over the last 12 months, but rose as the financial year closed due to increased market volatility.

Risk of loss review

Asset class	Expected shortfall – CvaR(5)		
	30 June 2022	31 May 2022	30 June 2021
Total	31.7	27.9	29.3
Local cash	1.1	0.7	0.8
Local equity (including private equity)	58.0	53.2	49.0
Local hedge funds	0.6	0.5	1.0
Local inflation-linked bonds	34.4	30.6	42.3
Local nominal bonds	29.5	23.5	29.7
Local multi-asset class	11.6	13.5	18.4
Local property	71.0	65.6	66.0
International cash	34.3	34.2	27.7
Africa ex South Africa	25.2	24.8	19.9
Emerging market equity	47.4	48.4	42.4
International equity	41.7	42.4	33.7
China A	50.1	48.5	53.4

Before the COVID-19 market slump, the Fund's risk of loss was much lower, at 16.5% in February 2020. But the market slump in March that year led to a sharp increase in the risk of loss as volatilities, covariances and correlations spiked. By July 2020 the Fund's risk of loss had reached a high of 36.9%. The Fund has remained in the 25% to 32% range since then.

FIVE-YEAR TREND IN THE FUND'S RISK OF LOSS INDICATOR



Under 'normal' market conditions, we expect conditional value at risk to decrease and eventually move out of the red zone. We believe the current elevated level is not too concerning given that the tracking error (see below) is still within the prescribed limit and the funding ratio is still healthy. However, we will continue monitoring risk metrics closely.

The table below shows the tracking error by asset class. This error is a forward-looking risk number generated by MSCI BarraOne, a multi-asset class investment risk system adopted by the Fund in 2014. Only the Africa ex-South Africa asset class breached its limit (10%) in the past year and the Fund has addressed this by restructuring the underlying funds.



Tracking error is the expected volatility of active returns, where active return is the difference between portfolio and benchmark return.

Tracking error by asset class

Asset class	Tracking error (%)			Limit (%)	Status*
	30 June 2022	31 May 2022	30 June 2021		
Total plan	1.61	1.59	3.50	4.0	
Local	1.64	1.72	4.56	3.2	
Equity ¹	1.20	1.18	2.11	4.0	
Bonds	0.50	0.46	5.70	2.0	
ILB	0.57	1.01	17.45	3.0	
Multi-asset class ²	4.71	5.36	7.57		
Hedge funds	0.55	0.56	0.78		
Property	0.89	0.83	1.12	2.7	
Cash	0.76	0.66	0.82	1.3	
International	3.17	3.07	3.77	5.8	
Global equity	5.07	4.89	5.26	6.5	
Emerging market equity	3.12	2.92	3.05	6.5	
Africa ex South Africa ³	12.11	12.14	11.78	10.0	
China A	5.95	5.77	2.71	6.5	
Global property	0.00	0.00	0.00		
Global cash	0.21	0.18	0.11		

¹ Includes private equity

² Mainly asset allocation overlay (AAO); development impact fund (DIF)

³ Excludes South African equities

* Red means tracking error limit was exceeded

Private markets investments

The EPPF's private markets portfolios include private equity, developmental investments, real assets and private markets incubation. The private markets portfolios have varying degrees of mandate and risk associated with each portfolio. Private markets are a long term asset class with performance results influenced by various factors. This report concentrates on several key exposures that contribute to performance results, including strategy, geography, structure, and vintage year. The asset class in the early years is relatively slow to demonstrate growth due to the J-curve effect.

Nevertheless, it has been a difficult four years for the asset class as it has been impacted severely by the challenging South African macro-economic environment. There are signs of recovery as demonstrated by the uptick in the short term performance numbers. Private markets offers institutional investors the opportunity to invest in an asset class which has historically outperformed listed equity over the long term in the past. Management has taken measures to improve the performance of the portfolio by diversifying and reducing the J-curve effect in adding various geographies and investment strategies that will produce alpha in the long term.



J-curves describe the value of a private equity portfolio over time because it often follows a shape similar to the capital letter "J" – an initial dip during drawdown then bottoms out and then rises in later years as the portfolio value increases.

Returns on EPPF private market investments

%	1 Year			3 Year			5 Year			10 year			Since inception		
	Fund	Target	Relative	Fund	Target	Relative	Fund	Target	Relative	Fund	Target	Relative	Fund	Target	Relative
Private equity	12.33	7.42	4.57	3.69	4.05	(0.35)	3.56	4.68	(1.07)	5.75	12.16	(5.72)	10.75	12.22	(1.31)
Private equity – South Africa	12.81	7.42	5.02	2.17	4.05	(1.81)	3.40	4.68	(1.22)	6.71	12.16	(4.86)	15.86	12.22	3.24
Private equity – developed markets	63.61	7.42											76.33	6.61	65.39
Private equity – emerging markets													30.02	4.83	24.03
Private equity – rest of Africa	6.39	7.42	(0.96)	2.40	4.05	(1.59)	2.01	4.68	(2.55)	3.30	12.16	(7.90)	2.95	5.13	(2.07)
Real assets	16.48	7.42	8.43	9.82	4.05	5.55							9.79	5.13	4.43
Development impact investing	27.94	7.42	19.10	2.40	4.05	(1.59)	2.80	4.68	(1.80)	8.57	8.16	0.38	10.91	8.62	2.11
Thuso incubation	(6.16)	7.42	(12.64)										(11.75)	5.34	(16.22)
Total private markets	15.01	7.42	7.06	3.92	4.05	(0.12)	3.71	4.68	(0.93)	6.46	10.46	(3.36)	10.46	9.13	1.22

* The target is the CPI, for periods under 10 years. For 10 years and longer; private equity – CPI + 7%, development impact investing – CPI + 3% and real assets – CPI + 4.5%.

* Private equity – developed markets, private equity – emerging markets and Thuso are new investments.

About R9bn of the EPPF's assets (5.2%) are currently invested in unlisted investments. This exposure is expected to grow gradually to around 15% as funds earmarked for private markets are fully invested. The EPPF's strategy of investing in private markets is executed through three portfolios: private equity, real assets and developmental investments. Each has a distinct mandate and objectives.

Private equity programme

The private equity portfolio was introduced to:

- Enhance returns from listed markets.
- Diversify investments by targeting sectors and smaller companies not always represented on the stock market.
- Achieve impact in environmental, social and governance areas.

Some of these investments allow an EPPF representative on their boards, affording direct influence on the entity's direction. For many years, the EPPF's private market exposure was limited to South Africa and Africa. However, from 2021, the Fund made a concerted effort to invest in private equity in international developed and non-African emerging markets. The rationale was the depth of these private markets and their proven long-term returns. Although it is early to predict returns, the outlook appears positive. The Fund's private market allocation is outsourced largely to several institutional investors. The team is building capacity internally to manage the current and proposed strategies that will enhance returns.

Development impact investment programme

The development impact investment mandate directs the EPPF's contribution to social and economic development through high-impact, targeted investments. The focus areas are:

- Affordable housing
- Energy
- Social infrastructure (healthcare and education)
- Rural and township retail property
- Small and medium enterprises
- Agriculture.

The focus areas have been intentionally selected to enable the Fund to contribute to our country's achievement of several objectives of the National Development Plan (NDP) and a number of the global Sustainable Development Goals.

The Fund has achieved considerable recognition for its purposeful investment in social development, economic transformation and environmental sustainability, and the impact investment programme has played a central role in this.

Details of the development investment programme appear on page 43 of this report.

Real asset portfolio programme

The portfolio invests in infrastructure projects with long-dated, inflation-sensitive cash flows to better match the Fund's liabilities. The portfolio also:

- Enhances returns as an inflation-linked bond replacement strategy.
- Diversifies the Fund's exposure to equity risk by investing in projects that earn a stable and predictable cash yield.
- Hedges against inflation.
- Complies with pension fund regulations.

Asset managers

A full list of the Fund's asset managers appears below. As indicated earlier in this report, the Fund allocates the management of more than half its externally managed assets – 58.4% in the current reporting period – to black asset managers. This is a strategic measure taken by the Fund to contribute to the transformation of the asset management sector and help build a more equitable society.

For details of our transformation and incubation initiatives, see page 41.

Asset managers – listed markets

Domestic	International
Aeon Investment Management	Allianz Global Investors GMBH
Aluwani Capital Partners	Ashmore Group (PLC)
Benguela Global Fund Managers	Black Rock Investment Management (UK) Limited
Catalyst Fund Managers	Duet Asset Management Limited
Coronation Fund Managers	Emerging Markets Investment Management Ltd
Excelsia Capital	Morgan Stanley Investment Management Limited
Sanlam Investment Management	Robeco Institutional Asset Management
Ninety-One Management	Sanlam-Centre Asset Management LLC
Camissa Asset Management	SEI Investments (Europe) Limited
Matrix Fund Managers	State Street Global Advisors Limited
Mazi Capital	UBS AG
Meago Trading	Veritas Asset Management LLP
Mergence Investment Managers	
Mianzo Asset Management	
Old Mutual Investment Group	
Perpetua Investment Management	
Stanlib Asset Management	
Value Capital Partners	
Vunani Fund Managers	
Lima Mbeu Investment Managers	

Asset managers – private markets

Private equity programme		Development impact portfolio
Local	International	Local
Brait IV	Capital Alliance Fund III	Busamed Prop Ltd
Capitalworks Fund I	Pan African Infrastructure Development Fund	Housing Impact Fund SA
Capitalworks Fund II	Helios II	Transflow RF Proprietary
Capitalworks Fund III	Helios III	Van Schaik Book Store
Crossfin Ventures Pty Ltd	Neoma Africa Fund II	TUHF Limited
EMMF	Neoma Africa Fund III	IHS Fund II SA Feeder LP
Ethos V	Vantage MEZZ3 PAN AF Fund	Nova Pioneer Sch for Inv
Ethos VI	Capital Alliance Private Equity Fund IV	SA Student Accomd Imp Inv
Gammatek	Novare Africa Property Fund II	Sch Edu Inv Imp Fund SA
Kleoss Fund I	ADP III Mauritius Feeder I LP	Stanlib INFRST PVEQT FD I
Medu III	Alpinvest Secondary Fund	Thuso Priv Mark FD I Part
Old Mutual PE Fund IV	Alpinvest Co Investment	Vantage GREENX Fund AD II
PAPE III	Carlyle Asia Funds	
SPHERE Holdings	Ninety One AF PR EQ 2 LP	
Trinitas PE		
Vantage Mezzanine Fund I		
Vantage Mezzanine Fund II		
Vantage Mezzanine Fund III		
Vantage MEZ IV SA SF PART		

Real assets portfolio programme	
Local	International
Stanlib Infrastructure Fund (fund of funds)	Eaglecrest Infrastructure
Mpande Property Fund	Lango Real Estate Limited
Plumbago Investment-DSV Campus	

Investments managed by internal team		
Local	Sector	Internally/Externally managed
SEIIFSA	Education	External – Old Mutual Alternative Investments
SME Debt Fund	Manufacturing and Agro-processing	External – Sanlam Investment Managers
Vantage Green X Note 2	Renewable Energy	External – Vantage Capital
Futuregrowth Community Property Fund	Township Retail	External – Futuregrowth
IHS Fund 2	Affordable Housing	External – International Housing Solutions
HIFSA	Affordable Housing	External – Old Mutual Alternative Investments
Re-Imagine Social Retail Fund	Township Retail	External – Re-Imagine Fund Management
SA Taxi	Transport	Internal
Stanlib Fund I	Renewable Energy	External – Stanlib
Van Schaik	Education	Internal
Busamed	Healthcare	Internal
Nova Pioneer	Education	Internal
TUHF	Affordable Housing	Internal
SASAI	Education	Internal
Capital Harvest	Agriculture	Internal
IHS Social Housing	Social Housing	Internal

Investment management fees

Investment management fees by asset class: July 2021 to June 2022

	MV as at 30 June 2022 R'000	Management fees (12 months) R'000	% of total AuM (%)	Effective management and performance fees (12 months) (%)	Portfolio return (rolling 12 months) (%)	Benchmark return (rolling 12 months) (%)	Over/under performance (%)
Domestic	124 495 123	526 858	73.24	0.43	7.99	6.76	1.15
Equity	77 799 090	425 341	45.77	0.57	8.12	5.95	2.05
Bonds	33 754 388	34 845	19.86	0.11	10.53	10.25	0.25
Nominal bonds	8 596 611	21 071	5.06	0.25	2.16	1.25	0.89
Inflation-linked bonds	25 157 801	13 774	14.80	0.06	13.39	13.33	0.06
Hedge funds	1 337 361	21 900	0.79	1.58	(6.52)	4.18	(10.27)
Listed property	10 096 595	41 411	5.94	0.41	0.76	(0.11)	0.87
Unlisted property	113 000	—	0.07	—	14.38	4.18	9.79
Internal cash	1 394 689	3 360	0.82	0.08	4.61	4.18	0.41
International ex Africa	41 139 933	208 587	24.20	0.50	(4.39)	(4.59)	0.22
Equity	40 788 117	208 587	24.00	0.50	(4.77)	(4.75)	(0.03)
Cash	351 816	—	0.21	—	14.54	15.06	(0.44)
Africa ex SA	4 342 831	35 076	2.55	0.77	4.34	(2.97)	7.54
Total	169 977 886	770 520	100	0.46%			

Note: Over/under performance is the difference between the benchmark per asset class and the actual portfolio return over a rolling 12-month period..

Analysis of fees

	30 June 2022 R'000	30 June 2021 R'000
Total AuM	169 977 886	166 358 247
External management fees	640 862	563 278
Inhouse investment management expenses	98 961	84 744
Transaction costs	30 696	29 143
Total	770 520	677 165



ANNUAL FINANCIAL STATEMENTS



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** Not subject to any engagement by an auditor.*

The full version of the annual financial statements can be accessed on the Fund's website:
www.eppf.co.za

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND

FOR THE YEAR ENDED 30 JUNE 2022

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 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 of the Pension Funds Act in South Africa.
- Obtained expert advice on matters where they lacked sufficient expertise.
- Ensured that the rules, 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.
- 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 the 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, which are 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.
- The financial records are reliable.

The annual financial statements set out on pages 98 to 117 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. Except for instances of non-compliance as reported below, 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, BDO South Africa Incorporated, 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 page 96.

Instances of non-compliance

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 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. The EPPF payroll is outsourced. In November 2021 the service provider incorrectly deducted PAYE on staff bonuses due to the incorrect setup of the payroll system. The error was picked up and payment was made in May 2022 as part of the annual SARS reconciliation process. There were also incorrect deductions of PAYE from March 2015 on staff funeral policy premiums.	None.	The Fund corrected the error as part of the reconciliation process for the tax year-end 28 February 2022 and payment was made to SARS accordingly.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND CONTINUED


FOR THE YEAR ENDED 30 JUNE 2022

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 taken to resolve non-compliance matter
2. As previously reported, the Fund identified individuals who are ineligible to participate in the Fund. This matter is disclosed and will continue to be disclosed as a matter of non-compliance in the Statement of Responsibility by the Board of Fund section in the financial statements until it is resolved.	Individuals who are ineligible for membership due to their employment contracts being of a non-permanent nature.	<p>The Fund has conducted an assurance exercise on membership records to determine and affirm membership.</p> <p>Discussions are ongoing with the participating employers and legal processes are underway to resolve the matter.</p>
3. The Fund is investigating the extent of the impact on item 1 in prior years.	Unknown	<p>The Fund is currently conducting an investigation into the matter and liaising with tax advisors to determine the appropriate action to be taken. A remedial plan will be implemented to address any issues of non-compliance.</p>

These annual financial statements:

- Were approved by the Board of Fund on 13 October 2022.
- 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 2022 as well as the results of its activities for the year then ended.
- Are signed on behalf of the Board of Fund by:



Ms Caroline Mary Henry
Chairperson

13 October 2022



Mr Izak David du Plessis
Board Member

13 October 2022



Ms Molibudi Anah Makgopa
Board Member

13 October 2022

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2022

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.

Specific instances of non-compliance	Remedial action taken
Ineligible member participation	The Fund conducted an independent assurance exercise on membership records and is currently in discussions with the participating employers and embarking on legal processes to resolve the issues.
Incorrect calculation of PAYE on staff bonus payments and funeral policy	The correction to the outstanding PAYE was made as part of the annual 2022 tax reconciliation process.
Incorrect tax deductions (PAYE) on staff bonus payments in prior years	The Fund is currently conducting an investigation into the matter and liaising with tax advisors to determine the appropriate action to be taken. A remedial plan will be implemented to address any issues of non-compliance.



Mogomoet Shafeeq Abrahams

Principal Officer

13 October 2022

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2022

Report on the Audit of the Financial Statements

To the Board of Fund of

Eskom Pension and Provident Fund

Opinion

The summarised annual financial statements of Eskom Pension and Provident Fund set out on pages 98 to 117 of the Integrated Report, which comprise the summarised statement of net asset and funds as at 30 June 2022, the summarised statements of changes in net assets and funds for the year then ended, and related notes, are derived from the audited annual financial statements of Eskom Pension and Provident Fund for the year ended 30 June 2022.

In our opinion, the accompanying summarised annual financial statements are consistent, in all material respects, with the audited annual financial statements, 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, as set out in note 1.1 to the summarised annual financial statements.

Summarised Annual Financial Statements

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

The Audited Annual Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited annual financial statements in our report dated 20 October 2022.

Board of Fund Responsibility for the Summarised Annual Financial Statements

The Board of Fund is responsible for the preparation of the summarised annual financial statements in accordance with the requirements of the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the provisions of the Pension Funds Act, as set out in note 1.1 to the summarised annual financial statements.

Auditor's Responsibility

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

BDO South Africa Incorporated

Registered Auditors

BDO South Africa Inc

LM September

Director

Registered Auditor

15 November 2022

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

VALUATOR'S REPORT

Particulars of financial condition of the Fund as at 30 June 2022

An annual actuarial valuation was carried out as at 30 June 2022. 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 – R168 283 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R168 283 million.
3. The actuarial present value of promised retirement benefits – R98 959 million vested, and R0 non-vested.
4. Contingency reserve account balances total – R21 837 million.

At 30 June 2022 the individual contingency reserve balances are as follows:

- Solvency Reserve – Active members: R10 754 million
- Solvency Reserve – Pensioners: R11 083 million
- Contribution Reserve: nil
- Pension Increase Affordability Reserve: nil

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 (if any) 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. No 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 5.9% per annum (5.9% 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 8.2% per annum (7.2% 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 an excess relative to the fixed contribution rate payable in terms of the rules. At the valuation date this excess amounted to 3.97% of pensionable salaries (compared with an excess of 3.55% at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2022 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 Director of Towers Watson (Pty) Ltd, a WTW company.

13 October 2022

SUMMARISED STATEMENT OF NET ASSETS AND FUNDS

AS AT 30 JUNE 2022

	Note	2022 R'000	2021 R'000
ASSETS			
Non-current assets		169 998 383	166 364 569
Plant and equipment	2	20 497	6 322
Investments	3	169 977 886	166 358 247
Current assets		677 634	682 219
Transfers receivable	5	–	359
Accounts receivable	4	397 477	354 477
Arrear contributions	10	268 205	276 880
Cash at bank		11 952	50 503
Total assets		170 676 017	167 046 788
FUNDS, SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		146 776 448	154 075 634
Normal retirement		140 832 543	148 163 238
Additional voluntary contribution scheme		528 769	517 268
Performance bonus scheme		5 415 136	5 395 128
Total reserves			
Reserve accounts	19	21 837 000	11 253 000
Total funds and reserves		168 613 448	165 328 634
Non-current liabilities			
Unclaimed benefits	8	274 987	244 519
Current liabilities		1 787 582	1 473 635
Transfers payable	6	45 224	30 466
Benefits payable	7	1 498 093	1 219 265
Accounts payable	9	198 150	183 278
Accruals	15	46 115	40 626
Total funds and liabilities		170 676 017	167 046 788

					A Member's individual accounts and accumulated funds R'000	B Reserve accounts Refer note 19 R'000	A+B Total 2022 R'000	Total 2021 R'000
	Note	Normal retirement R'000	Additional voluntary contribution scheme R'000	Performance bonus scheme R'000				
Contributions received and accrued	10	3 659 757	44 613	80 435	3 784 805	–	3 784 805	3 867 419
Net investment income	11	6 445 548	31 224	324 258	6 801 030	–	6 801 030	24 459 467
Allocated to unclaimed benefits	8	(37 499)	–	–	(37 499)	–	(37 499)	(2 747)
Other income	12	20 504	–	–	20 504	–	20 504	22 088
Less:								
Administration expenses	13	(195 540)	–	–	(195 540)	–	(195 540)	(218 290)
Net income before transfers and benefits		9 892 770	75 837	404 693	10 373 300	–	10 373 300	28 127 937
Transfers and benefits		(6 655 198)	(64 336)	(384 685)	(7 104 219)	–	(7 104 219)	(6 241 363)
Transfer from other funds	5	(361)	30	4 648	4 317	–	4 317	359
Transfer to other funds	6	(296 797)	–	–	(296 797)	–	(296 797)	(276 099)
Benefits	7	(6 358 040)	(64 366)	(389 333)	(6 811 739)	–	(6 811 739)	(5 965 623)
Net income/(loss) after transfers and benefits		3 237 572	11 501	20 008	3 269 081	–	3 269 081	21 886 574
Funds and reserves								
Balance at the beginning of the year	19	148 163 238	517 268	5 395 128	154 075 634	11 253 000	165 328 634	143 655 976
Prior period adjustment	14	16 848	–	–	16 848	–	16 848	(9 055)
Transfers between reserve accounts	19	(10 584 00)	–	–	(10 584 00)	10 584 00	–	–
<i>Investment return allocated</i>								
Former members		(1 115)	–	–	(1 115)	–	(1 115)	(3 563)
Balance at the end of the year		140 832 543	528 769	5 415 136	146 776 448	21 837 000	168 613 448	165 328 634

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 accumulated impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are capitalised to 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 expensed to the statement of changes in net assets and funds during the financial period in which they are incurred.

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

The periods of depreciation used are as follows:

	Years
Motor vehicles	5
Furniture and fittings	5
Office equipment	5
Computer equipment	2 – 3
Capitalised computer software	2 – 10

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.

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

1.3 Intangible assets

Intangible assets comprise the right to use assets relating to cloud computing arrangements and mobile applications. These assets are measured initially at purchased cost. Development costs are recognised as an expense in the period in which they are incurred unless the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed. Capitalisation commences when it can be demonstrated how the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the asset, that the intention and ability to complete and use the asset exists, that adequate financial, technical, and other resources to complete the development are available and the costs attributable to the process or product can be separately identified and measured reliably. Where development costs are recognised as assets with a finite useful life, they are amortised over their useful life of between two and 10 years on a straight-line basis and tested for impairment where there have been indicators of impairment. Intangible assets are measured at cost less accumulated amortisation and reduced by any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. The Fund has no intangible assets with indefinite useful lives.

Useful life is reviewed annually at each reporting period and the prospective amortisation is adjusted accordingly, if necessary.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the intangible asset and is recognised in the statement of changes in net assets and funds.

I. Principal accounting policies *continued*

I.3 Intangible assets *continued*

Impairment of non-financial assets

At each reporting date, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair-value-less-costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair-value-less-costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in the statement of changes in net assets and funds.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of an asset is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of changes in net assets and funds.

I.4 Financial instruments

Recognition and 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, accounts receivable 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 is recognised in the statement of changes in net assets and funds at transaction date.

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

I.4.1 Investments

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

Bills and bonds

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

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on a 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 is classified as investment property. Investment properties comprise freehold land and buildings and are carried at fair value.

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

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

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

I. Principal accounting policies continued

I.4 Financial instruments continued

I.4.1 Investments continued

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. 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.

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.

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.

Derivative market instruments

Derivative market instruments consist of interest rate swaps, futures, options and forward contracts.

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 the fair value is positive and as liabilities when the 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 (JSE Debt Market) 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.

I. Principal accounting policies continued

I.4 Financial instruments continued

I.4.1 Investments continued

Investment in participating employers

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

Hedge funds

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

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

I.4.2 Accounts receivable

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

I.4.3 Cash and cash equivalents

Cash and equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of twelve months or less. Cash and cash equivalents are measured at fair value. The cash within the investments financial statement line item is part of the investing activities of the Fund and is not maintained for the operational requirements of the Fund.

I.4.4 Accounts payable

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

I.5 Reserves

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

I.6 Provisions, contingent liabilities, contingent assets and accruals

Provisions

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

Contingent liabilities

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

Contingent assets

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

Accruals

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

I.7 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.

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.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

I. Principal accounting policies continued

I.8 Net investment income

Net investment income comprises of dividends, interest, rentals, collective investment schemes – distribution, income from policies with insurance companies and adjustments 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 is recognised when the right to receive payment is established.

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.

I.9 Benefits

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

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

I.10 Unclaimed benefits

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

I.11 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 FSCA, as contained in the approval certificate from the Authority.

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 the effective date of transfer adjusted for investment returns or late payment interest as guided by the application.

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

I. Principal accounting policies *continued*

I.12 Administration expenses

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

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

I.13 Related parties

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

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

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

I.14 Accounting policies, change in accounting estimates and errors

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

I.15 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.

I.16 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.

I.17 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.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. Plant and equipment

2.1 Current year

	Capitalised development costs R'000	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	–	11 995	1 482	7 353	305	21 135
Additions	13 245	2 875	30	24	–	16 174
At end of year	13 245	14 870	1 512	7 377	305	37 309
Accumulated depreciation and impairment						
At beginning of year	–	(8 931)	(583)	(5 284)	(15)	(14 813)
Depreciation charges	–	(2 503)	(306)	(1 158)	(61)	(4 028)
Accumulated depreciation on disposals	–	1 230	5	794	–	2 029
At end of year	–	(10 204)	(884)	(5 648)	(76)	(16 812)
Net carrying amount at end of year	13 245	4 666	628	1 729	229	20 497

The capitalised development costs were brought into use during the year under review resulting in no impairment or amortisation charges.

2.2 Prior year

	Capitalised development costs R'000	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	–	11 789	1 515	7 551	308	21 163
Additions	–	2 246	–	–	305	2 551
Other movements	–	(2 040)	(33)	(198)	(308)	(2 579)
At end of year	–	11 995	1 482	7 353	305	21 135
Accumulated depreciation and impairment						
At beginning of period	–	(8 109)	(316)	(4 291)	(308)	(13 024)
Depreciation charges	–	(2 095)	(300)	(1 143)	(15)	(3 553)
Accumulated depreciation on disposals	–	1 273	33	150	308	1 764
At end of year	–	(8 931)	(583)	(5 284)	(15)	(14 813)
Net carrying amount at end of year	–	3 064	899	2 069	290	6 322

3. Investments

3.1 Investment summary

	Note	A Local R'000	B Foreign R'000	A+B Total 2022 R'000	Total 2021 R'000	Fair value current year R'000	Categorised per reporting framework
Cash		2 852 423	1 019 108	3 871 531	11 902 187	3 871 531	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments		34 060 134	1 279 490	35 339 624	29 715 779	35 339 624	At fair value through statement of changes in net assets and funds
Investment properties and owner occupied properties*	3.3.	113 000	-	113 000	109 000	113 000	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		70 860 906	31 603 205	102 464 111	101 407 404	102 464 111	At fair value through statement of changes in net assets and funds
Collective investment schemes		-	14 527 218	14 527 218	13 887 985	14 527 218	At fair value through statement of changes in net assets and funds
Hedge funds		1 337 361	-	1 337 361	1 430 709	1 337 361	At fair value through statement of changes in net assets and funds
Private equity funds		5 516 894	4 357 416	9 874 310	5 334 105	9 874 310	At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	3.2.	2 450 731	-	2 450 731	2 571 078	2 450 731	At fair value through statement of changes in net assets and funds
Total		117 191 449	52 786 437	169 977 886	166 358 247	169 977 886	

* Property consists of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator, Peter Parfitt (professional valuer). The valuation was performed as at 30 June 2022. 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 the void revenue period (property vacancy 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.

3.2 Investment in participating employer/s

	At beginning of year R'000	Additions R'000	Market movement R'000	At end of year R'000
Debt instruments	2 571 078	95 865	(216 212)	2 450 731
Total	2 571 078	95 865	(216 212)	2 450 731

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	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 cash flow		No	109 000	4 000	113 000
Total of properties					109 000	4 000	113 000

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

3. Investments *continued*

3.3 Investment properties and owner occupied investments *continued*

3.3.2 Previous year

Instrument	Address	Valuation method	Date of last valuation	Pledged as a guarantee	At beginning of year 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	2021/06/20	No	117 000	(8 000)	109 000
Total of properties					117 000	(8 000)	109 000

4. Accounts receivable

	2022 R'000	2021 R'000
Accrued investment income	96 171	88 505
Pensioner payroll (prepaid)	287 914	246 065
Prepaid expenses	1 598	4 347
Other receivables	575	5 090
Recovery of ineligible member pay-out – Mr B Molefe	11 219	10 470
Total	397 477	354 477

Recovery of ineligible member pay-out: Refer to Schedule E, Significant Matters point 8.2 Interest calculated at the Fund's rate of return to the value of R750 000 (2021: R694 000) was added to the outstanding amount.

5. Transfers from other funds

	Effective date	Number 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
In terms of Section 14							
Alexander Forbes	2020/08/09	1	127	–	–	(127)	–
Individual transfers out	Various	13	232	4 311	6	(4 549)	–
Total		14	359	4 311	6	(4 676)	–
Transfers approved (B)							4 311
Return on transfers (C)							6
Statement of changes in net assets and funds							4 317

6. Transfers to other funds

	Effective date	Number 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	173	30 466	296 797	–	(282 039)	45 224
Total		173	30 466	296 797	–	(282 039)	45 224
Transfers approved (B)							296 797
Return on transfers (C)							–
Statement of changes in net assets and funds							296 797

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	96 769	4 320 509	–	(4 294 014)	–	123 264
Lump sums on retirements						
– Pensions commuted	91 146	1 070 617	–	(1 002 589)	–	159 174
Lump sums before retirement						
– Death and disability benefits	270 363	313 595	–	(293 631)	(2 953)	287 374
– Withdrawal benefits	144 871	881 749	749	(751 872)	(543)	274 954
Divorce payments	35 736	137 611	–	(164 676)	–	8 671
Other						
Instalment lumpsums	580 380	46 569	40 340	(22 633)	–	644 656
Total	1 219 265	6 770 650	41 089	(6 529 415)	(3 496)	1 498 093
Benefits for current year (B)						6 770 650
Return allocated (C)						41 089
Statement of changes in net assets and funds						6 811 739

8. Unclaimed benefits

	2022 R'000	2021 R'000
Balance at the beginning of the year	244 519	218 563
Transferred from benefits payable	3 496	40 051
Adjustment – opening balance correction*	–	(1 531)
Investment income allocated	37 499	2 747
Less:		
Benefits paid*	(10 527)	(15 311)
Balance at the end of the year	274 987	244 519

* During the prior year the Fund automated the recording of the unclaimed benefit values. This led to a difference in balances that were recorded in the prior periods.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

	2022 R'000	2021 R'000
9. Accounts payable		
Contributions refundable to Eskom Holdings SOC Limited*	44 272	39 527
PAYE	66 102	40 350
Investment expenses payable	40 729	64 053
Operational suppliers	42 362	31 386
Amounts refundable to ineligible members*	4 685	7 962
Total	198 150	183 278

* For further details on "Contributions refundable to Eskom Holdings SOC Limited and amounts refundable to ineligible member", refer to Schedule E, Significant Matters point 8.2. Interest calculated at the Fund's rate of return to the value of R508 000 (2021: R3 563 000) was added to the contributions refundable to Eskom Holdings SOC Limited and ineligible members.

10. Contributions

	A At beginning of year R'000	B Towards retirement R'000	D Contributions received R'000	A+B-D At end of the year R'000
Member contributions received and accrued	95 997	1 282 853	(1 285 290)	93 560
Employer contributions received and accrued	177 543	2 376 904	(2 384 479)	169 968
Additional voluntary contributions – members	3 340	44 613	(43 276)	4 677
Performance bonus scheme member contributions	–	28 229	(28 229)	–
Performance bonus scheme employer contributions	–	52 206	(52 206)	–
Total	276 880	3 784 805	(3 793 480)	268 205
Towards retirement				3 784 805
Towards reinsurance and expenses				–
Statement of changes in net assets and funds				3 784 805

11. Net investment income

	2022 R'000	2021 R'000
Income from investments	6 456 010	5 701 111
– Dividends	4 616 217	3 127 048
– Interest	1 788 017	1 986 591
– Rentals	11 494	11 162
– Collective investment schemes distribution	40 282	576 310
Net profit on sale/redemption of investments	6 886 987	7 783 714
Fair value adjustment on investments	(5 771 447)	11 651 807
	7 571 550	25 136 632
Less: Expenses incurred in managing investments	(770 520)	(677 165)
Total	6 801 030	24 459 467

The Fund has an inhouse investment management capability. During the current and previous year direct administration expenses relating to this capability of R98.9m (2021: R84.7m) have been allocated to expenses incurred in managing investments (refer note 13).

The fair value adjustment on investments arises from the "mark to market" changes in the value of investments.

	Notes	2022 R'000	2021 R'000
12. Other income			
Net securities lending fees		19 754	21 166
Board fees received		–	53
Profit on sale of fixed assets		–	175
Interest on ineligible member pay-out		750	694
Total		20 504	22 088
13. Administration expenses			
Actuarial fees		3 177	1 907
Audit services		4 697	5 939
Audit fees – external		2 403	4 317
Audit fees – consulting		147	–
Audit fees – internal		2 147	1 622
Consultancy fees and legal fees		13 309	22 534
Depreciation		3 968	3 541
Fidelity insurance		1 382	1 136
FSCA levies		1 814	1 795
Other expenses		110 468	114 074
Bank charges		3 196	2 617
Member interaction and related costs		1 851	469
Office rental		13 014	11 256
IT services and rental		65 098	59 199
Membership, development and other administration expenses		4 888	4 415
Travel expenses		2 310	72
Telephone, postage, printing and stationery		4 455	4 289
Project costs		15 656	31 757
Governance expenses	13.1	7 854	7 068
Staff expenses	13.2	145 609	143 221
Principal Officer expenses	13.3	2 223	1 819
Inhouse investment management expenses		(98 961)	(84 744)
Total		195 540	218 290

During the financial year the Fund incurred once-off project expenditure amounting to R15.65m. This included R10.4m relating to the member eligibility assurance exercise and R5.2m for other optimisation and member projects.

In order to improve the comparability of investment expenses, the Fund reallocates the costs of inhouse investment management to expenses incurred in managing investments (see note 11). Accordingly administration expenses amounting R98.9m (2021: R84.7m) was reallocated to the costs of managing investments. During the current year office rental was separately disclosed and the prior year value was reallocated from membership, development and other administration expenses.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

	2022 R'000	2021 R'000
13. Administration expenses <i>continued</i>		
13.1 Governance expenses		
Board of Fund remuneration	4 849	4 709
External expert fees	2 098	2 331
Travel, training and other expenses	907	28
Total	7 854	7 068

External experts are appointed to support the Board of Fund in fulfilling its fiduciary responsibilities and serve on the following committees: Human Resource and Remuneration committee, Strategic Investment Committee and the Medical Panel.

	2022 R'000	2021 R'000
13.2. Staff expenses		
Remuneration	93 177	96 789
Contributions to retirement fund	12 644	14 726
Training expenses	4 035	3 521
Provision for bonuses	16 908	16 008
Long-term incentive provision	11 882	7 500
Levies and insurance	1 403	1 138
Recruitment costs	5 560	3 539
Total	145 609	143 221

Included in remuneration for the period 30 June 2021 is a legal settlement with a former employee amounting to R3.5m.

	2022 R'000	2021 R'000
13.3 Principal Officer expenses		
Principal Officer expenses – remuneration	1 097	1 039
Principal Officer expenses – allowances	–	6
Principal Officer expenses – contributions to retirement fund	238	108
Principal Officer expenses – incentive remuneration	888	666
Total	2 223	1 819

The Principal Officer's expenses have been allocated at a rate of 30% of the Chief Executive's remuneration excluding incentives. This represents an estimated time-based allocation of the duties and responsibilities of the Principal Officer.

	2022 R'000	2021 R'000
14. Prior period transactions		
Accumulated funds adjustments	16 848	(9 055)
Total	16 848	(9 055)

The accumulated Fund of R16.8m relates to the processing of adjustments to accounting estimates from prior years.

During 2021 the processing of additional benefits were frozen due to the implementation of the PAS. The accumulated Fund of R9m relates to the processing of these delayed transactions. Implementation of the system required freezing of transaction process resulted in delayed processing of R9m relating to voluntary contributions and performance bonuses.

	2022 R'000	2021 R'000
15. Accruals		
Leave pay accruals	7 225	6 999
Incentive bonus accrual (Note a)	38 890	33 627
	46 115	40 626

Note a: Includes a long term incentive accrual of R18 181 000 (2021: R10 500 000).

Long term incentive bonus accrual increased due to increase in number of eligible participants, in line with the growth in the inhouse investment management team.

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 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 multi-year projections of actuarial liabilities of the Fund. 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 every three years and annual interim mini modelling studies 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.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

16. Risk management policies continued

Risk management framework continued

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 creditworthiness 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.

Liquidity/cash flow risk

Liquidity risk involves not having liquid assets to meet liabilities as they fall due, or being unable to realise 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 that are reviewed and due diligence done 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 to minimise the adverse impact of this risk. Where required, and in order to address market volatility, the Fund implements hedging strategy to protect the assets of the Fund.

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 minimise 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.

17. Related-party transactions

Board members who are employed by the participating employers make contributions to the Fund and receive benefits in line with the rules.

During the financial year, Board members' and external experts remuneration amounting to R7.8m (2021: R7.1m) was incurred.

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 R2.4bn (2021: R2.5bn) and refunded R697m (2021: R661m) medical aid contributions for pensioners.
- The Fund has investments in the participating employer to the value of R2.4bn (2021: R2.6bn).
- The participating employers had outstanding contributions of R268m at year end (2021: R277m).

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

Related party	Relationship	Description	Transactions 2022 R'000	Transactions 2021 R'000
Eskom Holdings SOC Limited	Participating employer	Contributions for employer appointed Board members	1 284	1 352
Eskom Holdings SOC Limited	Participating employer	Member contributions for employer appointed Board members	829	769
Board of Fund	Board members	Pension payments	1 755	1 665
Board of Fund	Board members	Board members remuneration paid to individuals	4 849	4 709
Outside experts	Outside experts appointed by Board of Fund	Outside experts fees paid to individuals	2 098	2 331
JM Maisela	Previous chairman	Fees for appearance at the Zondo Commission	–	105
Eskom Holdings SOC Limited	Participating employer	Purchase of additional bonds	–	83 152

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

Participating employers	Contributions R'000	Fund expenses R'000
Eskom Holdings SOC Limited	2 173 560	8 725
Eskom Rotek Industries SOC Limited	242 906	–
Eskom Pension and Provident Fund	12 644	–
Total	2 429 110	8 725

Eskom Holdings SOC Limited has undertaken to subsidise a portion of the costs relating to the member eligibility assurance exercise to a maximum of R10mil inclusive of vat. To date the Fund has invoiced Eskom the total amount of which R4.5mil excluding vat was received.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

17. Related-party transactions continued

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

	2022 R'000
Remuneration	11 103
Contributions to retirement fund	2 223
Incentive remuneration	7 790
Total amount contributed	21 116

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

Executive management remuneration has decreased by 30% (2021: R30 226) due to vacancies during the financial year.

18. Operating lease commitments

	2022 R'000	2021 R'000
Within one year	32 796	27 174
Between one and five years	89 245	82 518
After five years	–	4 712
Total	122 041	114 404

The Fund has the following operating leases:

Five year operating lease with EB Sphere (Pty) Ltd for software and remote processing services. The lease expires in October 2027.

An operating lease with Maitland Group South Africa Limited for an investment administration system. The lease was renewed for another five years and will be terminated in 2027.

A lease with Barra International LLC for data processing and reporting services relating to investment risk management. The lease expires in February 2026.

A lease with Bloomberg for investment information expired in June 2022 and was renewed for a further two years expiring in June 2024.

A lease with StatPro Limited for investment information which expired on 31 March 2022 was renewed for a further two years and will now expire on 31 March 2024.

An annual lease with TreasuryOne CTS (Pty) Limited for a treasury system which will expire on 30 November 2023.

A lease with MMT Inland (Pty) Limited for the provision of Microsoft licenses on an annual renewable basis.

19. Surplus and Reserve Accounts

	Normal retirement R'000	Additional voluntary contributions R'000	Performance bonus scheme R'000	Accumulated funds R'000	B+D+E Reserve accounts total R'000	B In-service solvency reserve R'000	D Pensioner solvency reserve R'000	E Pensioner increase affordability reserve R'000
At beginning of year	148 163 238	517 268	5 395 128	154 075 634	11 253 000	–	8 305 000	2 948 000
Prior period adjustment	16 848	–	–	16 848	–	–	–	–
Contributions received and accrued	3 659 757	44 613	80 435	3 784 805	–	–	–	–
Net investment income	6 445 548	31 224	324 258	6 801 030	–	–	–	–
Allocated to unclaimed benefits	(37 499)	–	–	(37 499)	–	–	–	–
Other income:	20 504	–	–	20 504	–	–	–	–
– Net securities lending fees	19 754	–	–	19 754	–	–	–	–
Interest on ineligible member pay-out	750	–	–	750	–	–	–	–
Less:	(195 540)	–	–	(195 540)	–	–	–	–
– Administration costs	(195 540)	–	–	(195 540)	–	–	–	–
Net income before transfers and benefits	158 072 856	593 105	5 799 821	164 465 782	11 253 000	–	8 305 000	2 948 000
Transfers and benefits	(6 655 198)	(64 336)	(384 685)	(7 104 219)	–	–	–	–
Transfers from other funds	(361)	30	4 648	4317	–	–	–	–
Transfers to other funds	(296 797)	–	–	(296 797)	–	–	–	–
Benefits	(6 358 040)	(64 366)	(389 333)	(6 811 739)	–	–	–	–
Net income after transfers and benefits	151 417 658	528 769	5 415 136	157 361 563	11 253 000	–	8 305 000	2 948 000
Transfer between reserve accounts	(10 584 000)	–	–	(10 584 000)	10 584 000	10 754 000	2 778 000	(2 948 000)
Net investment return	(1 115)	–	–	(1 115)	–	–	–	–
At end of year	140 832 543	528 769	5 415 136	146 776 448	21 837 000	10 754 000	11 083 000	–

06

REPORTING SCHEDULES

Protecting and advancing
the interests of members

REPORTING SCHEDULES

30 JUNE 2022

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AuM 'R	AuM %
INTERNALLY MANAGED ASSETS						
LISTED EQUITIES:						
EPPF CORE EQUITY A	DOMESTIC	CORE	EMERGING	Capped SWIX	6 799 922 812	4.00
EPPF CORE EQUITY B	DOMESTIC	CORE	EMERGING	Capped SWIX	6 611 589 572	3.89
EPPF SWIX TOP 40 INDEX TRACKER FUND	DOMESTIC	TRACKER	EMERGING	JSE SWIX TOP 40	6 868 848 575	4.04
					20 280 360 959	11.93
LISTED PROPERTIES:						
EPPF LISTED PROPERTY	DOMESTIC	CORE	EMERGING	SA Listed Property Index	4 977 138 398	2.93
STANLIB**	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	801 093 416	0.47
					5 778 231 814	3.40
INFLATION LINKERS:						
EPPF INFLATION LINKED BONDS	DOMESTIC	CORE	EMERGING	Composite Inflation-Linked Index/LDI	25 157 800 771	14.80
					25 157 800 771	14.80
NOMINAL BONDS:						
EPPF GOVERNMENT BOND	DOMESTIC	CORE	EMERGING	BEASSA GOVI	210 258 625	0.12
					210 258 625	0.12
MONEY MARKET:						
EPPF CALL 1	DOMESTIC	CORE	EMERGING	STEFI Composite Index	449 411 130	0.26
EPPF MONEY MARKET 2	DOMESTIC	CORE	EMERGING	STEFI Composite Index	611 321 630	0.36
					1 060 732 760	0.62
PRIVATE EQUITIES:						
EPPF PRIVATE EQUITY	DOMESTIC	CORE	EMERGING	Consumer Price Index	6 495 335 404	3.82
EPPF PRIVATE EQUITY INCUBATION	DOMESTIC	CORE	EMERGING	Consumer Price Index	663 311 133	0.39
					7 158 646 536	4.21
REAL ASSETS:						
EPPF REAL ASSETS	DOMESTIC	CORE	EMERGING	Consumer Price Index	2 854 152 636	1.68
					2 854 152 636	1.68
UNLISTED PROPERTY:						
EPPF INVESTMENT PROPERTY	DOMESTIC	PASSIVE	EMERGING	STEFI Composite Index	113 000 000	0.07
					113 000 000	0.07
STRATEGIC ASSET ALLOCATION:						
EPPF ASSET OVERLAY	DOMESTIC	CORE	EMERGING	SAA	2 663 704 105	1.57
					2 663 704 105	1.57

REPORTING SCHEDULES CONTINUED

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AuM 'R	AuM %
EQUITY LINKED NOTES:						
MSCI THE WORLD NOTE	DOMESTIC	PASSIVE	EMERGING	MSCI The World Net	952 048 019	0.56
MSCI CHINA NOTE	DOMESTIC	PASSIVE	EMERGING	MSCI A China Onshore Net	1 287 573 855	0.76
MSCI EMERGING MARKETS NOTE	DOMESTIC	PASSIVE	EMERGING	MSCI/EM Emerging Markets Net	1 748 798 265	1.03
					3 988 420 138	2.35
OTHER*:						
OTHER	DOMESTIC	PASSIVE	EMERGING	Consumer Price Index	1 624 565 201	0.96
					1 624 565 201	0.96
TOTAL INTERNALLY MANAGED					70 889 873 546	41.71
EXTERNALLY MANAGED ASSETS						
LISTED EQUITIES:						
OLD MUTUAL QUANTS	DOMESTIC	CORE	EMERGING	Capped SWIX	1 118 712 734	0.66
OLD MUTUAL CORE	DOMESTIC	CORE	EMERGING	Capped SWIX	1 428 885 884	0.84
MERGENCE	DOMESTIC	CORE	EMERGING	Capped SWIX	1 428 930 258	0.84
MIANZO	DOMESTIC	CORE	EMERGING	Capped SWIX	1 870 637 951	1.10
EXCELSIA	DOMESTIC	CORE	EMERGING	Capped SWIX	278 111 599	0.16
LIMA MBEU	DOMESTIC	CORE	EMERGING	Capped SWIX	233 830 439	0.14
CORONATION	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	7 929 830 350	4.67
MAZI CAPITAL	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	5 919 691 946	3.48
PERPERTUA	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	2 986 631 586	1.76
BENGUELA	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	1 180 685 212	0.69
AEON	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	995 008 877	0.59
NINETY ONE GENERAL EQUITY	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	4 002 229 579	2.35
NINETY ONE ACTIVE QUANTS	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	1 808 373 865	1.06
CAMISSA ASSET MANAGEMENT EQUITY	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	2 067 536 161	1.22
VALUE CAPITAL PARTNERS	DOMESTIC	SATELLITE	EMERGING	Capped SWIX	1 367 776 136	0.80
OLD MUTUAL TRACKER	DOMESTIC	PASSIVE	EMERGING	Shareholder Weighted (SWIX)	2 077 723 269	1.22
SANLAM SATRIX	DOMESTIC	PASSIVE	EMERGING	Shareholder Weighted (SWIX)	4 173 534 335	2.46

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AuM 'R	AuM %
					40 868 130 181	24.04
SEI	GLOBAL	CORE	DEVELOPED	MSCI AC World Index Net	5 710 351 274	3.36
BLACKROCK - INDEX FUND	GLOBAL	TRACKER	DEVELOPED	MSCI AC World Index Net	5 498 224 329	3.23
MORGAN STANLEY	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	6 245 298 081	3.67
STATE STREET GLOBAL ADV	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	3 578 223 460	2.11
ALLIANZ	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	5 290 018 518	3.11
VERITAS	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	4 655 360 951	2.74
UBS	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	181 207	0.00
UBS ACTIVE	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	2 908 758 092	1.71
ROBECO	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	2 908 516 083	1.71
UBS (CHINA)	GLOBAL	SATELLITE	EMERGING	MSCI A China Onshore Net	1 770 391 878	1.04
BLACKROCK (CHINA)	GLOBAL	SATELLITE	EMERGING	MSCI A China Onshore Net	2 222 974 287	1.31
					40 788 298 160	24.00
AFRICA ex SA EQUITIES						
EMERGING MARKETS INVESTMENT MANAGEMENT	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	1 690 962 560	0.99
ASHMORE	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	515 210 473	0.30
SANLAM CENTRE SUB-SAHARAN AFRICA FUND	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	769 924 010	0.45
DRAKENS CAPITAL	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	61 594 963	0.04
					3 037 692 007	1.79
HEDGE FUNDS:						
MATRIX	DOMESTIC	SATELLITE	EMERGING	STEFI Composite Index	1 337 361 125	0.79
					1 337 361 125	0.79
LISTED PROPERTIES:						
CATALYST	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	2 393 466 198	1.41
MEAGO	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	1 924 896 518	1.13

REPORTING SCHEDULES CONTINUED

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AuM 'R	AuM %
					4 318 362 716	2.54
NOMINAL BONDS:						
ALUWANI	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	4 306 458 692	2.53
NINETY ONE BONDS	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 483 365 460	0.87
STANLIB FIXED INCOME	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 211 838 432	0.71
VUNANI FIXED INCOME	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 384 689 946	0.81
					8 386 352 529	4.93
MONEY MARKET: GLOBAL						
BLACKROCK USD	GLOBAL	PASSIVE	DEVELOPED	Citi 1 Month USD Eurodeposit	342 358 880	0.20
STATESTREET USD	GLOBAL	PASSIVE	DEVELOPED	Citi 1 Month USD Eurodeposit	9 456 855	0.01
					351 815 735	0.21
TOTAL EXTERNALLY MANAGED					99 088 912 454	58.29
TOTAL AuM					169 977 886 000	100.00

* Includes residual stocks, transition assets and PE custody balance.

Assets under management

	Market value 2022 R'000	Market value 2021 R'000
Asset managers		
AEON Investment Management (Pty) Ltd	995 009	969 015
Allianz Global Investments Europe GMBH	5 290 019	5 891 707
Aluwani Capital Partners (Pty) Ltd	4 306 459	4 055 555
Ashmore The Africa Emerging Markets Fund	515 210	575 190
Benguela Global Fund Managers (Pty) Ltd	1 180 685	1 154 557
Black Rock Investment Management (UK) Ltd – China	8 063 557	7 370 831
Catalyst Fund Managers SA (Pty) Ltd	2 393 466	2 351 702
Coronation Fund Managers (Pty) Ltd	7 929 830	7 817 492
Drakens Capital (Pty) Ltd	61 595	527 866
Duet Africa Opportunities Fund	1 690 963	1 469 580
Excelcia Capital (Pty) Ltd	278 112	255 977
Inhouse managed assets	70 889 874	73 089 720
Camissa Asset Management (Pty) Ltd – Equity	2 067 536	1 982 341
Lima Mbeu Investment Managers (Pty) Ltd	233 830	224 440

	Market value 2022 R'000	Market value 2021 R'000
Matrix Fund Managers (Pty) Ltd	1 337 361	1 430 709
Mazi Capital (Pty) Ltd	5 919 692	5 474 750
Meago Trading (Pty) Ltd	1 924 897	1 929 240
Mergence Investment Managers (Pty) Ltd	1 428 930	1 319 083
Mianzo Asset Management (Pty) Ltd	1 870 638	1 709 393
Morgan Stanley Investment Management Ltd	6 245 298	5 997 806
Ninety One (Pty) Ltd	7 293 969	7 089 003
Old Mutual Investment Group (Pty) Ltd	4 625 322	2 346 924
Perpetua Investment Managers (Pty) Ltd	2 986 632	2 782 922
Robeco Institutional Asset Management B.v.	2 908 516	3 328 255
Sanlam Centre Sub-Saharan Africa Equity Fund	769 924	776 873
Sanlam Satrix	4 173 534	–
Sei Investments (Europe) Ltd	5 710 351	6 004 681
Stanlib Asset Management (Pty) Ltd	1 211 838	1 990 186
Stratstreet Global Asset Managers	3 587 680	3 639 500
Ubs Asset Management (Pty) Ltd	4 679 331	5 872 220
Value Capital Partners (Pty) Ltd	1 367 776	1 047 601
Veritas Asset Management Llp	4 655 361	4 698 359
Vunani Fund Managers (Pty) Ltd	1 384 690	1 184 768
	169 977 886	166 358 247

Internal Asset managers		
EPPF Asset Overlay (AAOV)	2 663 704	5 835 002
EPPF Call I	437 459	5 427 403
EPPF Core Equity A	6 799 923	6 453 157
EPPF Core Equity B	6 611 590	6 268 445
EPPF Government Bond	210 259	207 856
EPPF Inflation Linked	25 157 801	22 177 202
EPPF Listed Property	4 977 138	4 959 421
EPPF Ex-Stanlib Listed Property	801 093	–
EPPF Money Market 2	611 322	1 200 524
EPPF office park	113 000	109 000
EPPF Private Equity 3 and 3A	6 495 335	4 884 601
RMB Morgan Stanley Ltd	350	13 837
SWIX Top 40 Index Tracker Fund	6 868 849	9 193 399
EPPF Internal Transition portfolio	3 186	973 563
EPPF Equity Linked	952 048	11 179
Private Equity Incubation	663 311	139 802
EPPF Northern Trust Clearing Account	333 782	129 204
EPPF Real Assets	2 854 153	659 107
EPPF Equity Share I	4 958	4 463
MSCI Emerging ELN	1 748 798	2 035 147
MSCI China A ELN	1 287 574	2 407 408
EPPF Africa Bonds	1 282 289	–
	70 889 874	73 089 720

REPORTING SCHEDULES CONTINUED

Schedule of Investments

For the year ended 30 June 2022

Summary of Investment Asset Holdings

Top 15 Holdings as at 30 June 2022		
Security name	Fair value	% of AuM
I2050 2.5% 311250	8 861 205	5.21
I2046 2.5% 310346	7 227 330	4.25
Naspers	4 728 990	2.78
Prosus	3 952 175	2.33
Anglo American	3 113 958	1.83
I2038 2.25% 310138	3 070 310	1.81
MTN Group	3 034 239	1.79
Firststrand Limited	2 922 566	1.72
British American Tobacco PLC	2 756 193	1.62
Standard Bank Group	2 600 324	1.53
Sasol	2 493 242	1.47
R2048 8.75% 280248	1 990 543	1.17
Impala Platinum Hlds	1 912 644	1.13
NEPI Rockcastle N.V.	1 632 092	0.96
Growthpoint Prop Ltd	1 589 273	0.93
Top 10 Equity Holdings as at 30 June 2022		
Naspers	4 728 990	2.78
Prosus	3 952 175	2.33
Anglo American	3 113 958	1.83
MTN Group	3 034 239	1.79
Firststrand Limited	2 922 566	1.72
British American Tobacco PLC	2 756 193	1.62
Standard Bank Group	2 600 324	1.53
Sasol	2 493 242	1.47
Impala Platinum Hlds	1 912 644	1.13
Absa Group Limited	1 561 848	0.92
Top 10 Bond Holdings as at 30 June 2022		
I2050 2.5% 311250	8 861 205	5.21
I2046 2.5% 310346	7 227 330	4.25
I2038 2.25% 310138	3 070 310	1.81
R2048 8.75% 280248	1 990 543	1.17
R2044 8.75% 310144	1 165 132	0.69
R210 2.60% 310328	1 059 442	0.62
FRS272 0.00% 210722	951 868	0.56
R2037 8.50% 310137	946 582	0.56
I2033 1.8750% 280233	760 554	0.45
R202 3.45% 071233	740 300	0.44

Financial assumptions for the 30 June 2022 and 30 June 2021 actuarial valuation

Item	2022 R'000	2021 R'000
Normal bond yield (15 to 20 years)	13.11	12.36
Index-linked bond yield (15 to 20 years)	4.15	4.44
Inflation risk premium	0.75	0.75
Inflation assumption	8.2	7.2
Discount rate (investment return assumption)	24.6	13.5
Long term salary inflation	8.2	7.2
Net pre-retirement return (in-service members)	5.9	5.9
Pension increase assumption	8.2	7.2
Net post-retirement return (pensioners)	5.9	5.9

Summary of Direct Investments

Instrument	Total Value of commitment	Capital deployed	Fair value	% Holding	% of AuM
Busamed PROP LTD	540 681	540 681	499 395	25.17	0.29
Crossfin Technology Holdings	115 731	115 731	117 669	5.93	0.07
Gammatek	44 496	44 496	60 692	3.06	0.04
Nova Pioneer Property SPV I (RF) PROP – ZAR	300 000	36 430	39 268	1.98	0.02
Plumbago Investment-DSV Campus	703 150	703 150	731 508	36.87	0.43
South African Student Accommodation Impact Investment	350 000	143 569	157 946	7.96	0.09
Sphere Holdings	249 966	249 966	321 818	16.22	0.19
TUHF (senior debt instrument)	200 000	200 000	200 777	8.83	0.12
SA Taxi (senior debt instrument)	175 000	175 000	173 943	7.73	0.10
Van Schaik Book Stores	32 625	32 625	55 862	2.82	0.03

Five year asset mix trend

	2022 Fair value R'000	%	2021 Fair value R'000	%	2020 Fair value R'000	%	2019 Fair value R'000	%	2018 Fair value R'000	%
Cash	3 871 531	2.3	11 902 187	7.2	7 092 005	4.9	8 488 151	5.9	8 266 490	5.9
Commodities	–	0.0	–	0.0	19 525	0.0	–	0.0	–	0.0
Debt instruments	35 339 624	20.8	29 715 779	17.9	27 364 692	18.9	25 310 694	17.5	23 423 326	16.7
Investment properties	113 000	0.1	109 000	0.1	117 000	0.1	119 000	0.1	123 500	0.1
Insurance policies	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
Equities	102 464 111	60.3	101 407 404	61.0	87 649 477	60.7	89 557 089	61.9	86 328 904	61.4
Collective investment schemes	14 527 218	8.5	13 887 985	8.3	13 341 466	9.2	13 106 091	9.1	15 188 956	10.8
Hedge funds	1 337 361	0.8	1 430 709	0.9	1 276 282	0.9	971 409	0.7	834 541	0.6
Private equity funds	9 874 310	5.8	5 334 104	3.2	5 359 777	3.7	4 698 959	3.2	4 177 125	3.0
Derivative market instruments	–	0.0	–	0.0	–	0.0	6 236	0.0	5 864	0.0
Investment in participating employer(s)	2 450 731	1.4	2 571 078	1.5	2 286 196	1.6	2 398 714	1.7	2 329 498	1.7
	169 977 886	100	166 358 248	100	144 506 420	100	144 656 343	100	140 678 204	100

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ALM	Asset liability management
ARC	Audit and Risk Committee
AuM	Assets under management
Batseta	Council of Retirement Funds of South Africa
B-BBEE	Broad-based black economic empowerment
Board	Board of Trustees of EPPF
bn	Billion
CE	Chief Executive
CFO	Chief Financial Officer
CPI	Consumer price index
EPPF	Eskom Pension and Provident Fund (the Fund)
Eskom	Eskom Holdings SOC Ltd
ERI	Eskom Rotek Industries
ERM	Enterprise risk management
FSCA	Financial Sector Conduct Authority
GDP	Gross domestic product
IODSA	Institute of Directors of South Africa
IRRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation
IT	Information technology
m	Million
PAS	Pension Administration System
POPIA	Protection of Personal Information Act
SWIX	Shareholder-weighted all share index
TER	Total expense ratio
USSD	Unstructured supplementary service data

FUND ADMINISTRATION

Eskom pension and provident fund

Fund registration number 12/8/564

Registered office of the fund

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EPPF Office Park
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Benefit administrator

Self-administered

External auditor

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Co-sourced internal auditors

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Actuaries

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