



Care and Conviction

in times of Uncertainty



CONTENTS

01 ABOUT THIS REPORT IFC

02 OUR ORGANISATION 2

Our business	3
2021 at a glance	4
Executive committee	6
Chairperson's report	8
Chief Executive's report	10
Operating environment	13
Material issues	16
Our strategic vision and business model	18

03 OUR PERFORMANCE 22

Managing risk	23
Providing a member-centred service	26
Preserving and growing our assets	30
Advancing legal compliance	43
Optimising technology	45
Unlocking the talent of our human capital	46
Sustaining stakeholder relations	50

04 GOVERNANCE 54

Introduction	55
The Board and its role	55
Committees of the Board	55
Attendance at Board meetings	55
Board of Fund	58
Chief Financial Officer's report	66

05 FINANCIAL STATEMENTS 72

Summarised Annual Financial Statements	73
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06 REPORTING SCHEDULES 98

Glossary of acronyms and abbreviations	108
Fund administration	IBC

01 ABOUT THIS REPORT

The theme of this 2021 Integrated Report of the Eskom Pension and Provident Fund (the Fund or EPPF) is "Care and conviction through times of uncertainty". This reflects the Fund's recognition of the many challenges South Africans currently face. It also conveys the Fund's promise to put our members' wellbeing first.

In these uncertain times, retirement fund members require assurance that their pension funds are dependable partners, capable of keeping their retirement goals and dreams on track. This report demonstrates that the Fund's dedicated team of professionals have the experience, flexibility and practical expertise needed in this volatile financial environment.

The report outlines the Fund's performance for the period 1 July 2020 to 30 June 2021 (referred to as 2021 throughout the text). It provides a concise description of significant developments and outcomes and affords insight into the management and governance of the Fund. It discloses material matters arising during the year – that is, issues that have the potential to affect the Fund's ability to create and sustain value over the short, medium and long term.

The selection and presentation of information have been guided by best practice and/or statutory requirements contained in:

- 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 (FSB).

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

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FORWARD-LOOKING STATEMENTS

Certain forward-looking statements are made in the report, particularly in terms of the likely impact on the Fund of geopolitical, global and domestic economic conditions, investments and performance. These forward-looking statements involve both known and as-yet unknown risks and other factors that could cause actual performance and outcomes to be materially different from those anticipated in forward-looking statements.

STATEMENT OF CHAIRS OF THE BOARD AND AUDIT AND RISK COMMITTEE

The Board, through the Audit and Risk Committee (ARC), is responsible for overseeing the integrity of this integrated report and acknowledges its responsibility in this regard. Board members collectively applied their minds to the preparation and presentation of the report and believe it to be a fair representation of the performance of the Fund and its material matters. The Board accordingly approved this integrated report on 11 November 2021.



Ms Caroline Mary Henry
Chairman of the Board



Mr Jasper Martin Buys
Chairperson of the ARC



Ms Molibudi Anah Makgopa
Audit and Risk Committee Member

EXTERNAL AUDIT AND ASSURANCE

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

1. Management of the Fund oversees the daily internal controls and implements the risk management strategy of the Board of Fund (the Board).
2. Internal legal, risk and compliance functions ensure that the Fund adheres to the requirements of applicable legislative frameworks.
3. The internal audit function assesses the effectiveness of the internal controls, governance and risk management. The ARC applies a coordinated approach to the combined assurance provided. The Board serves as the ultimate fiduciary control.
4. The Fund's external auditor, BDO South Africa, expresses an opinion on the summarised annual financial statements, in accordance with regulatory requirements. The Fund's valuator, Ms Liesel Ryan of Willis Towers Watson, provides assurance on the solvency and sustainability of the Fund. External legal counsel and consulting actuaries are used when it is deemed appropriate.
5. Regulatory inspectors and licensing authorities, conducting reviews in accordance with relevant legislation, provide a final, entirely independent overlay of external assurance.

A black and white photograph of a man in a blue polo shirt, smiling and writing in a notepad. He is standing next to a white car. In the background is a large house with arched windows and a porch. The text "OUR ORGANISATION" is overlaid in a large, bold, sans-serif font.

OUR ORGANISATION

02

OUR BUSINESS

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

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.



C.A.R.E.

embodies the personal and corporate qualities that guide our action towards success:



Customer-centric focus



Accountability



Resourcefulness



Excellence

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.

Our Pledge to C.A.R.E?



VISION

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



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.

2021 EPPF AT A GLANCE



**ASSETS
UNDER
MANAGEMENT**

R166.4bn

(2020: R144.5bn)



**FUNDING
LEVEL**

145%

(2020: 135%)



**PENSIONER
BONUSES PAID**

R319m*

(2020: R210m)

* Annual & COVID relief



**ONE-YEAR
INVESTMENT
RETURN**

17.57%

(2020: 0.84%)



**PENSIONER
INCREASES**

3%

(2020: 2%)



**TOTAL NET
EXPENSES RATIO**

0.54%

(2020: 0.58%)



**THREE-YEAR
INVESTMENT
RETURN**

8.07%

(2020: 3.60%)



**TOTAL
CONTRIBUTIONS**

R3.87bn

(2020: R3.84bn)



**RECURRING ADMIN
EXPENSES**

R271m

(2020: R262m)



**BENEFITS
PAID**

R5.95bn

(2020: R5.61bn)



**B-BBEE
SPENDING**

R357m

(2020: R212m)



PROCESSING
TIME FOR CONTRIBUTIONS

5 days

(2020: 7 days)



PERCENT
OF CALLS
ANSWERED

87%

(2020: 80%)



MEMBER SATISFACTION
SCORE

79.4%

(2020: N/A)



IN-SERVICE
MEMBERS

40 440

(2020: 41 915)



DEFERRED MEMBERS

2 029

(2020: 2 211)



CLAIMS PROCESSED
WITHIN TARGET PERIOD

76%

(2020: 62%)



PENSIONERS

33 756

(2020: 33 146)



BENEFICIARIES

3 315

(2020: 3 366)

EXECUTIVE COMMITTEE



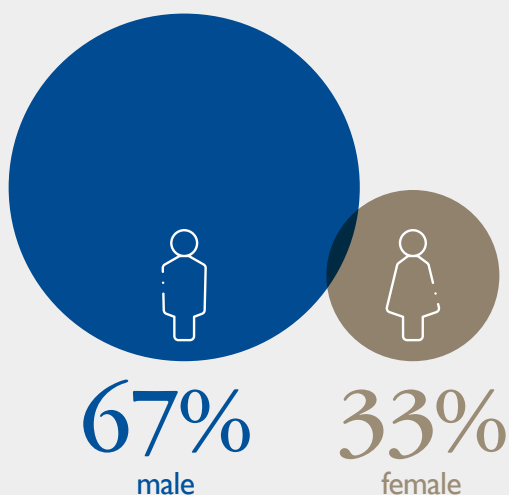
MR SHAFEEQ ABRAHAMS

Chief Executive and Principal Officer

BCompt Honours Degree in Accounting, Chartered Accountant (SA), Masters in Business Leadership

Mr Shafeeq Abrahams joined the EPPF on 1 September 2018.

GENDER



TENURE

10 – 15 years	1
5 – 9 years	2
2 – 4 years	2
less than 2 years	1



MS SHYLESS NKUNA

Executive: Human Capital

BA Psychology (University of the Western Cape), BA Hons. Psychology (University of the Western Cape), Registered Psychometrist (Health Professions Council of South Africa), Master of Commerce in Business Management (University of Johannesburg)

Ms Shyless Nkuna joined EPPF on 1 April 2017.



MR NDABEZINHLE MKHIZE

Chief Investment Officer

BSc. Actuarial Science, Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA)

Mr Ndabezinhle Mkhize joined the EPPF on 1 May 2014.



MR KISHORE JOEY SANKAR

Executive: Pensions Administration

B.Com. Management (UNISA), Masters in Information Technology (University of Pretoria), Information Technology Infrastructure Library (IT IL) qualification, Prince 2 Practitioner qualification Certified Pensions Specialist (Global Academy)

Mr Joey Sankar joined the EPPF on 1 July 2014.



MR AYANDA GAQA

Executive: Governance And Assurance

B.Tech. (Internal Auditing), Post Graduate Diploma in Financial Planning (University of Free State), Certified Financial Planner®, Certified Compliance Professional (Compliance Institute of SA), Certified Fraud Examiner

Mr Ayanda Gaqa joined the EPPF on 1 July 2007.



MS YOLISA SKWINTSHI

Executive: Information Technology

Honours in Computer Science, Executive leadership programme (Gordon Institute of Business Science – GIBS), Advanced Management Development Programme (University of Pretoria – UP)

Ms Yolisa Skwintshi joined the EPPF on 6 January 2020.

CHAIRMAN's REPORT

Caroline Henry

Chairman of the Board of Fund

“

THE 2020/21
INVESTMENT
RESULTS, SET OUT IN
THIS REPORT, BEAR
TESTIMONY TO
THE SECURITY OF
YOUR RETIREMENT
SAVINGS DESPITE
MARKET VOLATILITY
AND GLOBAL
UNCERTAINTY ABOUT
THE FUTURE.



It is with great pleasure that I present the 2021 Integrated Annual Report on behalf of the Board of Fund of the EPPF.

The Board was established to ensure that the Fund is governed effectively and efficiently, in compliance with all relevant legislation. The Board's top priority is to safeguard the interests of all our members, pensioners and beneficiaries.

INVESTMENT MARKETS

COVID-19, together with a combination of other economic and political factors, has had a significant impact on international and domestic investment markets. Notwithstanding this, the investment performance of the past year highlights the resilience of the Fund and our carefully considered investment strategy.

With over 75 000 active members, pensioners and beneficiaries, our fund is multi-generational, and we understand that what we do today is going to have an impact on generations to come. The Board continually analyses the performance of the Fund and regularly reviews the strategy to ensure it remains relevant during the prevailing market and economic environments. We take our investment decisions very seriously, and I am confident that we have the right leadership team and the right partners in place to keep the Fund on course. We are fortunate to have the resources to allow us to make the most appropriate investments on behalf of our members and to navigate uncharted and stormy waters successfully.

Although the sound investment of funds is at the heart of the Fund's ability to meet its members' expectations, the containment of investment and administration costs is closely linked. During the reporting period, the Fund participated in an international benchmarking exercise to evaluate its costs. The outcome was pleasing, although there always remains opportunity to improve. Overall, the Fund is currently in a sound financial position.

ASSISTING OUR PENSIONERS

Strategically, one of the biggest issues facing the Fund over the past year has been our pensioners' uncertainty during these extraordinary times. It is understandable, given the impact of the global pandemic, that many of our pensioners have been particularly anxious about their investments and concerned about what might happen to their benefits if they pass away from COVID-19.

In addition, media reports that raised doubts about the ability of our new Pension Administration System (PAS) to deliver, created concerns for some pensioners. Despite some challenges along the way the new system has been implemented successfully and now runs smoothly.

The Fund heeded the call by President Cyril Ramaphosa to assist communities and households during this time. Whilst our pensioners were unaffected, the Fund acknowledged the additional COVID-19 related hardships. To assist our pensioners, the Fund paid out a special bonus at the beginning of the current financial year.

EVOLVING OUR COMMUNICATION WITH MEMBERS

A strategic focus in the period under review was the further expansion of our digital channels which will facilitate more regular and relevant interaction and communication with members at every stage of their lives.

The Fund's recent development of a self-service portal allows members to have instant access to their records, update their personal data and access their annual benefit statements.

BOARD AND GOVERNANCE

One of the Board's main responsibilities to our members is to ensure that we have the necessary expertise and independence to meet our oversight responsibilities and add value to the Fund's strategic deliberations. The benefits of an experienced and knowledgeable Board were never more evident than in providing counsel and support during the crises of the past year.

During the reporting period, we welcomed Mr Shafeeq Abrahams as the Fund's new Chief Executive (CE) and Principal Officer. Shafeeq was previously the Chief Financial Officer (CFO) of the Fund and is a highly respected member of the executive team. The Board is already benefiting from his pragmatic approach to achieving the milestones envisaged in our Vision 2024.

I would like to extend special thanks to our previous CE and Principal Officer, Ms Linda Mateza, for her incredible contribution to the Fund during a tumultuous time. Along with her able crew, Linda kept our ship steady throughout a very stormy 2020.

HONOURING THE LIVES THAT HAVE BEEN LOST

Our thoughts go out to all those who have lost family members, friends and colleagues during the pandemic. Not only did we lose a valued colleague to COVID-19, but numerous families within our team and our member base have experienced the loss of loved ones as a result of the virus. The impact of the pandemic and the resulting stresses, strains and sorrow will resonate in our lives for a long time to come.

VISION 2024 STILL IN SIGHT

Regardless of some stumbling blocks, we are still moving methodically towards achieving the Fund's five-year strategic objectives and achieving what we set out to do. We will continue to keep our members, pensioners and beneficiaries front and centre in all our endeavours.

The 2020/21 investment results, set out in this report, bear testimony to the security of your retirement savings despite market volatility and global uncertainty about the future. We hope this gives you a measure of comfort and confidence.

Our team is unified to leverage our diverse skills and experience. We understand our role as the Board, and our team is energised and well-aligned to forge ahead with Vision 2024. Although our previous Chairman Ms Mantuka Maisela's term ended in the 2020 financial year I would like to take this opportunity to thank her for the service to the Fund.



Caroline Henry
Chairman

CHIEF EXECUTIVE'S REPORT

Shafeeq Abrahams

Chief Executive and Principal Officer

“

THE STUDY INDICATED THAT THE EPPF IS IN THE TOP QUARTILE OF ITS PEER GROUP WHEN IT COMES TO CONTAINING INVESTMENT MANAGEMENT COSTS. ON THE PENSION ADMINISTRATION SIDE, THE STUDY SHOWED THAT THE EPPF'S PENSION ADMINISTRATION COSTS WERE 36% BELOW THE MEDIAN FOR ITS PEER GROUP.



The period July 2020 to June 2021 may have escaped the extreme shocks of the preceding months, but it remained a turbulent period. Management of the EPPF demanded the closest attention and steadfast financial judgment. At the same time, the continued hardship and uncertainty reminded us of our interdependence as families, communities and nations as well as the value of acting with compassion.

ECONOMIC AND INVESTMENT CONTEXT

Before the COVID-19 pandemic gripped the world in March 2020, domestic markets were delivering low investment returns. For several years, South Africa had experienced near-zero economic growth and high unemployment. The pandemic exacerbated an already difficult situation and we saw the local economy and the Johannesburg Stock Exchange contracting sharply.

With more than 60% of our assets locally invested, the Fund saw a reduction in the value of assets under management (AUM) from a peak of R146.3bn in December 2019 to R113.8bn in March 2020. This volatility affected investment returns and unfortunately, negatively impacted pension increases which the Fund could afford to pay in January 2021. Subsequently, the Fund made an impressive recovery: the AUM grew to R166.4bn at 30 June 2021. For more details on investment performance, see Preserving and Growing our Assets on page 30.

INVESTMENT MANAGEMENT

The Fund's recovery was largely due to a robust investment strategy and the diversification of its investment portfolio across different asset classes and geographies. As a result, the Fund was able to achieve a one-year investment return of 17.57% (2020: 0.84%) against its one-year CPI target of 4.87% (2020: 2.22%). Its three-year rolling investment return improved from 3.60% in June 2020 to 8.07% in June 2021.

The Fund continues to evaluate new opportunities to invest with a view to achieving its investment objectives. This includes assessing infrastructure, private equity and real estate within both developed and emerging markets.

FINANCIAL SOUNDNESS

We are pleased to report that the funding level increased from 135% at 30 June 2020 to 145% at 30 June 2021. The funding level indicates the extent to which the Fund's assets cover its liabilities, including the required contingency reserves at the valuation date. The increase in the funding level is largely due to the stronger investment performance for the year, as well as an increase in the discount rates used to estimate the liabilities. While the funding level is a best estimate of future liabilities and contingencies in relation to assets at a point in time, with a potential to change in future, it does provide us with a measure of the financial strength of the Fund. As it stands the Fund is financially sound with a healthy funding level.

ANNUAL PENSION INCREASES

Our pensioners have consistently expressed concern that the annual pension increases allocated over the past few years have been lower than expected. While there are sound reasons for this, the Fund strives to award increases in line with inflation over the long term.

I am pleased to report that with effect from 1 January 2022 all pensioners will receive an increase of 5% which is in line with current CPI. Furthermore, the Fund will carry out a CPI catch-up exercise, the aim of which is to compare each pensioner's current pension with what their pension would have been if that pensioner received full inflation increases since the date their pensions commenced. If the actual pension payment is less than the pension accumulated with CPI increases, the affected pensioner would be allocated a top-up increase to a maximum of 3.7%. The Fund will issue further communication in this regard.

CARING IN ACTION

Throughout the year we remained sensitive to our members' concerns and needs. Despite the volatility of the last year, we managed to pay a COVID-19 bonus to our pensioners in July 2020 and an annual bonus in December 2020. In addition, an annual bonus will be paid in December 2021. We note the concerns raised by some members on how the bonus is structured. The Board is currently reviewing the pensioner increase policy and bonus structure and will keep its members and pensioners informed of any new developments during the course of calendar year 2022.

GOVERNANCE AND REGULATION

The Fund prides itself on good governance and regulatory compliance. However, like many other funds, the EPPF is subject to scrutiny by the media and sometimes this has raised concerns among our members. The Fund responded swiftly to allay concerns, where necessary stepping up our governance framework requirements and level of regulatory compliance. Our motivation has been to retain the trust of our members and provide greater comfort that our standard of governance is at an all-time high.

In the year under review the Fund reached an advanced stage in the assurance exercise to ensure all members of the Fund are eligible for membership.

COST MANAGEMENT

In order to understand how cost-competitive the Fund is, we commissioned a study by CEM Benchmarking Inc, an independent company that specialises in benchmarking pension fund service levels and cost management. The study compared the EPPF against other international pension funds of a similar size and nature to establish how it compares in terms of operating performance and costs.

The study indicated that the EPPF is in the top quartile of its peer group when it comes to containing investment management costs. On the pension administration side, the study showed that the EPPF's pension administration costs were 36% below the median for its peer group. This demonstrates the Fund's competitiveness relative to its peers.

CHIEF EXECUTIVE'S REPORT **continued**

For the year under review, our costs were 0.54% of AUM, down from 0.58% in the previous reporting period.

The Fund will continue to manage costs by reviewing investment mandates and leveraging internal resources to ensure operational efficiency.

TRANSFORMATION AND EMPOWERMENT

The EPPF recognises that it operates in an environment with many social challenges and that its sustainability is linked to the manner in which social, economic and environmental conditions are addressed. The Fund believes it has a role to play in social and economic transformation and does so through its impact investing strategy.

Impact investing aims to achieve financial returns for our members and generate a social dividend. Decisions in relation to our listed investments are also informed by the need to encourage environmental, social and governance (ESG) responsibility in listed companies.

As a recognised advocate of transformation in the financial services industry, we continue to drive our transformation agenda by allocating domestic mandates to transformed asset managers.

SUPPORTING INFRASTRUCTURE

We believe that South Africa's economic recovery is highly dependent on its infrastructure plan. As a pension fund we consider infrastructure as an asset class a good fit. This is due to the inflation-sensitive cash flows generated by infrastructure over the long term relative to the long-dated liabilities of a pension fund.

As an impact investment, infrastructure offers job opportunities at various skill levels and has multiplier effects in the wider economy. At the same time it is able to generate attractive financial returns for investors. The Fund evaluates infrastructure investment according to established criteria and ultimately acts in the best interests of its members.

DIGITAL TRANSFORMATION

Since the start of the COVID-19 pandemic, our members have at times received delayed responses to their enquiries. With our digital platform in place, members can now access information more readily. Our communication channels are undergoing further expansion in the months to come. We envisage offering a hybrid of physical and digital engagement for the foreseeable future because it affords us richer interaction with our members. Through effective interaction with members we will get to understand members' concerns and issues first-hand.

Over the past few years, many deferred members have wanted portability of membership should they elect to move their savings from the EPPF. However, the Fund rules

prevented portability of membership once a selection had been made by a member. We are pleased to say that the rules have been amended and the change was approved by the Financial Sector Conduct Authority (FSCA) on 5 July 2021. This means that deferred members under the age of 55 now have the ability to move their savings to a different fund. (See details under the Advancing Legal Compliance on page 43.) However, we believe that the EPPF remains a strong value proposition for deferred pensioners, with its lower cost structure and long-term investment performance.

ESKOM UNBUNDLING

As widely reported in the media, the principal employer, Eskom Holdings SOC Ltd (Eskom), is in the process of unbundling its divisions into separate companies. The Fund is engaging Eskom in this regard and is monitoring possible risks and implications for the Fund. (For more detail see Managing Risk on page 23.)

STRATEGIC OUTLOOK

We have made progress in realising our Vision 2024 and delivering on its five strategic pillars. In the short to medium term, the Fund will continue its focus on building its member-centric capabilities with a view to improving its service to members.

SPECIAL ACKNOWLEDGEMENT

I would like to thank my predecessor, Ms Linda Mateza, for her diligent and committed leadership in the period prior to my appointment. We wish Linda all the best in her future endeavours. Managing the Fund has always demanded a team effort and we can assure members that a strong executive team is in place. Continuity and service to members remain our priority.

A TEAM EFFORT

Finally, a thank you to EPPF employees. I am grateful for the many opportunities that I have been afforded to lead the team, but mostly for the privilege of being part of the EPPF team. Let us continue to serve members and stay deeply committed, leading with passion and purpose. Your efforts and sacrifices have enabled the Fund to demonstrate resilience and positive impact.



Shafeeq Abrahams

Chief Executive and Principal Officer

OPERATING ENVIRONMENT

In the period under review, the external environment continued to be extraordinarily challenging, both globally and locally. About 18 months after the emergence of the COVID-19 pandemic, the global community continued to suffer its impacts. In South Africa, the labour market was hard hit by lockdown restrictions introduced to contain successive waves of infection. Although the Fund's operations were largely unaffected, new issues and opportunities began to emerge.

The Fund adopted a hybrid office-home working model, utilising digital and cloud solutions extensively. Since these solutions are vulnerable to cyber events, measures were put in place to reduce the Fund's vulnerability.

Member engagement was reshaped by COVID-19 precautions. In-person interaction with members was temporarily discontinued and some members may have been frustrated by the lack of access to walk-in centres and satellite offices. The roll out of self-service digital solutions gave members new options for interacting with the Fund, which used a combination of communication platforms to keep members abreast of developments.

THE GLOBAL ECONOMY

During the second half of 2020, all regions of the globe were drastically affected by the sheer extent of infection and successive economic lockdowns designed to reduce the spread of the virus. The focus switched in late 2020 and early 2021 to the race to develop, approve and deliver vaccines on a vast scale to combat the pandemic.

Mass vaccination programmes in developed countries gained momentum in early 2021, with low and middle-income countries generally lagging far behind as limited supplies of vaccines were channelled to wealthy nations. The emergence of variants of the virus meant that infection continued to spread in the face of mass vaccination. However, the consequences of this were far less drastic in terms of severe illness, hospitalisation and deaths.

Governments everywhere learnt to apply lockdowns more flexibly and many developed countries reopened their economies. This led to improving global growth, higher rates of employment, increased aggregate demand, stronger equity markets and stronger commodity markets. The world's largest economies – China and the United States – were showing signs of recovery by the end of the first half of 2021.

At the height of lockdowns, monetary easing – that is, a reduction in interest rates – was applied around the world. This significantly reduced the cost of debt for households and businesses. Towards the end of this reporting period, as aggregate demand for goods began to outpace supply, many economies began to experience inflation.

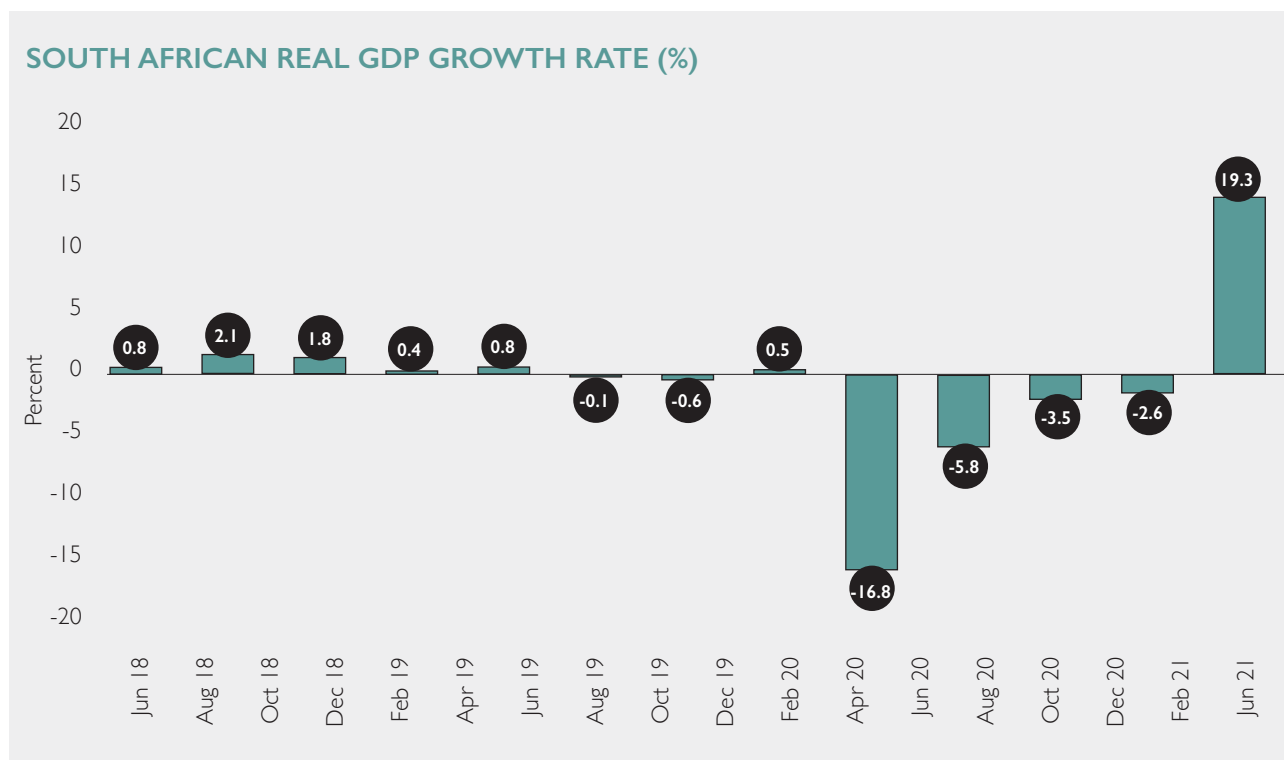
Many developing countries turned to international financial corporations like the World Bank to help fund fiscal gaps arising from drastically reduced tax revenues and significantly increased public sector expenditure aimed at helping citizens during desperate times. Funding, in most cases, was provided at low cost and many countries are expected to have returned a significant portion of this funding during 2021.

THE SOUTH AFRICAN ECONOMY

Because the South African economy was already in recession at the start of the COVID-19 pandemic, the economic cost of strict lockdowns in quarter two of 2020 had a compounding effect. Government stepped in and provided significant relief both to businesses and individuals who had lost their jobs or suffered pay cuts. Restrictions were gradually eased in the second half of 2020 and the economy rebounded strongly in the third and fourth quarters. However, annual real GDP growth in 2020 was still the worst in the country's recorded history at -7.0%. The first quarter of 2021 continued in recovery vein and this trend is expected to be sustained.

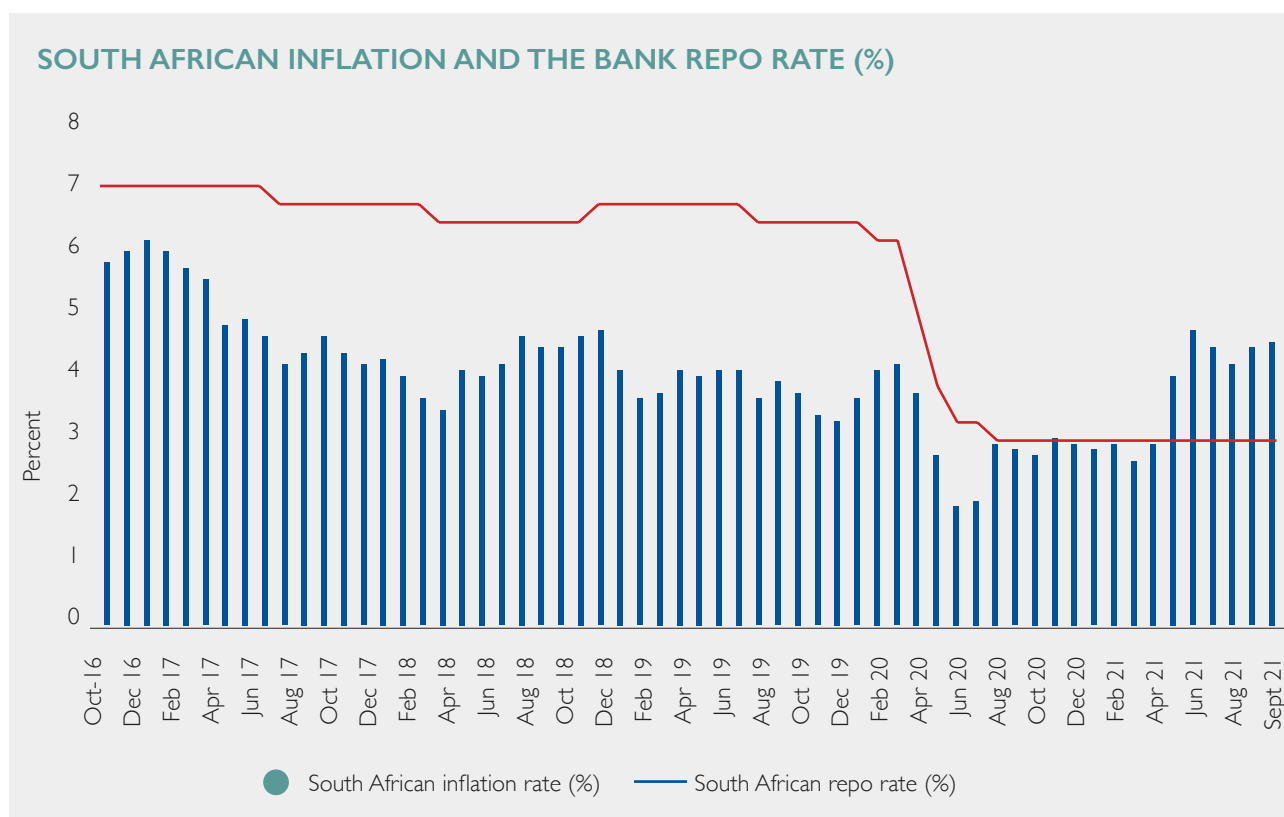


OPERATING ENVIRONMENT continued



Source: Bloomberg

The South African Reserve Bank (SARB) cut the repo rate by an unprecedented 3.0% in 2020, affording huge relief to indebted households and businesses. No further cuts were expected in 2021, since inflation seemed to have bottomed out in February and March 2021 and was on the rise. With the return of inflation, the SARB raised the repo rate with 25 basis points in the last quarter of 2021.



Source: Bloomberg

CONCLUDING REMARKS

South Africa's COVID-19 vaccine rollout was initially slow – due mainly to the international scarcity of vaccines – but commenced for the general population in May. It proceeded smoothly, with vaccine supplies gradually improving to the point that they were no longer a constraint on the programme. However, vaccine hesitancy has emerged here, as in many countries, as a major hurdle.

For the first time since 2019, the Rand traded below R14.00 to the US Dollar in May 2021 due to stronger terms of trade and generally stronger commodity prices. These Rand levels were not expected to last, which means that investors that were able to externalise assets (from Rand to Dollars) to diversify their portfolios should have done so. The EPPF is in this position and will take the appropriate action.

POST-FINANCIAL YEAR REMARKS

Social unrest flared on 12 July 2021, mainly in KwaZulu-Natal and Gauteng, and resulted in significant loss of life and widespread destruction of commercial properties. Government characterised this as an attempted insurrection and managed to stabilise the situation within two weeks by means of the combined deployment of law enforcement agencies and the military.

Initial estimates of the economic costs were around 0.5% to 1.0% of South Africa's GDP growth rate for 2021. Considering that the GDP growth rate was expected to be 4.5% for 2021 before this unrest, this cost is significant – around R50bn in monetary terms.

IMPACT ON THE FUND

The performance of the Fund's domestic assets (listed equity, listed property and fixed income) was initially challenged due to the negative market response to COVID-19. However, the performance of these assets recovered strongly during the year under review. While global assets (global and emerging market equities) delivered strong performance, the performance was impacted by the rand strengthening by 17% during the period. As such the Fund's global allocation delivered lower performance in Rand terms. Overall, the Fund delivered a one-year return of 17.57% with the assets under management rising from R144.5bn to R166.4bn during the year under review.



MATERIAL ISSUES

PROCESS FOR DETERMINING MATERIALITY

Through ongoing engagement, the Fund is able to identify strategically significant material matters that are of highest priority to our primary stakeholders. We acknowledge that the Fund does not exist in a vacuum and it needs to consider those challenges and opportunities in the external and internal environments that have the biggest impact on our business model and operating environment.

We take into account historic information and the extent to which matters with significant impact in the past are still relevant or have been addressed. A primary consideration would be risk management information (strategic and operational risks managed on a day-to-day basis) alongside input from stakeholders, such as regulators, our members and employees. We further leverage the experiences of others by studying industry and peer reports, following local and international trends, and monitoring the news and public sentiment. In particular, we pay close attention to regulatory developments.

The EPPF believes that value extends beyond financial performance and accrues to a range of stakeholders and society at large. This is consistent with the Fund's mission and strategy which emphasise long-term sustainability and our impact on society.

MATERIAL MATTERS IMPACTING VALUE CREATION

An overview of the material issues impacting on key stakeholder groups is presented below, along with the Fund's response to these.

In addition to material issues discussed in Managing Risk on page 23, four material issues stand out both for their potential to impact our business and for the interest they hold for key stakeholders. They are:

- The COVID-19 pandemic and its potential to interrupt business in a variety of ways.
- The strategic importance of IT and associated vulnerability to cyber security threats.
- Regulatory developments and the challenges of compliance.
- Reputation management and negative perceptions of the retirement fund industry, including responses to some regulatory developments.

MATERIAL MATTERS OF STRATEGIC IMPORTANCE

	Why is this important?	Stakeholder concerns	Fund response
COVID-19 and business disruption Stakeholders Fund employees Fund members Regulators	<ul style="list-style-type: none"> • Impact of prolonged lockdown restrictions on markets and investment returns • Impact of lockdown restrictions on EPPF operations and its ability to service its members • Impact on financial health of Eskom and its ability to pay Fund contributions when due • Impact of high mortality rates on pensioners/ members and Fund's ability to meet related member needs 	<ul style="list-style-type: none"> • Market volatility and its impact on Fund's financial soundness and liquidity • Inability to access services of the Fund or resolve queries • General wellbeing of the workforce • Managing return to work and risk of infection • FSCA directive on temporary contribution relief measures for employers 	<ul style="list-style-type: none"> • We conducted an interim capital market assumptions review to assess the potential impact of COVID-19 on our investments and implemented the necessary action where required. We also undertook daily risk monitoring • The Fund introduced IT solutions to recover operations remotely and operate the PAS securely • The Fund held frequent consultations with the Health & Safety Committee and COVID-19 Task Team to devise the best workplace response and adjusted this as conditions changed • Eskom continued to meet its contribution payment obligations. In turn, the Fund was able to meet all its financial commitments

	Why is this important?	Stakeholder concerns	Fund response
Cyber security threats Stakeholders Fund employees Fund members Regulators	<ul style="list-style-type: none"> Resilience of IT systems in the face of attacks is important in protecting member information and Fund's data assets IT systems are key to the generation of better data 	<ul style="list-style-type: none"> Response capability in light of cyber threats Data leakages Platforms for improved service and self-service System shortcomings 	<ul style="list-style-type: none"> The Fund continued to implement system optimisation projects to improve operational and cost efficiencies, including enhanced security controls The Fund's organisational design project will address skills shortages in respect of cyber and information security
Regulatory challenges Stakeholders Fund members Regulators	<ul style="list-style-type: none"> Obligated to comply with governance and regulatory provisions Levels of regulation are increasing Regulatory compliance demands capacity and resources Regulatory landscape is undergoing change 	<ul style="list-style-type: none"> An increase in regulatory requirements – for example, POPIA Increasing costs of compliance Maintaining sound corporate governance Complying with Treat Customers Fairly (TCF) principles 	<ul style="list-style-type: none"> To enhance corporate governance, the Fund adopted a new rule amendment protocol It is strengthening staff (and member) awareness of regulatory requirements to ensure it remains compliant and is prepared for new provisions We are intensifying monitoring of compliance requirements It reviewed and updated its policies and procedures to ensure compliance with POPIA Fund has maintained regular engagement with the FSCA to strengthen alignment between it and the FSCA It plans system enhancements to improve complaints management and ensure alignment with TCF principles and POPIA compliance
Reputation management Stakeholders Fund employees Fund members Fund employers Regulators Service providers Third parties	<ul style="list-style-type: none"> It impacts the confidence in the Fund of our stakeholders Impacts on third-party relationships 	<ul style="list-style-type: none"> Negative perceptions of the Fund and erosion of trust Possible impact of regulatory developments on the Fund 	<ul style="list-style-type: none"> Digital member engagements were held to share information on developments within the Fund Fund issued several member communiques to address concerns about pension reform Education campaigns were rolled out to keep members abreast of regulatory developments An engagement survey was launched to understand the top concerns and perceptions of members and how best to improve services to members

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

OUR STRATEGIC VISION

The EPPF exists for a social purpose – to provide financial security to its members from employment to retirement and for the rest of their lives

The Fund not only contributes to the wellbeing of retired members and enables working members to save for a better future, it is also a vehicle for participating employers – Eskom, Eskom Rotek Industries and the EPPF – to contribute to the future welfare of their workers. At a wider level, the Fund supports a national effort to reduce economic hardship and dependency among older people. The generation of this special form of social capital is, therefore, foremost in the Fund's endeavours.

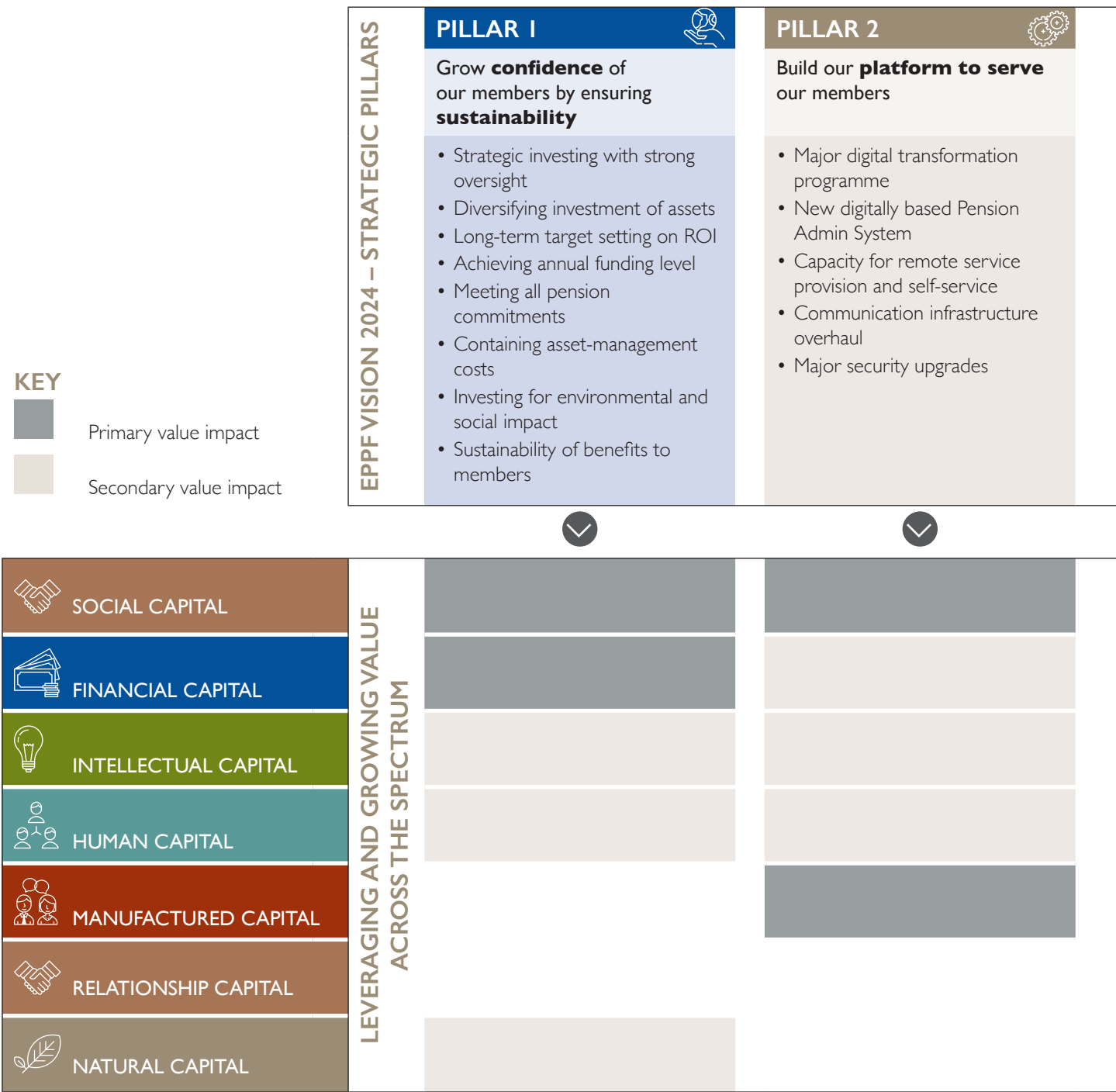
However, fulfilling this social role depends critically on our ability to deploy, safeguard and grow financial capital, and to administer our funds in an efficient and responsive manner. The EPPF therefore develops, to varying degrees, the full range of capitals identified in the International Integrated Reporting Framework (IIRF), as set out on page 20 to 21.

The Fund's current five-year strategy, Vision 2024, is informed by this multi-faceted concept of creating value and is structured around five pillars depicted in the graphic below.





OUR BUSINESS MODEL FOR CREATING VALUE



PILLAR 3

Deliver **member-centricity** through **operational excellence**

- Capacity for differentiated service per member need
- Improved multi-channel communication
- Benchmarking of services and exceeding targets
- Measuring member satisfaction
- Acting to improve member satisfaction

**PILLAR 4**

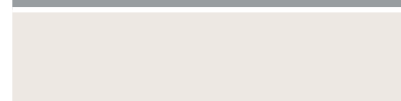
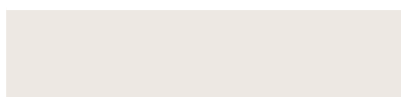
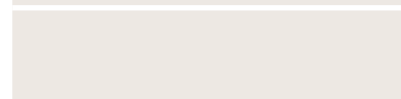
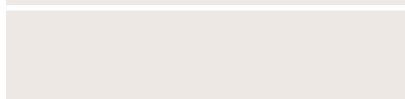
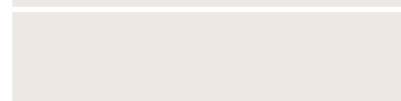
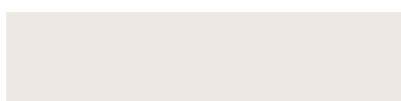
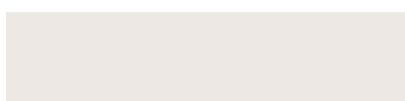
Unlock the talent of our **human capital**

- Future-oriented talent management: identification of potential and upskilling
- Leadership development
- Investment in learning
- Retention of staff: employee wellness and Total Rewards remuneration philosophy

**PILLAR 5**

Earn **trust in our brand** and reputation

- Walking and talking transformation
- Affirming black fund managers, investing for impact and advocating for both
- Committed to transparent reporting
- Respecting regulatory compliance
- Defending vigorously against misinformation
- Increasing pro-active communication



A black and white photograph of a man in a white dress shirt and a blue striped tie, sitting at a desk and smiling while talking on a telephone. His hands are on a laptop keyboard. The background shows office blinds. The text 'OUR PERFORMANCE' is overlaid in a large, bold, sans-serif font.

OUR PERFORMANCE

03

MANAGING RISK

The Fund has an enterprise-wide risk management approach that starts with the Board of Fund, which establishes and oversees an effective system of risk management, and extends to every employee.

The Governance and Assurance Unit is the custodian of the Fund's enterprise-wide risk management programme and is responsible for the effective coordination of assurance activities across the Fund. It supports and provides guidance to line management in the identification, prioritisation and monitoring of risks. Furthermore, it is responsible for providing the Board and management with reasonable assurance on the soundness and effectiveness of its risk management framework. The unit assists in areas such as fraud risk management, business continuity management, investment compliance and legal matters.

Our risk strategy aims to identify, assess and respond to potential losses and other harmful events which may interfere with the Fund's operations and objectives. We consider industry best practice as far as practical and incorporate industry standards, such as the Committee of Sponsoring Organisation (COSO) Framework and ISO 31000. Ongoing risk monitoring is key to the successful execution of the strategy.

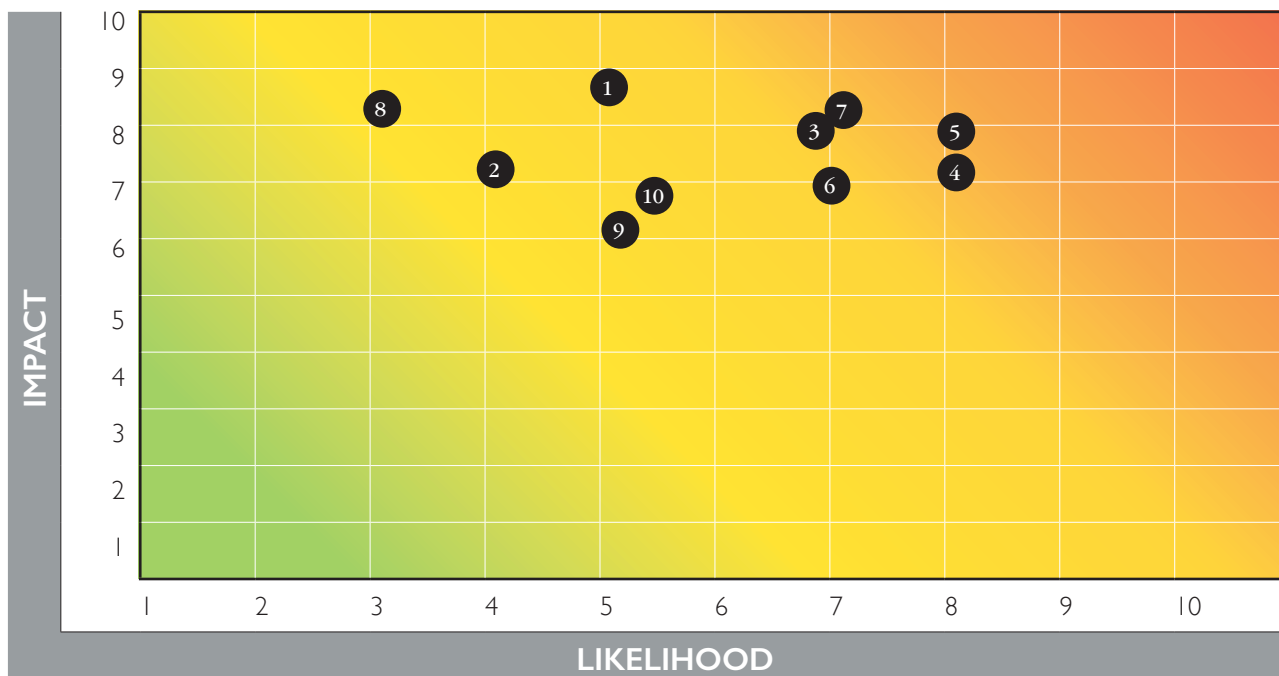
OUR TOP 10 STRATEGIC RISKS

In identifying its top risks, the Fund considers how severely our operations would be impacted if the risk were to materialise and the likelihood of the threat actually occurring.

The figure below maps potential risks against these two variables. In 2021, it is clear that most of the risks identified were serious in terms of possible impact, with scores falling in a narrow range of six to nine. However, few had a high likelihood of occurring: only four scored above seven on this variable and these were considered the Fund's most serious strategic risks in 2021:

- Business interruption due to the COVID-19 pandemic.
- An inability to comply with increasingly complex regulatory requirements.
- The possible incapacity of IT strategy and systems to protect against the ever-growing and increasingly sophisticated threat of cyberattacks.
- Reputation management and the Fund's response to an increasingly negative perception of the retirement fund industry in relation to trust, ethics management and the impact of regulatory developments.

EPPF RISK ASSESSMENT 2021



KEY

- | | |
|---|---|
| 1 Failure to address long-term sustainability of the Fund | 6 Failure to attract, retain and develop required human resource skills |
| 2 Inappropriate investment strategy and advice | 7 IT systems: exposure to cyber threats |
| 3 Business disruption due to Covid-19 | 8 Underfunding: failure to ensure assets match/exceed liabilities |
| 4 Reputation management | 9 Failure to achieve operational and cost efficiencies |
| 5 Non-compliance with regulatory requirements | 10 Failure to maintain data integrity and manage information |

RISK INDICATORS

● High ● Medium ● Low

OUR PERFORMANCE continued

RISK MITIGATION

The table below supplements the risk mitigation strategy set out on page 16 under Material Issues and sets out further steps taken to mitigate risks.

Key themes	Our response	Looking forward
Fund sustainability	The long-term sustainability of the Fund remained a key strategic focus and driver of various initiatives on the ground. In response to the COVID-19 crisis, it was imperative that the Fund remain focused on executing its long-term investment strategy.	The Fund achieved a healthy funding ratio towards the end of the year and is positively positioned to fund liabilities into the foreseeable future. It will continue to monitor developments that could increase this risk. This includes an actuarial modelling exercise, which is in progress, aimed at assessing the potential impact of the proposed unbundling of Eskom on the Fund.
Investment strategy and advice	On the back of market volatility and uncertainty caused by the COVID-19 crisis, the Fund prioritised various activities to respond to the impact on returns and asset value. Assets have recovered and exceeded pre-crisis levels.	The Fund remains committed to our long-term investment strategy to maintain a sustainable funding ratio. Other relevant processes include: alternative risk management instruments, asset liability modelling, risk budgeting and a rigorous approach to asset manager underperformance and management fees.
Business disruption	The impact of COVID-19 on both global and local markets has been severe. However, the Fund's performance at the end of the year demonstrates the effectiveness of the investment strategy and the Fund's strategic asset allocation.	We will continue to diversify our portfolio to include a broader set of asset classes with exposure to different markets.
Reputation management	In response to member survey results, the Fund's communication policy and strategy were reviewed to address areas for development. In response to negative media coverage, the Fund swiftly addressed potential member and stakeholder concerns.	Regular communication and engagement sessions will continue thereby ensuring that members are kept abreast of developments.
Regulatory compliance	Across the Fund and the various functions, instances of non-compliance are being addressed. The Fund continues to hold regular engagements with the FSCA.	Due to a spate of regulatory developments during the year, the Governance and Assurance Unit's efforts and resources have been augmented to support the Fund's compliance with laws and regulations.
Human resource skills	Extensive work was conducted to attract, retain and develop skills. Activities included the talent management capability, succession planning, remuneration reviews and skills development.	The Fund will continue to focus on attracting and retaining the required talent through the implementation of the identified initiatives, as well as positioning itself as a sought-after employer in the market.
Digital transformation and cyber security	The COVID-19 crisis compelled the Fund to expedite its digital transformation journey. The use of cloud solutions elevates the risk of cyber threats and therefore we strengthened key security policies, processes and controls and launched compulsory e-training on cyber security for all employees.	Using monitoring software and tools, the IT department continues to monitor the Fund's environment to identify possible cyber threats. The team also ensures that the Fund is kept abreast of developments in the field.
Funding level	Although there has been no significant change to the Fund's risk exposure, our primary focus is to address the long-term sustainability of the Fund.	The Fund continues to monitor risks to the funding ratio and take the necessary actions. These include the implementation of an appropriate investment strategy and a prudent approach to liability management.

Key themes	Our response	Looking forward
Operational and cost efficiencies	Various initiatives have been implemented to address escalating administration costs. These include cost reduction strategies, cost management practices and cost benchmarking.	Other cost optimisation initiatives are being prioritised to further mitigate risks related to operational and cost efficiencies.
Data integrity and information	The implementation of the PAS and evolving regulatory requirements highlight the importance of data integrity and privacy. We have completed a range of POPIA implementation initiatives.	We continue to implement various projects to reduce privacy and data risks. Other IT architectural projects will be rolled out to address gaps.

RISKS AND OPPORTUNITIES

Emerging risks/opportunities	Outlook
Fund reputation and brand management	<p>The Fund conducted an extensive member satisfaction survey to establish how various categories of members view the brand. This identified areas for improvement.</p> <ul style="list-style-type: none"> • A customer satisfaction score of 79.4%. 83% is considered the desired score for organisations that are perceived as delivering a superior service to customers thereby ensuring customer satisfaction. • A positive net promoter score of +26. This measures customer sentiment and the target score is +50. • A customer relations score of 75.9%. <p>(See page 52 for detail.)</p> <p>Although the scores were above industry standards, the Fund aims to improve over the next three years.</p> <p>The Fund also monitors brand indicators, such as the sentiment of media coverage, to inform implementation of our communication strategy. This is reflected in the Impact Score which is calculated as an average across all articles received by taking into consideration a combination of prominence and sentiment with the weighted reach value of the source of coverage it appeared on. The Fund achieved a score 3.225 (out of a score of 5) which is considered a very good score.</p>
Employer restructuring	Due to ongoing financial challenges at Eskom, the EPPF meets the company regularly to ascertain the possible impact on the Fund.
Governance	Following the appointment of the Board of Fund, an opportunity exists for the Fund to review its governance framework. A gap assessment is underway to establish possible areas of development.

COMBINED ASSURANCE

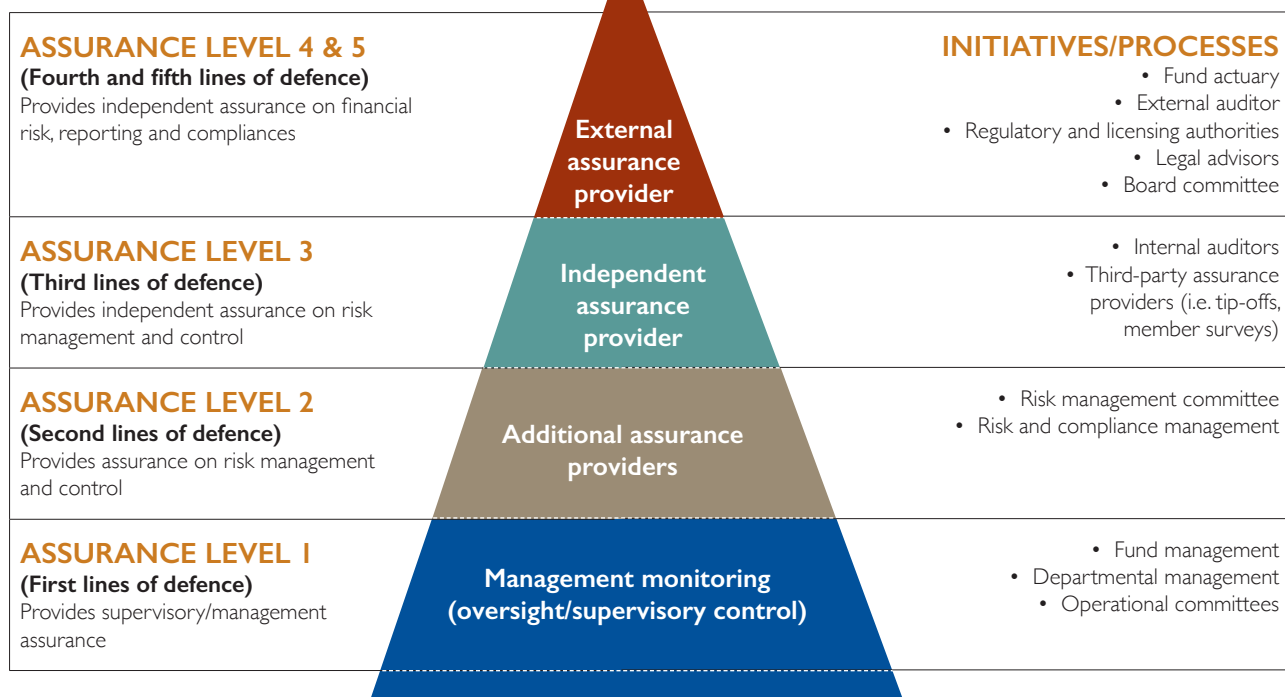
By providing oversight of the combined assurance programme, the Audit and Risk Committee ensures the roles of various assurance providers are coordinated and extensive assurance is provided. The Fund adopts a widely accepted “lines of assurance” model (see graphic on the next page) and endeavours to create an environment that enables role players at various levels of assurance to fulfil their responsibilities.

The control environment is defined by:

- Organisational and governance structures and policies – such as codes of conduct, the governance framework, and policies limiting authority.
- The Fund's strategic direction – its vision, values and strategic plans – and its business fundamentals.
- Risk management practices – such as processes for risk identification, assessment and response.
- Control policies and procedures that minimise risk occurrence, including financial policies and procedures and the segregation of duties.

OUR PERFORMANCE continued

LINE OF ASSURANCE IN THE EPPF



Note: Governance structures of the Fund are not reflected as the model only identifies assurance providers responsible for executing the combined assurance strategy.

PROVIDING A MEMBER-CENTRED SERVICE



Providing a truly member-centric service requires a paradigm shift and a business strategy that is centred on the member at all times. The Fund not only has an obligation to take care of its members, pensioners and beneficiaries today, but it must think beyond the present and plan for their future requirements. It must become adept at anticipating their needs and requirements.

During the review period, the Fund continued to develop and implement the Pension Administration System (PAS), launching additional functions aimed at making life easier for our members. Members now have a range of online self-service features, like retrieving benefit statements and updating beneficiary information at their disposal. This new functionality, which can be accessed using the new member app, not only saves members time and energy but also reduces demand on the Fund's contact centre.

INDICATORS OF SERVICE PERFORMANCE

The Fund measures different aspects of service to members against specific criteria and targets. These are informed by desktop research on standards in the financial services sector and through the CEM Benchmarking peer review. The Fund's targets tend towards the higher end of the range applied in the financial service sector.

In addition, the Fund commissioned a survey of member satisfaction and sentiment towards the end of the financial year. The headline findings are summarised on page 52.

CONTACT CENTRE TRENDS

The contact centre received 58 090 calls in the reporting year. While our personnel met targets in terms of the percentage of calls answered, the waiting time was three seconds longer than we aimed for, due mainly to staff rotation. In addition:

- The proportion of transferred calls (6%) has improved compared to 2020 (11%).
- The rate of abandoned calls was 18%, which is lower than previous year's rate of 24%.
- The average duration of calls was longer than three minutes, while the industry benchmark is six minutes. The length of calls was determined by the nature of queries and the time taken to answer them.
- The total number of emails received was approximately 64 000 and these outnumbered phone calls. We are proud of an average turnaround time of 12 hours on email responses, which was well within our 48-hour target. Our quality assurance process rated the appropriateness of the responses at 90% against a target of 95%. We are working to improve this through improved supervision.

CONTACT CENTRE PERFORMANCE.

The Fund's strategic drive is centred around a multi-channel offering aimed at improving convenience to members. Telephony and email are no longer the only channels preferred by members when contacting the Fund, which means embracing digital channels alongside traditional contacts. This approach will not only enhance our service delivery but also move towards reducing costs associated with the traditional approach of a contact centre.

CASE STUDY

CARE IN ACTION:

Celebrating a career dedicated to customer-centricity

Georgina Kau retired in 2020 after 19 years of service at the EPPF. She was a dedicated employee and member of the Fund, and now it is our turn to serve Georgina by ensuring that her pension is well preserved, administered and taken care of.

Starting as a switchboard operator in 2002, Georgina moved to the mail department and eventually worked in the facilities department where she proudly ensured the offices ran smoothly and had everything they required. “The department had *tirisano* (the spirit of harmony and working together) and working for the EPPF gave me so much joy,” she recalls.

For Georgina, communication was an important aspect of customer-centricity. “I loved my job because I am multilingual and was able to address members in the language which they spoke. When someone needed my help and I was able to help them using their home language, it always put a smile on my face. It was such a pleasure to be able to connect to the people I was serving though language.”

Reflecting on her short experience as an EPPF pensioner, Georgina said having easy access to her payslips has been beneficial. “I am happy because I get my payslips through email and I’m registered for the WhatsApp chat. This allows me to quickly resolve any queries I might have with my payslip. When I still worked at the Fund a long time ago, we didn’t have those kinds of things and now my life is so much easier. The new and improved way of communicating is great! Back in my time at the EPPF, it was just the phone and walk-ins. The new way makes it better for me as a pensioner.”

It is said that retirement is both an ending and a beginning. Having been severely affected by COVID-19 in 2020, Georgina is looking forward to a healthy and peaceful retirement. “We must all take care of each other. Our time here on earth is borrowed and I am a living example of that. We must love one another and be kind.”



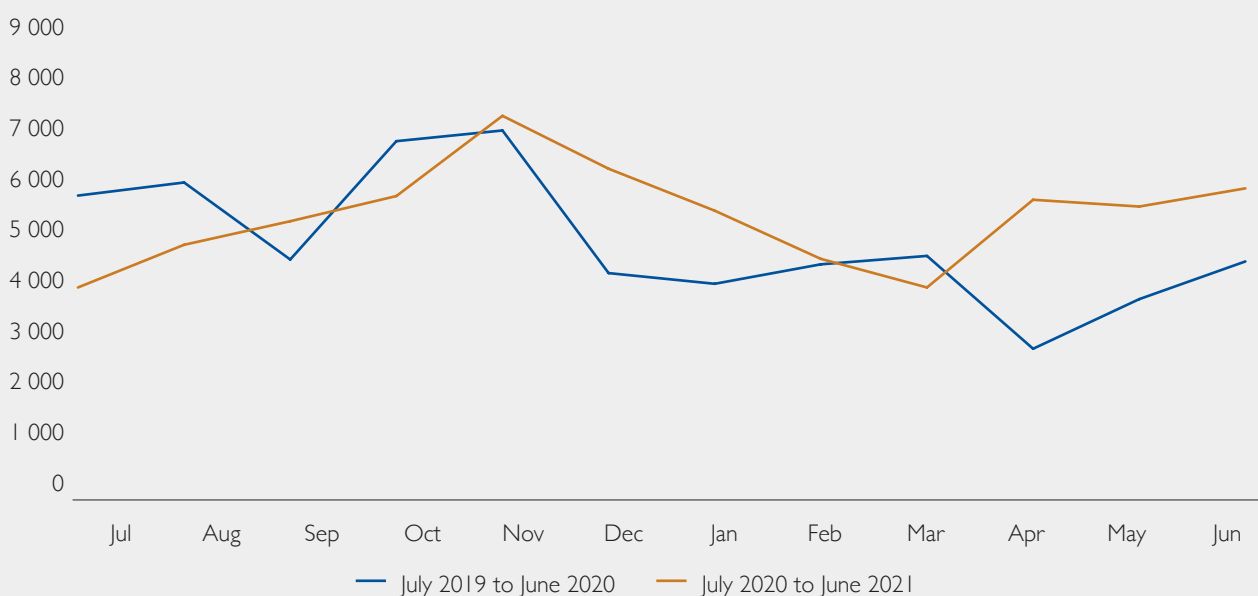
OUR PERFORMANCE continued

CONTACT CENTRE PERFORMANCE

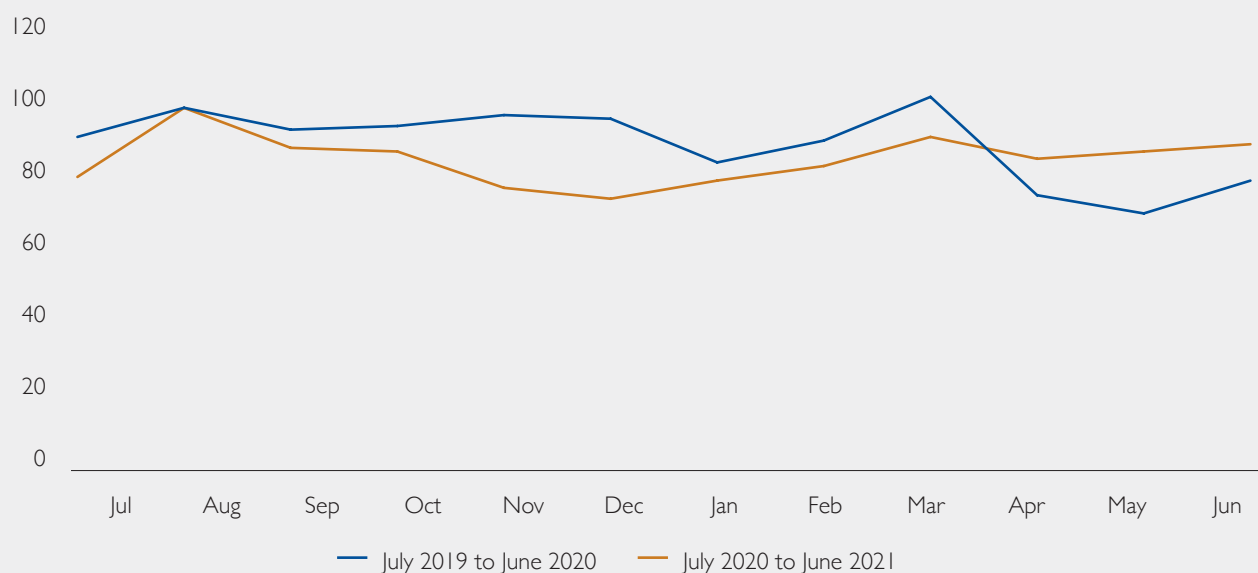
	2020	2021	Target
Calls received	48 063	58 090	–
Percent of calls answered	87%	80%	80%
Response time	30 seconds	63 seconds	60 seconds
Percent of calls transferred	11%	6%	10%
Percent of calls abandoned	24%	18%	10%

There is a marked fluctuation in calls received and answered across the reporting year. Lockdown measures had a greater impact on contact centre operations than any other aspect of the Fund's service to members. At times calls were diverted to a single mobile line. A new contact centre system was installed in September 2021, will avert similar occurrences as it will enable diversion of calls to several agents and operation from sites remote from the office.

EMAIL QUERIES RECEIVED



PERCENTAGE OF CALLS ANSWERED AGAINST CALLS RECEIVED



Peaks in call numbers related to:

- Pensioners inquiring about bonuses and increases in October and November 2020.
- In-service members clarifying information in their benefit statements received in December 2020.
- Queries on tax certificates between May and July 2021.

BENEFITS PROCESSING AND INVESTIGATION

The Fund's overall target is to process 70% of benefit applications across all categories within six weeks of

receipt of completed documents. During 2021, there was an improvement in the turnaround time. The average processing time (after the receipt of completed documents) was 3.46 weeks and 75% of applications were dealt with inside of six weeks.

The real challenge is to shorten the date between the member exiting employment and the submission of documents for benefit processing. The Fund intends to create an employer portal in the coming year and digitalise the completion and submission of benefit documents, with the aim of accelerating this aspect of the process.

PERFORMANCE IN PROCESSING OF BENEFITS

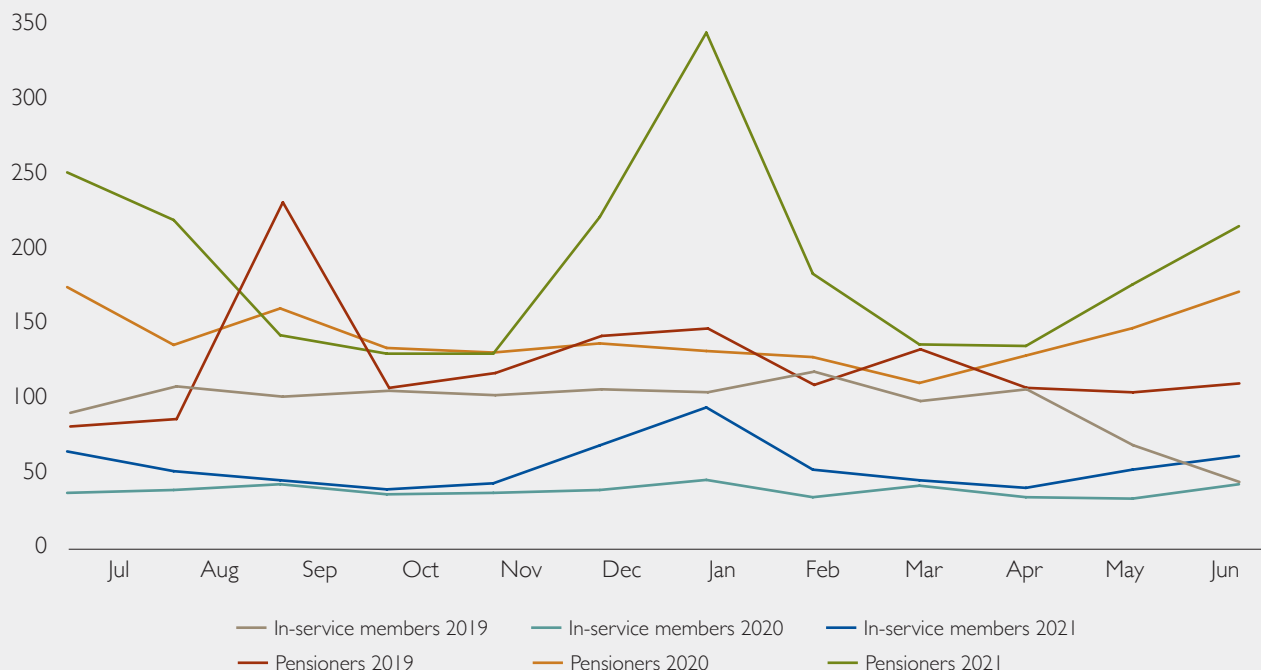
Type of benefit	Target	Within target timeframe	
		2020 %	2021 %
Withdrawals and divorce benefits	70% in 6 – 8 weeks	73	71
Retirement	70% in 6 – 8 weeks	58	71
Death in service	70% in 4 weeks	46	54
Death of pensioner	70% in 4 weeks	59	68
Trust advances	100% in 4 weeks	91	100
Maturities	70% in 4 weeks	62	76%

The Fund has also continued to drive the effort to trace 1 978 previous members who left Eskom over the last 15 years and did not claim their pension benefits. A total of 63 claims had been finalised by the end of June 2021 and a further 890 members were traced. The Fund will continue working to reduce unclaimed benefits in the year ahead.

BENEFITS INVESTIGATION

The Board of Fund is entrusted with ensuring that all death claims in accordance with section 37(c) of the Pension Funds Act are investigated and paid equitably. The Fund has resources, including professional social workers, who conduct the death claim investigations and make recommendations to the Board for approval.

DEATH CLAIMS IN RESPECT OF IN-SERVICE MEMBERS AND PENSIONERS



OUR PERFORMANCE continued

The period July 2020 to June 2021 saw an increased number of death claims both among in-service members and pensioners. Although COVID-19 was present in South Africa in the last quarter of our previous reporting period, the full impact on the health and lives of our members was truly reflected from July 2020 onwards.

The Fund made every effort to assist bereaved families through efficient processing of benefits and conduct of benefit investigations. As at 30 June 2021, the Board had finalised a total 328 death benefit approvals in relation to members who had died.

COMMUNICATION WITH MEMBERS

As South Africa continued to adjust to a “new normal” where face-to-face gatherings were restricted, the Fund shifted its engagement with members to a digital platform in 2021. It managed to interact with 5 810 members, somewhat fewer than the target of 8 000.

PRESERVING AND GROWING OUR ASSETS



In 2021, our approach to investment achieved significantly better absolute return outcomes than in previous financial years and the Fund ended the 2021 reporting year in a strong financial position.

The investment assets of the Fund increased from R144.5bn at the start of the financial year to R166.4bn at 30 June 2021. This growth was not driven by contributions – because the Fund pays more in benefits than it receives in contributions – but by investment returns, spurred by the global recovery in equities. Income from investments (net of investment management expenses) amounted to R24.5bn.

While the amount payable in pensions in 2021 continued to exceed the amount received in contributions, benefits are covered by prior year contributions and income from investments. The Fund was therefore well able to meet its commitments.

INVESTMENT APPROACH

The long-term investment strategy of the Fund is essentially liability-driven and utilises an asset-liability management framework within the parameters contained in Regulation 28 of the Pension Funds Act.

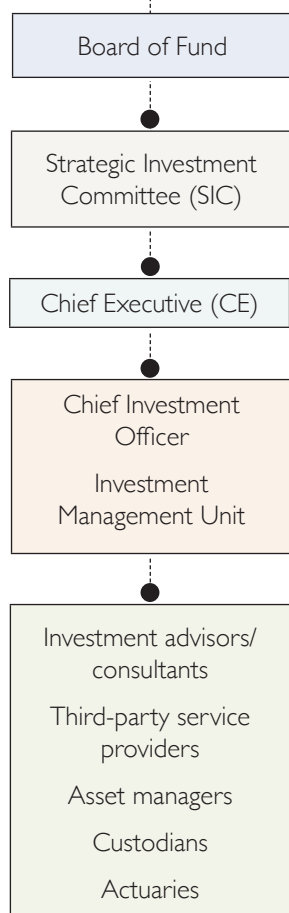
As stipulated by Regulation 28, the primary role of the Board of Fund, and Fund management by delegated authority, is to understand the liabilities of the Fund and to consider all the risks to meeting these funding obligations.

INVESTMENT STRATEGY

The Fund undertakes an asset-liability management (ALM) exercise each year as the foundation of its investment strategy. This is performed by a designated actuary and reviewed by two additional actuarial firms as well as the investment management team. Concurrently, an annual capital market assumptions workshop is held to set the long-term return and risk assumptions of asset classes in which the Fund invests. Participants in this workshop are the Strategic Investment Committee, Fund management and the three actuarial firms mentioned above. The primary ALM actuary then integrates data on liabilities with assumptions on the market and produces an optimal strategic asset allocation, which is ultimately submitted to the Board for approval.



GOVERNANCE OF INVESTMENT



STRATEGIC ASSET ALLOCATION 2021 AND BENCHMARKING OF RETURNS

ASSET CLASS	ALLOCATION (%)	BENCHMARKS
Equities	37	Capped Shareholder Weighted All Share Index (Capped SWIX) less All Property Index (ALPY)
Nominal bonds	5	All Bond Index (ALBI)
Inflation-linked bonds	14	LDI Benchmark
Cash	2	Short-term Fixed Income (STeFI) Composite
Property	7	All Property Index (ALPY)
TOTAL DOMESTIC	65	
International equities	21	MSCI World All Countries Index (ACWI)
Emerging market equities	6	MSCI EM INDEX
Africa ex SA equities	5	MSCI EFM Africa Ex-South Africa Index
International property	0	FTSE EPRA/NAREIT Developed Rental Index
International cash	0	1 month USD Euro deposit rate (Citigroup)
China A	3	MSCI China-A Onshore Index
TOTAL INTERNATIONAL	35	
TOTAL FUND	100	

BENCHMARKING INVESTMENT RETURNS

The Fund's primary objective is to achieve a net real return of 4.5% – that is, CPI plus 4.5% – over periods longer than three years, while preserving capital in real terms over a one-year period. As a defined benefit pension scheme with liabilities extending beyond 70 years, the Fund also sets a strategic asset allocation benchmark, based on capital markets assumptions for periods in excess of 10 years.

STRATEGY IMPLEMENTATION

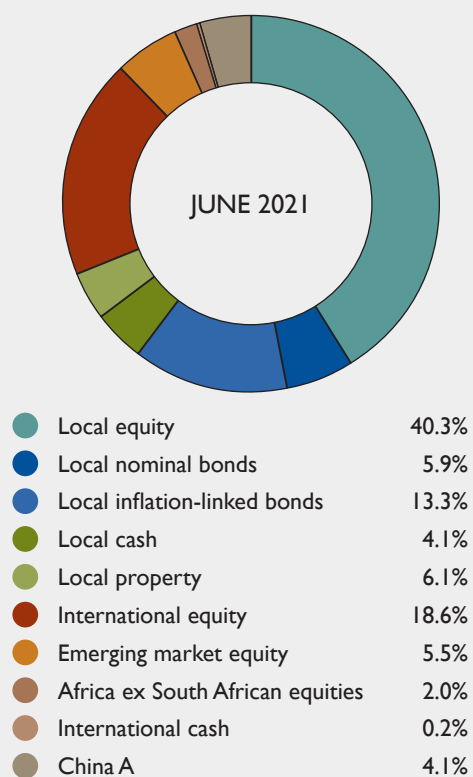
In implementing the investment strategy, the Fund uses a core-satellite model to allocate assets to selected asset managers. Core mandates have a tighter risk budget while satellite mandates have a relatively wider risk budget, with the expectation they will yield higher returns. About one-third of assets are managed in-house.

The Fund has investments in both public markets – that is, listed assets – and private markets, comprising private equity, real assets and developmental impact funds.

FUND RETURNS AGAINST ROLLING BENCHMARKS

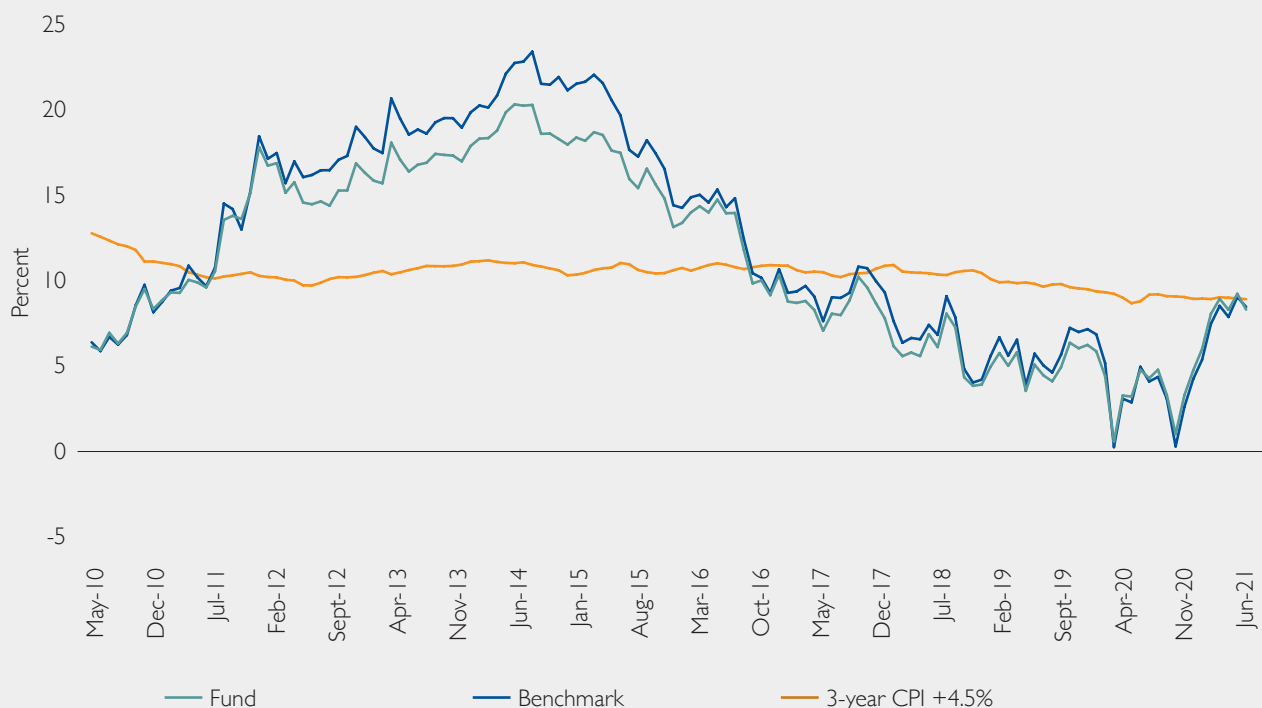
The chart below shows the performance of the Fund relative to the strategic benchmark and CPI + 4.5% on a rolling 3-year basis.

INVESTMENT BY ASSET CLASS (%)



OUR PERFORMANCE continued

FUND RETURNS AGAINST ROLLING BENCHMARKS (%)



Fund performance against CPI + 4.5% target as at 30 June 2021

	1 year	3 years	5 years	7 years	10 years	15 years	20 years
Fund	17.57	8.07	6.76	7.31	10.61	10.75	12.29
Target	9.37	8.35	8.74	9.10	9.48	10.12	9.89
Alpha	7.49	(0.25)	(1.82)	(1.64)	1.03	0.58	2.18

The Fund outperformed the CPI target over a one-year period and over periods longer than seven years. The below-target performance over the three, five and seven years prior to 30 June 2021 was driven by turmoil in domestic markets over the past five years, which resulted in key asset classes – domestic equities, listed property and inflation-linked bonds – delivering low single-digit absolute returns. The period from 2015 to 2020 was characterised by a series of negative events: Nenegate, the Steinhoff debacle, the listed property market crash early in 2018, the domestic equity crash later in 2018, and the global market crash induced by the COVID-19 pandemic. The impact was seen in declines in business confidence and fixed capital investment rates, as well as worsening unemployment and negative growth in GDP per capita.

Fund performance against strategic benchmark

	1 year	3 years	5 years	7 years	10 years
Actual return	17.57	8.07	6.76	7.31	10.61
Strategic benchmark	20.24	7.95	7.25	7.83	11.58
Excess/shortfall	(2.22)	0.12	(0.45)	(0.49)	(0.87)

The Fund's return for the 12 months to 30 June 2021 was below the strategic benchmark return by 2.2%. The following contributed to underperformance:

- The original domestic equity benchmark, SWIX, had a high concentration of Naspers while the Fund opted for a lower weighting of Naspers.
- The Fund had significant exposure to asset managers following a value investment style which underperformed relative to other investment styles. Consequently, the domestic equity sleeve of the Fund, which accounts for 37% of total investment, underperformed the domestic equity benchmark.
- Africa ex SA managers, accounting for about 3% of total assets, underperformed. These equity markets are less developed than debt markets in the region and available equity benchmarks are highly concentrated.
- The benchmark used for inflation-linked bonds was inappropriate in that its duration did not match the duration of the Fund's liabilities. The Fund has an exposure of approximately 15% in this asset class.

These factors and shortcomings have largely been addressed while others are being attended to. The inflation-linked bond portfolio outperformed its liability-driven benchmark over the one-year period to 30 June 2021 after the benchmark issues were corrected. The Fund has over time reduced its significant exposure to value managers, increasing its allocation to other investment styles and growing the asset mix towards passive equity tracker funds and equity-linked notes. The Fund has reviewed the Africa ex SA strategy with a view of addressing the underperformance.

LISTED ASSETS

The Fund invests in listed assets through specialist investment mandates that focus on domestic equities, domestic fixed income, domestic properties, Africa ex SA equities, global emerging market and developed market equities and China-A equities.

The table below shows the performance of the Fund's assets.

Performance	Benchmark	Portfolio	Benchmark
Domestic		20.73	
Equity	EPPF Equity Benchmark	26.41	27.94
Bonds	ALBI	16.21	13.67
Nominal bonds	ALBI	15.38	13.67
Inflation-linked bonds	Composite of CIL and LDI benchmark (effective 01/07/2020)	16.55	16.37
Hedge funds	STeFI	12.10	4.01
Property	EPPF Property Benchmark	27.48	25.57
Unlisted property	STeFI	2.77	4.01
Internal cash	STeFI	3.91	4.01
Asset Allocation Overlay and Private Markets	—	4.82	
International ex Africa		12.24	
Equity	MSCI ACWI ex SA Net	12.49	14.45
Cash	CED 1m \$	(20.71)	(17.77)
Africa ex SA	MSCI/EFM Africa ex ZA Net	(0.94)	2.68
Total return		17.57	20.24

OUR PERFORMANCE continued

EPPF's top 10 listed equity holdings as at 30 June 2021

Top 10 Equity Holdings		
Security name	Security code	Share of AUM (%)
Naspers Ltd-N SHS	NPN	4.4
Anglo American PLC	AGL	2.2
FirstRand Ltd	FSR	1.6
MTN Group Ltd	MTN	1.4
British American Tobacco PLC	BTI	1.3
Impala Platinum Holdings Ltd	IMP	1.3
Standard Bank Group Ltd	SBK	1.1
Prosus	PRX	1.0
NEPI Rockcastle PLC	NRP	1.0
Growthpoint Properties Ltd	GRT	1.0

EPPF's top 10 listed fixed income holdings as at 30 June 2021

Top 10 Fixed Income Holdings		
Security name	Asset class	Share of AUM (%)
I2050 2.5% 311250	Inflation-linked bond	3.9
I2046 2.5% 310346	Inflation-linked bond	3.9
I2038 2.25% 310138	Inflation-linked bond	1.5
R2048 8.75% 280248	Nominal bond	1.2
R202 3.45% 071233	Inflation-linked bond	0.8
R2044 8.75% 310144	Nominal bond	0.7
R210 2.60% 310328	Inflation-linked bond	0.6
R2037 8.50% 310137	Nominal bond	0.5
R2032 8.25% 310332	Nominal bond	0.4
EL36 2.25% 310136	Inflation-linked bond	0.4

See full list of asset managers on page 103.

PRIVATE MARKETS

Approximately 3.6% or R6bn of the EPPF's assets are currently invested in unlisted investments. This exposure is expected to grow gradually to around 13% as the funds earmarked for private markets are fully invested. The EPPF's strategy of investing in private markets has been executed through three portfolios: private equity, real assets and developmental investments. Each has a distinct mandate and objectives.

Private Equity

The private equity portfolio was introduced with the objectives of:

- Enhancing returns relative to listed markets.
- Diversifying investments by targeting sectors and smaller companies that are not always represented on the stock market.

- Achieving impact in the social, environmental and governance space.

Some of these investments allow the EPPF a representative on their boards, affording direct influence on the entity's direction.

The EPPF's private market exposure had been limited to South Africa and Africa more broadly. In 2021, the Fund made a concerted effort to invest for the first time in private equity in international developed markets and emerging markets. The rationale was the depth of these private markets and the long-term returns that private equity offers. The Fund's private market allocation is largely outsourced, however we are building capacity internally to manage it as the allocation to private markets increases.

Real Assets

The portfolio aims to invest in infrastructure projects which have long-dated, inflation-sensitive cash flows that are a good match with the Funds' liabilities. The portfolio also serves to:

- Enhance returns as an inflation-linked bond replacement.
- Diversify the Funds' exposure to equity risk by investing in assets that earn a stable and predictable cash yield and total returns in excess of CPI plus 4.5%.
- Hedge against inflation.

Developmental Investments



Our developmental investment (DI) mandate allocates funding to sectors which can create development impact while generating sound financial returns and managing financial risks. As the second largest pension fund in South Africa, we can make a significant contribution to the socio-economic development of our country and create a more stable, sustainable society for our members.

Our DI mandate seeks to contribute to transformation, economic stimulus, job creation, and gender equality by investing in the following high-impact sectors:

- Low-income and affordable housing.
- Renewable energy.
- Infrastructure for healthcare and education.

Returns on EPPF private market investments

Portfolio	Five-year return	10-year return	Return since inception
Private equity South Africa	1.10%	7.78%	16.02%
Real asset portfolio*	—	—	0.65%
Developmental investments	(2.04%)	5.47%	9.57%

* Only operational for three years

Over the past five years, all three portfolios have added new investments which are still in drawdown phase and yielding constrained returns.

For a list of the Fund's current private market investments see page 104.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY



The vision of the Fund is to be a sustainable and trusted retirement savings provider, positively impacting on change in society. We want to generate investment returns that provide our members with enough money to retire on while ensuring that the investments we undertake shape a sustainable world for our members to retire into.

The COVID-19 pandemic has brought into sharp focus just how connected the world is. We have learned that it takes global collaboration to solve the significant challenges that the world will continue to face. Our Environmental, Social

- Retail property in rural areas and townships.
- Small, medium and micro enterprises (SMMEs).
- Agriculture outside of primary agricultural production.

Our DI portfolio has been underpinned for 10 – 15 years by the performance of rural/township shopping centres. This performance is due to demand and supply dynamics and the anchoring of a large proportion of these retail centres by national retailers such as Shoprite and PEP.

The portfolio also invests in renewable energy, affordable housing, healthcare as well as education, providing a diversified portfolio with high social impact.

The DI portfolio achieved a return in excess of inflation during a period marked by the impact of COVID-19, delivering an annualised return of 9.57% since inception. A testament to the portfolio's resilience.

See list of private market funds and direct investments on page 104.

Financial performance of private markets portfolio

COVID-19 had a significant impact on the performance of the private markets portfolio. During the initial hard lockdown, businesses which were not essential services experienced declines in earnings and revenue and the general trading environment was tough for most sectors. Following the opening up of the economy, the portfolio experienced an improvement.

and Governance (ESG) Policy and Impact Investment Policy are tools for thinking globally while acting locally. This business approach is essential to preserving our assets in the long term and ensuring they are able to match our liabilities.

The EPPF's impact journey

The EPPF achieves significant development benefits for society, partly through the sheer range of investments that we make. The Fund has begun reporting formally to our stakeholders on this contribution with the introduction of the EPPF Development Impact Report for 2021. This critical development signals our intention to entrench impact of our members' funds in our investment activities so as to identify ways to enhance our contribution.

We began this journey by developing an Impact Management System (IMS) which outlines:

- Our impact objectives.
- How we aim to achieve these objectives.
- How we will measure progress towards these objectives.

OUR PERFORMANCE continued

We then developed an impact data management system to gather relevant information from the entities in which we have invested in a consistent and comparable way that will enable us to review progress objectively and engage with investees in an informed way.

We identified Sustainable Development Goals (SDGs) that align closely with our impact mandate. See figure below.



Our first Development Impact Report focused on measuring the performance of companies in which we invest in the following areas:

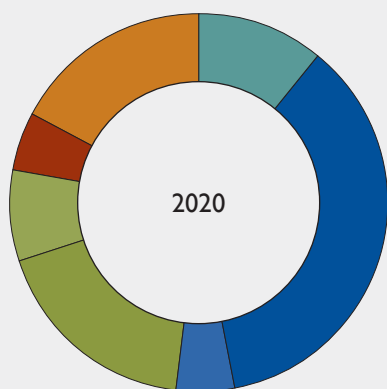
- B-BBEE.
- Job creation.
- Economic stimulus.
- Gender equality.

The findings are briefly reviewed below.

B-BBEE performance

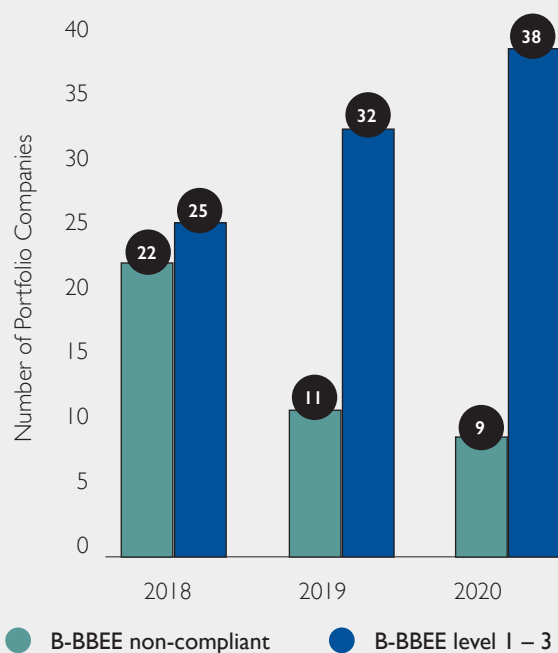
The Impact Report measured companies' contribution to the empowerment of black people, through improvements in B-BBEE scorecard compliance and black representation at all employment levels. Our commitment to economic transformation is upheld by the high level of B-BBEE compliance among companies we invest in. In 2020, 52% of companies which provided data were certified at B-BBEE Level 1-3 and only 17% were uncertified or non-compliant.

B-BBEE COMPLIANCE LEVEL



	%	Number
Level 1	11	8
Level 2	36	28
Level 3	5	4
Level 4	18	14
Level 6	8	6
Level 8	5	4
Non-compliant	17	13

B-BBEE COMPLIANCE PROGRESS (2018 – 2020)



The high level of B-BBEE compliance has been achieved by steady improvements over time across the Fund portfolio. Between 2018 and 2020, the proportion of B-BBEE non-compliant companies within our portfolio decreased by 17%, while the proportion of B-BBEE Level 1-3 companies increased by 20%. This substantial increase was driven by changes in our portfolio to increase our investment in transformed investees, as well as internal improvements by our investees.

For example, one investee has developed a transformation framework with transformation targets for all underlying portfolio companies. The framework was implemented through engagement with existing portfolio companies and the introduction of new, transformed companies.

Our portfolio companies' contribution to economic transformation is also evident in the representation of black employees in different positions. We tracked the number of black employees at board, executive, management and staff level among our South African-based portfolio companies. In 2020, an average of 40% of our portfolio companies' board members were black, 38% of executive positions were held by black employees, 55% of management positions and 88% of general staff positions.

Staff employment percentages by race are similar to national population averages, indicating substantial transformation success within our portfolio companies. There is room for improvement in black representation at executive and board levels where our portfolio companies were on par with the average for the South African private sector.

Job creation performance

Investees reported employing a total of 7 113 young people, representing 27% of their total employees. Nova Pioneer and Old Mutual Private Equity Fund IV had the highest proportion of youth employees at 60% and 57% of total employees respectively. Portfolio companies of Old Mutual Private Equity Fund IV had the highest number of youth employees (2 896), followed by Harith's Pan African Infrastructure Development Fund (PAIDF) with 1 256. Harith PAIDF's strong performance is a direct result of the Fund's strategic mandate to drive job creation

and diversity. Under this mandate, Harith has piloted the Kuyakhanya programme, which trains young learners in its portfolio companies.

Performance on economic stimulus

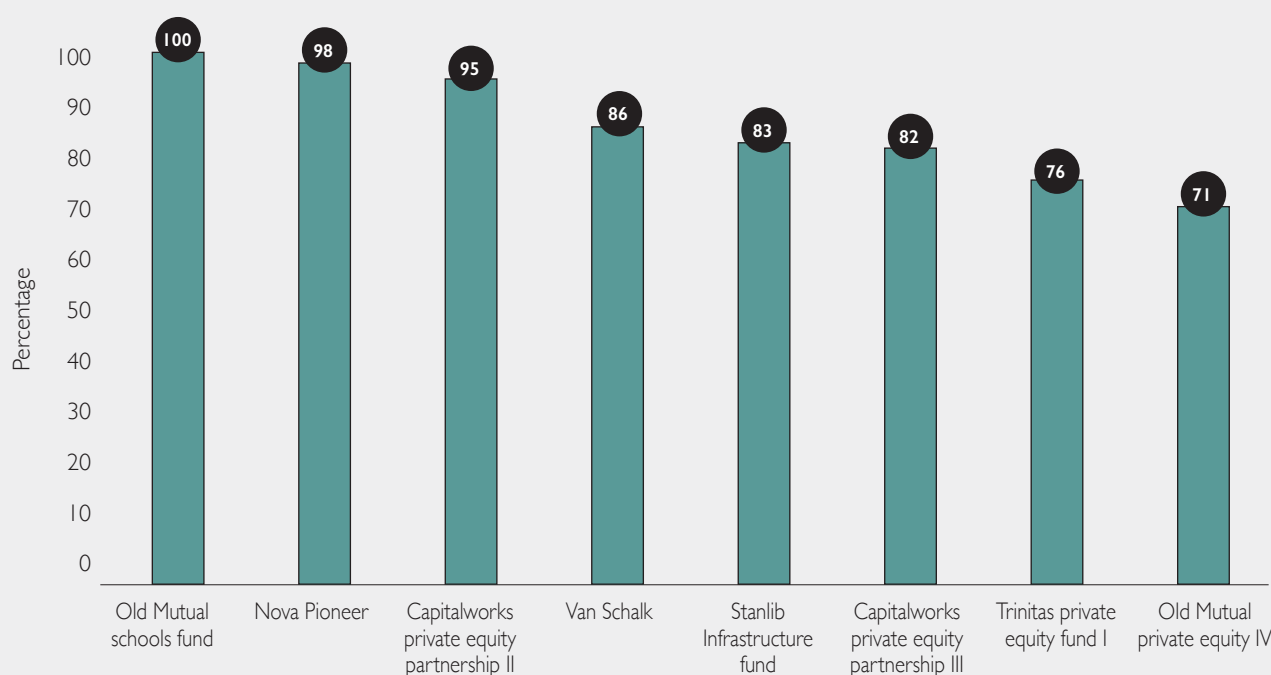
This was measured through support for the SMME sector and the increased local procurement spend and the proportion of supplies procured locally.

Procuring from local companies, particularly SMMEs and black-owned business, directly targets past economic imbalances, contributing to a more equal and more productive economy. In addition, local economic development improves South Africa's resilience to economic shocks and reduces reliance on imports.

SMMEs currently employ between 50% and 60% of South Africa's workforce but contribute much less to economic production compared to SMMEs in other countries.

The proportion of our portfolio companies' local procurement spend was very high in 2020. On average, the reporting portfolio companies directed 83.2% of their total procurement to local suppliers. In addition, companies under the Old Mutual Schools Fund reported 100% local procurement, whereas companies under the remaining investees reported over 70% local procurement. This performance is in harmony with our development mandate to support investments that are strongly integrated in the South African economy through their supply chains and outputs.

LOCAL PROCUREMENT SPEND (2020) (%)



OUR PERFORMANCE continued





Performance on gender equality

The focus in this area was on gender equality at all levels of employment, from general staff to executive and board level. Among investees that reported gender-disaggregated data in 2020, an average 40% of employees were female. At Nova Pioneer the proportion of female employees was 82.5% female, and Old Mutual Schools Fund and Van Schaik both had female representation above 60%. These three investees are in the education field and the figures suggest that targeted investments in social sectors not only improve livelihoods in underserved populations, but also improve women's participation in the economy.

Female representation at senior employment levels is an area for improvement. Among reporting investees, female representation was: 17% at board level, 25% at executive level, and 36% at management level. Once again, these figures are similar to national averages.

EPPF's education investments with high total female representation (Nova Pioneer, Old Mutual Schools Fund, and Van Schaik) also had boards with more than 50% female membership. Mpande Property Fund's portfolio company, OEH2, had a female chief operations officer and a female chief financial officer.

PORTFOLIO COMPANIES AVERAGE FEMALE EMPLOYEE REPRESENTATION (2020)

BOARD		17%
EXECUTIVE		25%
MANAGEMENT		36%
STAFF		44%

B-BBEE Policy for EPPF Investments

The Fund only invests in entities with a B-BBEE rating of level 3 or higher and strives to partner with entities that are majority black-owned. At the end of the reporting year, 53% of the Fund's local externally managed assets were managed by black-owned asset managers.

In order to support black economic empowerment, several years ago the Fund established manager development programmes for emerging black asset managers, covering both the listed and the private markets. These programmes are run by professional and well-resourced investment service providers in close collaboration with EPPF.

The programme for managers in the public markets arena has seen participating asset managers grow their AUM and diversify their client base as a result of participation.

The private markets programme was fully allocated just after the end of the 2021 financial year. It supports 10 fund managers, usually as the anchor investor, and has seen encouraging performance despite the challenging investment environment.

Assets under management of black asset managers

	Value of AUM R million	Share of Fund's local external investments %
Non-emerging black managers	23 647	44.3
Emerging black managers	4 717	8.8
Non-manager Development Programme	3 910	7.3
Manager Development Programme	807	1.5
Total	28 363	53.1



Participants: private markets programme

- 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

ASSET MANAGERS CURRENTLY IN THE MANAGER DEVELOPMENT PROGRAMME

Lima
Mbeu

AUM: R911m
Clients: 8

AUM: R1.2m
Clients: 9

Excelsia

AUM: R225m
Clients: 2

AUM: R2.4bn
Clients: 7

Nov 16

Apr 17

Sep 17

Feb 18

Jul 18

Dec 18

May 19

Oct 19

Mar 19

Aug 20

Jan 21

Jun 21



CARE **E** IN ACTION:

CASE STUDY

Supporting excellence in the infrastructure and energy sectors

The Fund's mission is to become a member-centric, sustainable and trusted retirement savings provider, positively impacting a change in society. It seeks to achieve its impact objectives by investing in several high-impact sectors, including education, affordable housing, healthcare, transport logistics, renewable energy, water and wastewater treatment, information and communications technology (ICT) and agricultural beneficiation.

“

THE FUND HAS INVESTED IN THE STANLIB INFRASTRUCTURE FUND AND HELIOS FUND II IN A BID TO SUPPORT SUSTAINABILITY IN AFRICA'S INFRASTRUCTURE AND ENERGY SECTORS.

A just climate transition and sustainable future for all require improved access to electricity for underserved populations, as well as a shift from fossil fuels to renewable energy sources. South Africa's National Development Plan is committed to these objectives, which also contribute to Sustainable Development Goal 7 on affordable, clean energy.

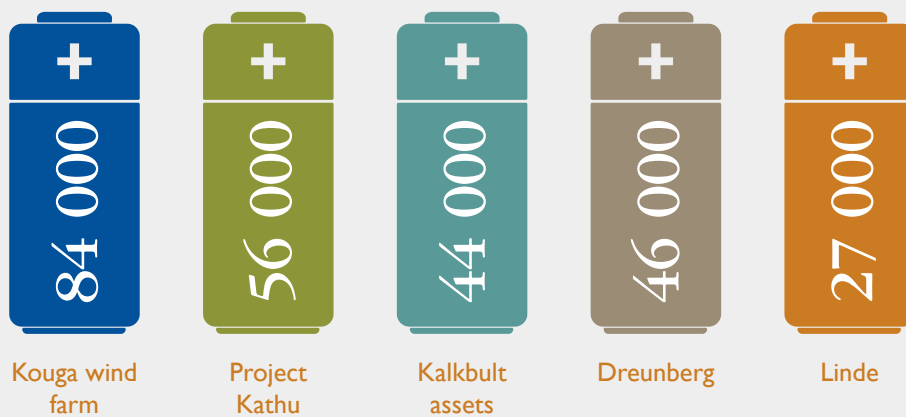
STANLIB INFRASTRUCTURE FUND

This fund invests in a range of infrastructure projects through private equity funds focusing on power production, renewable energy, rail and road assets, airports, water provision, logistics and telecommunications.

The Stanlib Infrastructure Private Equity Fund I was established in 2013 to support greenfield and brownfield infrastructure projects in sub-Saharan Africa, primarily South Africa. Currently the fund is invested in five renewable energy assets: Kouga Wind Farm (KWF), Renewable Energy Investments SA (REISA/Project Kathu), Scatec Solar Kalkbult (Kalkbult), Simacel 160 (Dreunberg) and Simacel 155 (Linde).

ENERGY SUPPLIED BY EACH ASSET

(as calculated by the number of households)



The fund's investment currently comprises 30% wind and 70% solar energy production. These assets generated nearly 380 000 MWh of renewable energy over the six-month period ending 30 June 2020 and nearly 850 000 MWh in 2019.

HELIOS FUND II

Helios Fund II supports the provision of clean, renewable energy by investing in Zola Electric and Starsight which supply solar photovoltaic systems that provide on- and off-grid power to homes and businesses across Africa.

Through a partnership with Johannesburg-based Distributed Power Africa (DPA), Zola Electric will distribute its systems to nine countries, including South Africa. In 2020, its operations reduced carbon emissions by 55 901 tons.

Starsight provides its renewable energy services – tailored design, installation and operational support



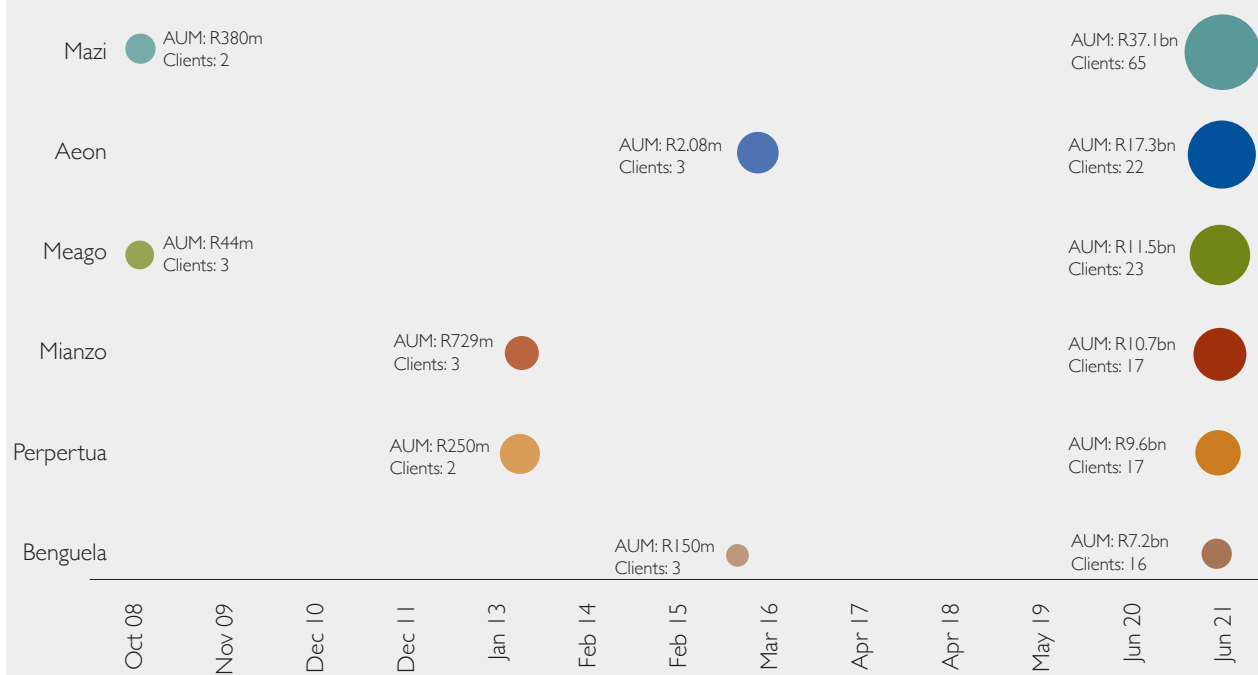
– throughout Nigeria and Ghana. In 2020, Starsight operations resulted in a 12 446-ton reduction in carbon emissions.

OUR PERFORMANCE continued

Previous participants: listed markets programme

- Aeon Investment Management
- Benguela Global Fund Managers
- Mazi Asset Management
- Meago Asset Managers
- Mianzo Asset Management
- Perpetua Investment Management
- Prowess Investment Managers
- First Avenue Investment Management
- Meago Asset Management

ASSET MANAGERS PREVIOUSLY IN MANAGER DEVELOPMENT PROGRAMME



ADVANCING LEGAL COMPLIANCE



The EPPF is registered and regulated in terms of the Pension Funds Act 24 of 1956 and is therefore subject to supervision by the Authority of Pension Funds through the FSCA.

The Fund complies with a range of regulations and core requirements in areas including funding levels, the content of fund rules, the audit and/or statutory valuation of the Fund, prudential investment limits, the licensing of asset managers, payment of minimum benefits, the reporting of any non-payment of contributions, and the apportionment of actuarial surpluses.

The registered rules of the Fund have been approved by the FSCA and, during the period under review, the Fund submitted its revised rules to the FSCA for consideration and registration. It also implemented its POPIA Compliance Roadmap in anticipation of POPIA coming into full effect in July 2021.

Internal restructuring saw the establishment of a Governance and Unit, which consolidates legal, risk and compliance, and internal audit functions.

IMPORTANT RULE REVISIONS

A significant revision to the rules of the Fund, as submitted to the FSCA, is a provision permitting deferred pensioners under 55 years of age to apply for full cash withdrawal of the deferred benefit or to transfer the entire benefit to another approved fund. The amendment also benefits single deferred pensioners if they die within five years of retirement and have no dependants or beneficiaries – the estate will receive the balance of the five years' worth of pension payments. Previously benefits fell away in such circumstances.

The amended rules of the Fund were approved by the FSCA on 5 July 2021 and took effect on 1 April 2021. As at 13 October 2021, the Fund had received 62 applications from deferred pensioners requesting the transferral or withdrawal of their benefits.

POPIA READINESS

POPIA aims to protect personal information by striking a balance between the constitutional right to privacy and the right to access information. The Fund's comprehensive POPIA programme ensured the safeguards required by the Act were implemented in advance of 1 July 2021, when a final set of POPIA provisions came into effect.

- The Fund's information officer and deputy information officer were registered with the Information Regulator.
- Key documents – such as employment agreements, contract templates, Fund forms and the Promotion of Access to Information Act manual – were updated to include relevant POPIA wording.

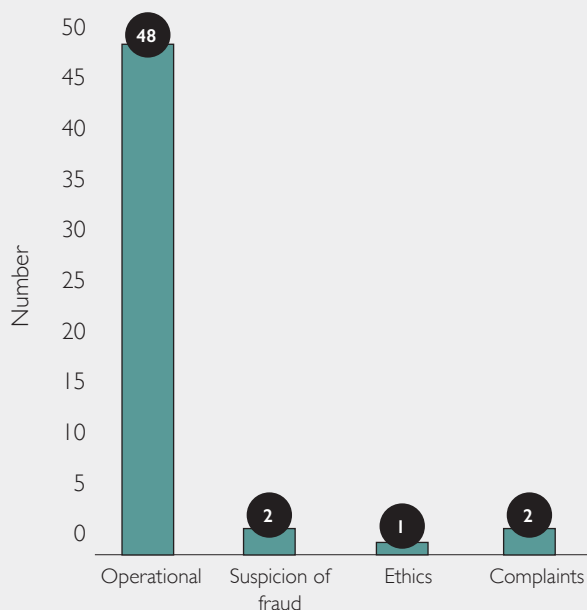
CYBERCRIME VIGILANCE

The Cybercrimes Act deals with various crimes emanating from the unlawful use of information systems, including data, software, hardware and cloud storage systems. The Act defines offences and prescribes penalties. It also imposes obligations on businesses, including financial institutions, in relation to the commission of cybercrimes. The Fund has an obligation to report cybercrime, preserve evidence in relation to the commission of cybercrimes, and establish cyber security programmes and controls.

BLOWING THE VUVUZELA

Our whistle-blowing hotline is managed independently by Vuvuzela Hotline and is independently verified and accredited by the Ethics Institute of South Africa. It enables individuals to report fraud, corruption and other misconduct by personnel, including executive managers and Board members. In 2021, most calls to the hotline were member-related queries of an operational nature. These were escalated to the relevant department, addressed and closed.

NUMBER OF REPORTS TO HOTLINE 2021



During the period, a large number of general and member-related queries were received through the hotline. The queries were of an operational nature and were escalated to the respective department, where they were subsequently addressed. The remaining incidents related to suspicions of fraud and another to misconduct by an employee. These incidents were investigated and subsequently closed.

OUR PERFORMANCE **continued**

ELIGIBILITY AND THE FUND'S ASSURANCE EXERCISE

In 2017, the EPPF became aware that participating employers in some instances incorrectly indicated to the Fund that an employee should be granted membership of the Fund. This matter arose as a result of a High Court order for former Eskom CEO Mr Brian Molefe to pay back the benefits received from the Fund (Solidarity Trade Union/EFF/DA v Molefe and Others) and an inquiry by the Parliamentary Portfolio Committee on Public Enterprises.

The Fund is currently undertaking a process to ensure that all its members were in fact permanently employed by the Fund's employers at the time they became members. This process looks back at members who joined the Fund prior to 2017 and the Fund has also put measures in place to ensure the eligibility of all new members.

The assurance exercise is being carried out in three steps: firstly, among EPPF employees, then at Eskom Rotek Industries and finally among Eskom workers. The exercise in respect of the Fund's employees is complete and it has identified some employees whose eligibility cannot be verified. The phase involving Eskom Rotek Industries is at an advanced stage – only 3 243 individuals out of 8 187 have still to be audited. At Eskom 28 785 files have been reviewed. All historic files are still to be reviewed.

For individuals where it is not possible to establish eligibility, the Fund will offer two options:

- the Fund will offer the individual a refund of contributions; or
- the individual will be part of a court case in which the Fund will seek a declaratory court order with the aim of achieving an equitable resolution. It is anticipated that the first declaratory application will be launched in 2022. For instance if the person has received a benefit then the Fund will seek a court order which permits such benefit payment.

UPDATE ON FORMER ESKOM GROUP CEO

As the EPPF communicated previously, and since 2017, Mr Molefe has appealed the judgment against him to return his pension pay-out to the Fund, through the High Court, the Supreme Court of Appeal, and the Constitutional Court. His Constitutional Court appeal was dismissed in late 2019. The Constitutional Court made a costs award in respect of all three appeals against Mr Molefe. Mr Molefe has settled the cost orders apart from the High Court, which he is disputing. An application to resolve the matter is pending before the High Court.

The effect of the judgment in the main application is that Mr Molefe should not have been a member of the Fund

and therefore he should return any pension monies paid to him and the Fund should refund him the contributions he made to the Fund. The Fund has filed its application for the return of contributions with the courts. In response, Mr Molefe has requested that his repayment be offset against the contributions he made to the Fund as well as the transfers from his previous pension savings into the Fund that are still held by the Fund. At the same time, the matter involves the South African Revenue Services (SARS) in that they are required to return any tax paid to it on the amounts paid to Mr Molefe plus any interest on that tax amount.

All the parties have filed their pleadings (these are affidavits that set out each party's position regarding the matter) however still need to file their heads of argument. Heads of argument are written arguments to be presented to court on the day of the hearing. These set out the parties' arguments in a structured format, assist presiding officers to understand the main issues in contention and prepare for the hearing between the parties. Once all parties have filed their heads of argument, the Fund will apply for a court date for the hearing.

The matter is receiving Management's dedicated attention as we continue working with our legal team through the courts to ensure that this matter is adequately resolved.

OUTLOOK FOR THE FUTURE

The Conduct of Financial Institutions (COFI) Bill is in the pipeline although the timescales for its passage through Parliament are not predictable. The Bill is a key pillar in government's Twin Peaks approach to financial sector regulatory reform, which sets in place two regulators: one for market conduct and the other for prudential regulation. In addition to putting statutory muscle behind the Treating Customers Fairly principles, the Bill contains changes to licensing and conduct standards. The Fund has undertaken a preliminary impact assessment to ascertain its readiness for the anticipated changes.

During the review period, the authorities proposed an amendment to Regulation 28 of the Pension Funds Act which would raise the ceiling for investment in the infrastructure asset class to 45% in order to encourage greater participation of pension funds in infrastructure development. The amendment has not been finalised and any increased infrastructure investment would remain voluntary under the current draft. The Fund welcomes this development as it opens up additional investment opportunities, but any investment infrastructure will follow the Fund's normal investment procedures and requires meeting the Fund's risk and return criteria.

OPTIMISING TECHNOLOGY

Information technology (IT) plays an important role in driving the Fund's commitment to building a member-centric culture. In 2021, the Fund made major strides on its digital transformation journey and adopted new operating models, standards and frameworks.

The year saw the enablement of an outcome-driven enterprise architecture to manage the business of IT, provide business insight across the IT value chain, increase focus on business outcomes, improve agility and most importantly enhance the member experience.

The multi-year IT transformation programme comprises 40 projects that focus on:

- Operational reliability.
- Excellence in serving various business units.
- Enabling business growth through use of digital technology.
- Increased capacity for member services.

By the end of the year about 40% of the envisaged work had been completed.

PENSION ADMINISTRATION SYSTEM (PAS) IMPLEMENTATION

In 2021, the Fund continued to enhance pension administration and service to members through digital solutions. The new features bring about many benefits to the business and to members, from a new interactive engagement channel to greater data availability and an enhanced web portal from which members are more efficiently serviced. The enhancements to the web portal also provide client-facing staff greater flexibility in accessing member information and servicing members from any location. The alignment of PAS features with the web portal enables staff performing diverse functions – such as medical aid assistance, benefits processing, data maintenance and client liaison – to perform certain internal processes from the portal, eradicating some manual tasks.

Some of these benefits include:

- Enhanced the contact centre portal to enable the contact centre to perform their activities and service members directly from the web, without having to switch between the web and PAS.
- All capabilities required by the medical aid team were made available on the web portal so they can perform their activities from the web.
- New capabilities were created on the web portal and enhancements made to workflows to ensure all activities are tracked within the system and repetitive activities streamlined. New processes and workflows were implemented to enable proactive processing of claims to reduce claim turn-around times.
- Document upload and beneficiary update capabilities were implemented to increase self-service functionality for pensioners.



The Fund also enhanced service provision to members through digital channels. These included:

- The launch of the Fund mobile app which affords instant access to personalised information. For example, members are now able to easily check their benefits and access their payslips from their mobile devices.
- WhatsApp and USSD channels with a chatbot that will give members feedback on frequently asked questions instantly. It will also be possible to have a live WhatsApp chat with a contact centre agent.

These are initial steps to an omnichannel environment that will allow members to communicate with the Fund via their channel of choice. We have also focused on optimising, automating and improving claims processes and other member services and identified business processes to be enabled for robotics automation.

IT GOVERNANCE

All procedures related to the governance of EPPF IT are defined, revised and approved by various committees, such as IT SteerCo, Exco and the Audit and Risk Committee.

In 2021, the IT architecture office and governance policy was implemented. This ensures a coherent and systematic translation of the Fund's strategic intent into business outcomes while ensuring the integrity, control and protection of IT assets.

OPERATING ENVIRONMENT

During the review period our IT operations improved significantly, with no major incidents or security breaches reported.

The IT department adopted its new enterprise architecture framework and standards in order to provide better service to members and digitise the Fund's business services. This represents a shift in mindset: IT is no longer seen as a cost centre but as an enabler of organisational agility.

Ongoing activities included enabling cloud migration and prioritising cybersecurity. IT systems also play an important role in POPIA and FSCA compliance.

SIGNIFICANT ISSUES AND RISKS

A number of IT-related risks and issues were identified in 2021 (see Managing Risk on page 23). All risks are raised, reported and managed within the enterprise risk framework and addressed in accordance with relevant policies. Strategies have been put in place to manage these risks.

FUTURE FOCUS

Future areas of focus for the technology department are:

- Robotic process automation to further optimise and improve PAS processes in order to service members quicker; improve member experience and satisfaction.

OUR PERFORMANCE continued

- Implementation of a customer relationship management (CRM) platform to manage EPPF relationships and provide a single customer view.
- Building a "big data" platform to strengthen the analytics capabilities of the Fund.
- Implementation of an enterprise content management platform to ensure that all unstructured data and documents are managed to reduce business risk and deliver digital content management.

UNLOCKING THE TALENT OF OUR HUMAN CAPITAL

The Fund is deeply conscious that its strategic objectives of service excellence and sustainability depend on the quality of its human capital. Attracting high calibre employees and unlocking their potential through relevant development programmes has therefore been recognised as a strategic pillar in its own right.



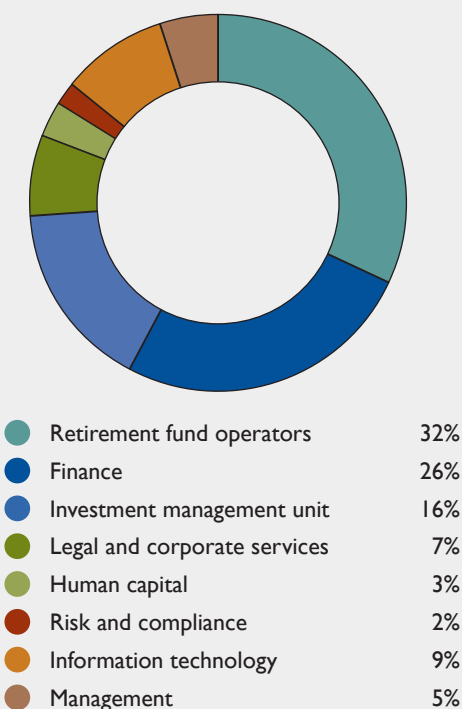
Our focus in 2021 was guided by the following deliverables:

- Organisational design.
- Embedding talent management.
- Leadership development and building a learning organisation.
- EPPF culture journey and employee engagement.

SNAPSHOT OF OUR HUMAN CAPITAL

As at 30 June 2021, the Fund had 108 permanent employees and 22 contractors in its employ.

EPPF STAFF BY DEPARTMENT (%)



The EPPF believes that diversity has many dimensions beyond the demographics on which B-BBEE is based, but we also acknowledge the importance of sustaining efforts to redress historic disadvantage. The graphs on the next page indicate our performance in this regard.

The Fund recognises that workforce participation by people with disabilities is an important rights and development issue: 1.6% of the Fund's employees have a disability.

The EPPF recognises that human capital is one of its greatest assets in the quest to achieve the Fund's strategic Vision 2024 and beyond. As such we are committed to cultivating a learning culture where employees have the capacities required to address our strategic and operational objectives. The Fund has adopted the 70:20:10 blended learning approach to accelerate employees' learning and development goals and performance.

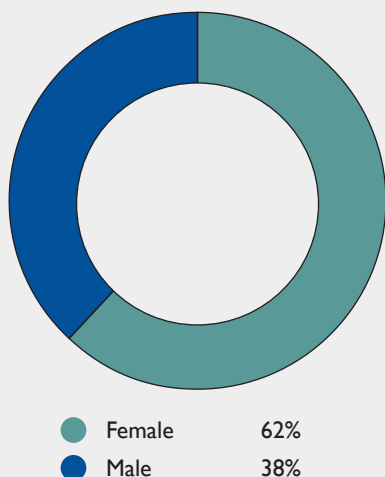
This blended method has allowed the Fund to disseminate diverse learning interventions such as instructor-led, on the job exposure, rotations, secondments, stretch assessments, coaching and cross-collaboration projects.

From a skills perspective, most of the workforce is comprised of highly capable and competent knowledge workers who have the necessary qualifications and experience needed to drive the Fund's business requirements. We continue to support employee learning aspirations and development pathways to ensure their skill-sets are relevant and up-to-date.

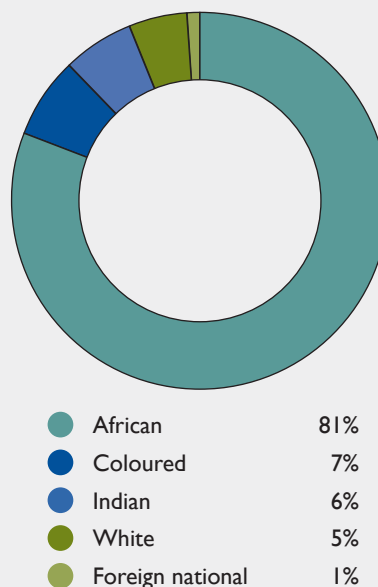
Furthermore, the EPPF, whether through our robust recruitment process or internal capacity building strategies, has made particular investment in addressing various scarce and critical technical skills. These include, but are not limited to, CA (SA) CIA, CFP, CFA, MBA, Actuarial Science, Investments, IT and Finance qualifications.

In addition, the EPPF assisted our employees in developing essential business skills especially in the areas of member-centricity, emotional intelligence, financial modelling, leadership, investment fundamentals and diversity training. Both the technical and cross-cutting business skills are essential capabilities needed to support core business deliverables. Moreover, a Competency Framework has been developed to further support fit-for-purpose employee development as we continue to build the capabilities required to address current and future skill-set needs thus ensuring the competitiveness and sustainability of the Fund.

EPPF STAFF BY GENDER



EPPF STAFF BY RACIAL GROUP



ORGANISATIONAL DESIGN

As companies grow and the challenges in the external environment become more complex, business processes and structures and systems that once worked become barriers to efficiency, customer service, employee morale and sustainability. Organisations need to renew themselves periodically to avoid such symptoms. The Fund acknowledges that doing nothing is not a strategy, and therefore we embarked on an organisational design project with a view to:

- Enabling member-centricity by implementing different platforms to ensure the experience is easy and efficient.
- Enabling a step-change in operational excellence while investing in new capabilities which gear us for the future.

For the Fund to realise its vision and deliver against its strategic objectives the following structural and capability shifts were necessary:

- Strengthening IT capability and in-house capacity to support the transformation required, enhance service levels, improve efficiencies and reduce operational risk.
- Creating a dedicated member experience function to design the member journey and drive proactive member support and tailored communication.
- Strengthening strategic asset allocation capability by:
 - Bolstering the research capacity within the team, with a focus on private markets and real assets.
 - Shifting asset allocation to ensure strong returns.
 - Using co-investment structures.
- Creating an integrated Governance and Assurance function, combining legal, risk and internal audit functions. This strengthened the assurance focus, provided a single

point of accountability and focused strongly on proactive compliance and risk systems.

During the review period, the design phase was completed. The implementation journey is underway, with a view to embedding the new design over a two-year period. The priority is building the required capability through upskilling.

EMBEDDING TALENT MANAGEMENT

Organisations today face formidable challenges relating to talent management. These include impending shortages in future-skills requirements, managing a cross-generational workforce, and ensuring knowledge transfer, skilled data management and business sustainability. It is vital that EPPF maintains a strategic focus on talent management.

An effective talent management strategy ensures operational continuity and sustainability. It ensures that the right people, with the right skills, are in the right roles, at the right time to guarantee successful business results.

The EPPF repositioned its talent management strategy and philosophy. It recognises that all employees can make a valuable contribution, possessing unique skills and attributes that contribute to the success of the Fund. It envisions a multi/cross-skilled workforce that can succeed in a volatile, uncertain, complex and ambiguous business environment.

The talent philosophy distinguishes between performance and potential when making decisions concerning talent. By fostering potential and enabling sustainable growth, the Fund becomes more strategic about talent and better able to mobilise ahead of the curve in planning a workforce with the right capabilities.

OUR PERFORMANCE *continued*

This transition from performance to potential was informed by the fact that performance is essentially backward-looking (focused on demonstrated competence, professional reputation and years of experience) while potential is more forward-looking (the drivers being capability and ability, engagement, motives, attitude, aspiration, learning agility and emotional intelligence). Therefore, to achieve effective succession planning, bench-strength and mitigation of risks across the business, it is important to focus on the drivers of potential. Talent roadshows were undertaken to engage the leadership team and ensure sound understanding, buy-in and sustainability of the shift in our talent management philosophy.

During the review period, engagement sessions were also held with identified high potential employees (HiPOs) to measure progress in building the talent bench strength. Some HiPOs were instrumental in revising the EPPF's vision, mission and purpose and reigniting the EPPF C.A.R.E values.

LEADERSHIP DEVELOPMENT AND BUILDING A LEARNING ORGANISATION

Organisations depend upon capable leadership to guide them through unprecedented times. Yet few give thought

to the leadership skills, knowledge and behaviours that are required to implement strategies. Without proper leadership, even the best and boldest strategies die on the vine.

During the review period, the Fund developed its Leadership Charter, as a philosophy that guides the actions of the leadership team. The Leadership Charter will become actionable through its alignment with the performance management process.

LEADERSHIP COMMITMENT STATEMENT

We, the leadership team, undertake to lead the EPPF responsibly, achieve its strategic objectives, create sustainable value in the short, medium, and long term, and subscribe to the Leadership Charter in line with the Fund's values.

The graphic below summarises the Leadership Charter which strives for a holistic practice of thinking, feeling, doing and communicating consistently in order to build trust and a culture of continuous development for our leadership team.



As part of embedding the Leadership Development Framework, the leadership team participated in a coaching programme to develop leadership capabilities and drive a culture of continuous growth and development. As in previous years, leadership breakfasts were held to engage and stimulate thinking on relevant leadership topics, many of which related to the new world of work, reimagining the future and breaking barriers.

BUILDING A LEARNING ORGANISATION

The Fund invests about 2% of its annual payroll in the training of employees. This is double the amount required by the INSETA and reflects the value we attach to employee development.

About 20% of employees received financial support from the Fund to pursue formal studies, mainly in business-related fields such as actuarial science, finance and financial analysis, accounting, IT, HR, economics and communications. Not only is the EPPF able to retain a highly competent workforce but many employees continue to advance their studies.

EPPF CULTURE JOURNEY AND EMPLOYEE ENGAGEMENT

During the review period, the EPPF embarked on a journey to:

- Revise its vision, mission and purpose.
- Re-articulate and re-ignite the Fund's values.

This was a collaborative effort driven by a team of employees from various departments. The outcome, approved by the Board, is reflected at the beginning of this report. (See page 3 – Vision, mission and values.)



Our Pledge to C.A.R.E?

We are driven by a strong belief in our vision, mission and purpose. This energises our collective effort to always strive to C.A.R.E. Each of these values reiterates the EPPF's awareness that our success is driven by human beings who form part of our internal and external communities. C.A.R.E. is part of the intentional fingerprint that our EPPF family is happy to leave on everything we do.

EMPLOYEE WELLNESS

The COVID-19 pandemic has had a profound effect on all aspects of society and challenged the Fund to demonstrate its C.A.R.E. for the wellbeing and health of its employees. Various measures were implemented to accommodate employees and provide a supportive work environment, including:

- Remote working arrangements for the majority of our employees.
- Additional leave for COVID-19-related illness and family responsibilities.
- Enhancement of our employee assistance programme benefits to include contract employees.
- Provision of personal protective equipment at the EPPF premises.
- Resilience programmes to help employees navigate these difficult times and build emotional fitness.
- Flu vaccinations and wellness hampers.

SKILLS DEVELOPMENT

While the intake was reduced drastically due to the pandemic, the Fund's Internship and SAICA Training Programme continued to contribute to building our youth pipeline, providing employment and developing skills. Through a robust selection process, two qualified and talented candidates (both black women) joined the SAICA training programme and will be rotating through various departments as part of their three-year learning experience. The Fund retained some interns from the 2020 programme in contract roles, while others secured permanent placements.

EMPLOYEE REMUNERATION PHILOSOPHY

The Fund recognises that rewards for employees constitute a business imperative with a direct impact on operational expenditure, company culture, employee behaviour and, ultimately, the profitability and sustainability of the organisation. The Fund's approach, Total Rewards, is designed to attract, retain and motivate high-calibre individuals, who possess integrity, intellect and the capacity to innovate, and who subscribe to the organisation's culture. The Fund's philosophy in respect of rewards is to:

- Provide guiding principles on formulating remuneration and rewards in order to attract and retain talented employees.
- Underpin a positive organisational culture.
- Address key strategic issues facing the Fund.
- Reflect the Fund's core values.

Each year, the Fund utilises a reputable service provider to benchmark salaries and ensure that we are externally competitive and internally equitable. As part of its Total Rewards philosophy, the Fund offers annual cash incentives and long-term incentives.



OUR PERFORMANCE continued

ANNUAL CASH INCENTIVES

The annual cash incentives are linked to the EPPF's performance and that of its employees. Their purpose is to:

- Drive organisational, departmental and individual performance.
- Encourage and reward participants for achieving and exceeding performance targets.
- Foster a high-performance culture within the EPPF.

The 2021 annual cash incentives allocated to Exco members total R8.5m (2020: R9.1m). The annual cash incentive is at individual level and based on performance. Long-term incentives are designed to attract, retain, motivate and reward executives, investment professionals

and individuals with scarce and critical skills. All policies related to rewards were revised and approved by the Board.







LONG-TERM INCENTIVES

Long-term incentives awarded to Exco members came to R3.8m (2020: R2.7m).

SUSTAINING STAKEHOLDER RELATIONSHIPS



The Fund prioritises communication to and engagement with its primary stakeholders – active members, pensioners and other beneficiaries – and strives to keep relationships with other external stakeholders on a positive footing through appropriate levels of engagement.

Stakeholder category	Structured engagement
Members (in-service, pensioners and beneficiaries) 	<ul style="list-style-type: none"> • Operational communication via email, SMS, website updates, digital engagement sessions, walk-in centre and one-on-one sessions with retirement fund consultants. These include quarterly email updates, member newsletters and member education collateral in the form of brochures and videos. • Members are also engaged via the Fund Contact Centre, both telephonically and on email.
Participating employers: Eskom and subsidiaries 	<ul style="list-style-type: none"> • Service level agreement. • Appointment of Board members. • Meetings at executive level. • Consultation on major decisions, such as Fund rules amendments.
Labour organisations recognised by participating employers 	<ul style="list-style-type: none"> • Appointment of Board members. • Customer Network Centre meetings with membership, including engagement with trade unions.
Regulators: Financial Sector Conduct Authority (FSCA) and Pension Funds Adjudicator (PFA) 	<ul style="list-style-type: none"> • Meetings of EPPF Board Chair 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 FSCA's drive to reduce unclaimed benefits that retirement funds hold. • Engagement with PFA on member complaints which include: queries about the calculation of benefits, the types of benefits payable and when they accrue; disputes about allocation of death benefits; requests to transfer or access full retirement value on retirement; and complaints about pension increases and delays in processing of benefits. <p>There are cyclical spikes in the number of complaints lodged, and they typically coincide with environmental and regulatory changes. In the period under review, numbers have been around average when compared with previous years.</p>
Industry bodies: Batseta, Institute of Retirement Funds of Africa 	<ul style="list-style-type: none"> • Representation on structures of Batseta. • Participation in conferences and events.
The media 	<ul style="list-style-type: none"> • Engagement with media through: <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.

In addition to using the mass media, the Fund communicates with stakeholders through social media and its own media – its website and newsletters.

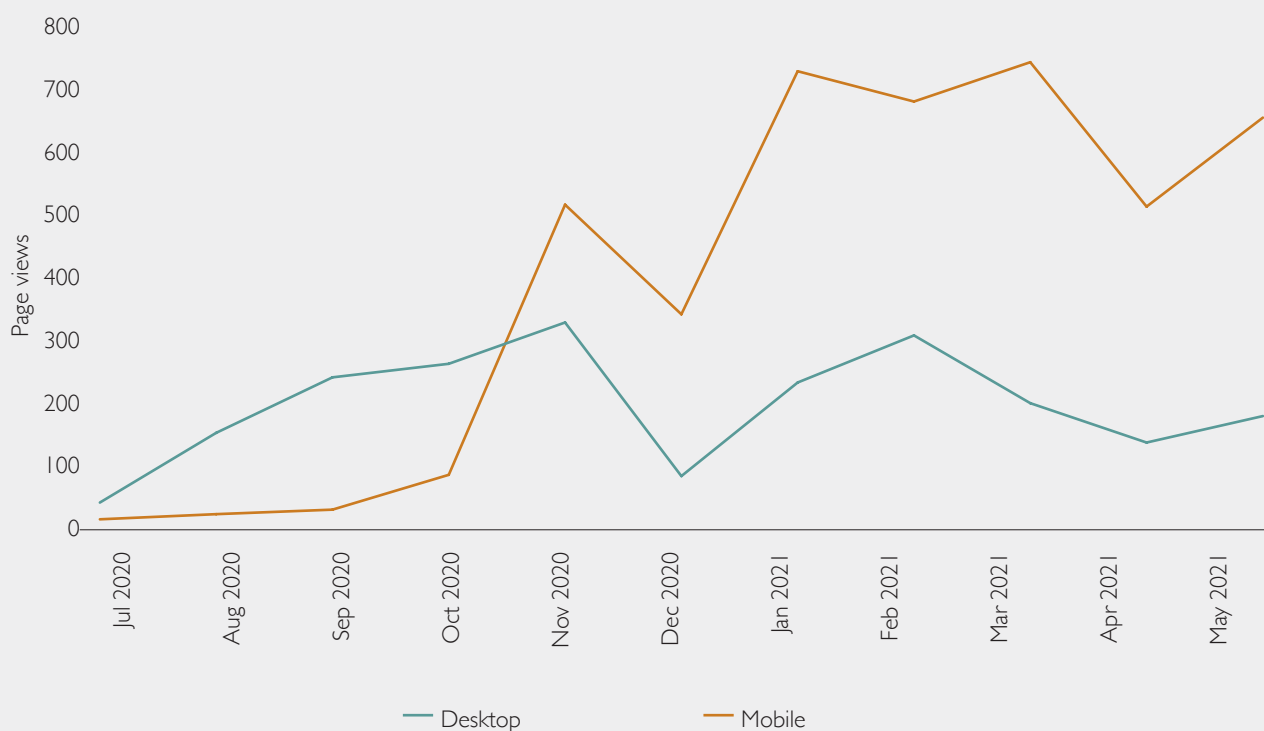
Both the website and social media platforms attracted increased attention during 2021. The overall numbers of website users and LinkedIn followers were up by 11 % and 49.1 % respectively on the previous year.

SOCIAL MEDIA REACH 2021

Consistent and frequent posting of good quality content resulted in steady growth in social media engagement during the reporting period:

- Our LinkedIn channel acquired 947 new followers and all of this growth was organic.
- Total views recorded on our YouTube channel reached 4 200 and total impressions 8 400 which simply equates to the number of times our content was seen.
- There were 779 views of the introductory video on the mobile app for members.
- Engagement on LinkedIn grew substantially, mainly as a result of a rise in mobile viewers. Best-performing content comprised vacancies, employee testimonials and thought leadership pieces.

LINKED-IN PAGE VIEWS



OUR PERFORMANCE continued

CARE IN ACTION:

CASE STUDY

Gauging satisfaction and embracing resourcefulness for a better member experience

The EPPF is committed to finding ways to understand our members better so that we can deliver on our mandate and meet their needs. In this spirit, the Fund commissioned the consultancy, Avatar, to undertake an independent survey to measure:

- Our net promoter score (NPS), an indicator of members' sentiment towards the Fund.
- Members' views on and experiences of service quality.
- Members' satisfaction with the EPPF.
- Members' rating of their relationship with the Fund.

WHO ANSWERED THE SURVEY?

The survey covered in-service members, pensioners and deferred pensioners



25 000

SURVEYS ISSUED



3 888

RESPONSES RECEIVED



1 800

SAMPLE DRAWN



NET PROMOTER SCORE



+26%
Target +50%

A positive score but Fund needs to aim above 50%. Top positive drivers:

- Empathy: staff showing consideration to member
- Knowledge: staff knowledge of fund benefits
- Availability: staff contactable during office hours
- Client communication: fund-related information

Who would promote the Fund?

- Pensioners: 60.5%
- In-service members: 44.9%
- Deferred pensioners: 23.5%

CUSTOMER SATISFACTION



79.4%
(Average)
Target 83%

Overall, 83.5% of respondents were satisfied or very satisfied with the Fund, while 9% were dissatisfied or extremely dissatisfied.

Satisfaction levels varied by member category, with pensioners most satisfied, in-service members slightly less positive and deferred pensioners least content.

CUSTOMER RELATIONSHIP



75.9%
Target 83%

The survey asked respondents to rate key relationship drivers. Satisfaction scores were:

- Providing advice on pension fund: 82%
- Compassion, warmth, understanding: 82%
- Explaining query process: 77%

The last element requires work to improve performance.

SOME IMPORTANT TAKEAWAYS

- Overall, feedback was positive in that members value the Fund for the quality of advice they receive as well as the helpfulness of staff.
- While call centre functioning was an area of concern, it is not “make-or-break” for members. However, it is clear members experience real problems reaching us and this demands attention.
- Deferred pensioners are distanced from the Fund and action is needed to remedy this.
- In-service members and deferred pensioners’ scores can be improved, especially in terms of ease of understanding of pension scheme information and options at retirement, resignation or dismissal.

In light of the findings, the Fund is identifying blockages in the system that may be causing delays and negatively affecting the member experience. The Fund is also developing refresher training for EPPF staff and an educational programme to help members better understand their benefits and options on leaving employment.





GOVERNANCE

04

GOVERNANCE

INTRODUCTION

Sound corporate governance is extremely important to retirement funds. Not only do funds have a fiduciary duty to their members, whose retirement assets they manage, but they make significant investment decisions and exercise shareholders' rights and responsibilities in respect of multiple companies. The manner in which funds exercise these rights and responsibilities may have a significant impact on the companies in which they invest.



Scrupulous oversight of fund management, solid governance procedures, and insightful strategic guidance are essential to the integrity of any retirement fund and are vested in the Board members of the Fund. In the case of the EPPF, accountability of the Board members to Fund members and pensioners is maintained, in part, by the regular election of new Board members, and accountability to the employer is assured by Eskom's considered appointment of Board members.

THE EPPF BOARD AND ITS ROLE

The EPPF Board of Fund is tasked, in terms of the rules of the Fund, to direct, control and oversee the Fund's operations in accordance with applicable laws and the rules. It fulfils two key roles: strategic decision-making and oversight.

- The decision-making function is exercised through the formulation of policies and strategies, in consultation with management of the Fund.
- The oversight of the executive management involves reviewing the functioning of Board committees and executive management of the Fund, ensuring the adequacy of systems and controls, and overseeing implementation of policies.

Board members are bound to act in the interests of the Fund and have a fiduciary duty to members of the Fund.

The EPPF Board comprises of 14 members and is constituted as follows:

- A non-executive Chairman is appointed by Eskom, subject to the approval of the Board.
- Six Board members are appointed by Eskom, including one who is deemed by Eskom to be an expert.
- Two pensioner Board members are elected by EPPF pensioners.
- Five Board members are elected by EPPF members. Of these at least two are non-bargaining unit members and the remaining three are elected from individuals nominated by labour organisations recognised by Eskom. The Board members nominated by labour organisations may not be members of the Fund.

The Board of Fund acts at all times in the best interest of the Fund's members and is ultimately responsible for the stewardship of the EPPF.

In performing its role, the Board:

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

COMMITTEES OF THE BOARD

The Board has six committees to assist it to fulfil its responsibilities. 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 continue to exercise due care and judgment, in accordance with their legal obligations.

	Chairperson	Members
Audit and Risk committee (ARC) 4 meetings held during the year	Mr JM Buys (4)	Mr ID du Plessis (4) Ms MA Makgopa (4) Mr L Ratsiku (4) Mr S Shweni (4)
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 Fund's IT function • Overseeing risk identification and management process 		

GOVERNANCE continued

	Chairperson	Members
Benefits Committee (BC) 6 meetings held during the year	Mr NK Shandu (6)	Ms L Brown (5) Mr D Jenkins (6) Mr BI Steyn (6) Ms HTIhotlhamajane (6)
Responsibilities Overseeing and making recommendations on: <ul style="list-style-type: none"> Investigation of transactions under section 37(c) of the Pensions Fund Act Rules related to the disposition of death benefits Applications for life-long 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 		
	Chairperson	Members
Communication Committee (CC) 4 meetings held during the year	Mr BI Steyn (3)	Ms CM Henry (4) Ms H Diatile (4) Mr PN Mashatola (4)
Responsibilities <ul style="list-style-type: none"> 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 press releases on Board matters, and identifying matters for action Considering any ad hoc communication issues referred to it by the Board or committees 		
	Chairperson	Members
Human Resources and Remuneration Committee (HRRC) 5 meetings held during the year	Mr L Ratsiku (5)	Mr D Jenkins (2) Mr PN Mashatola (5) Ms ME Seeiso (5) Attendance by invitation: Ms K Morobe (Expert) (5)
Responsibilities <ul style="list-style-type: none"> Approving HR policies and strategies 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 		

Mr J M Buys	(3)
Ms H Diatile	(4)
Mr ID du Plessis	(4)
Ms H Thothalemaje	(3)

- Oversight role of legal and governance affairs of the Fund in accordance with the Fund rules and statutory requirements

Ms CM Henry	(7)
Ms MA Makgopa	(7)
Mr NK Shandu	(7)
Mr SE Shweni	(7)
Attendance by invitation:	
Ms ALK Mogotsi	(7)
Ms R Moloto	(7)
Mr MAP Tseki	(7)
Mr T P Leeuw	(4)
<i>Term ended December 2020</i>	

- Attend to the investment affairs of the Fund in accordance with the Fund's Rules, Investment Policy Statement, and the relevant statutory requirements

[illegible]

GOVERNANCE continued

CURRENT BOARD OF FUND



Izak du Plessis

Member elected – Pensioner
Appointed 1 June 2020

Qualifications

BCom (Hons), Certificates: Advanced Taxation and Advanced Management Programme, MCom (Financial Management) CA (SA)

Experience and skills

Director of companies, Strategy, Risk Management, Financial Management, management



Barend Izak Steyn

Member elected – Pensioner
Appointed 1 June 2016

Qualifications

BAdmin (Hons), MBA, Post-grad Diploma in Financial Planning Advanced Certificate in Leadership, Online trustee training

Experience and skills

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



Lufuno Ratsiku

Member elected – Non-bargaining unit
Appointed 1 June 2020

Qualifications

BTech (Quantity Surveying), BTech (Project Management) MTech(Construction Management)

Experience and skills

Project management, engineering, integration management





Ndabezikhona Khehla Shandu

Member elected – Non-bargaining unit
Appointed 1 June 2016

Qualifications

BTech (Electrical Engineering), MBA, Certificates Equities, Corporate Governance, Certificate: Registered Persons Exam Equity Markets.

Experience and skills

Operations, general management, production and shift supervision at various Eskom power stations



Caroline Henry

Employer appointed
Appointed 1 July 2020

Qualifications

BCom, BAcc (Hons), CA (SA)

Experience and skills

Director of companies, Strategy, investment management, treasury, management



Mabatho Seeiso

Employer appointed
Appointed 1 July 2020

Qualifications

Economics and Marketing (Hons), BEcon (Hons), BCom (Hons) Financial Analysis & Portfolio Management, MBA

Experience and skills

Independent expert trustee, strategy, investment management



Peter Mashotola

Employer appointed
Appointed 1 July 2020

Qualifications

BA, BA(Psychology), Masters (Psychology), Master of Management (HR)

Experience and skills

Human Capital, Management



GOVERNANCE continued



Martin Buys

Employer appointed
Appointed 1 June 2020

Qualifications

MCom (Taxation), CA (SA)

Experience and skills

Financial management, management



Liza Brown

Employer appointed
Board member; Legal and Governance Committee; Benefits Committee
Appointed 6 June 2018

Qualifications

BProc, LLB, Post-grad Diploma: Contractual Drafting and Interpretation,
Certificate: Project Management

Experience and skills

Corporate legal and compliance specialist. Admitted in the High Court of South Africa



Hasha Tlhotlhemaje

Employer appointed
Appointed 1 June 2020

Qualifications

BSc, BSc (Hons), MSc (Biochemistry), MSc (Environmental Health) MBL

Experience and skills

Regulatory affairs, management



Sincedile Shweni

Employer appointed
Appointed 1 June 2020

Qualifications

BCom, Post-grad Diploma: Accounting, CA (SA)

Experience and skills

Treasury, management





Helen Diatile

Member elected – bargaining unit
Appointed 1 June 2016

Qualifications

Diploma: Technology Management and Innovation applied to Project Management, MBA

Experience and skills

Credit control, contact centre skills, treasury and education



Anah Makgopa

Member elected – bargaining unit
Appointed 1 June 2020

Qualifications

BCom, BCom (Hons), MBA

Experience and skills

Occupational health and safety, human capital, finance



Deon Jenkins

Member elected – bargaining unit
Appointed 1 June 2020

Qualifications

National Diploma: Human Resources Management

Experience and skills

Human Capital



GOVERNANCE continued

BOARD POLICIES ON DEALING WITH CONFLICTS OF INTEREST

The Board and Committee Member Code of Conduct regulate the responsibilities and conduct of members of the Board and committees. Section 5.7 prescribes how conflicts of interest are disclosed in order to ensure that perceived and actual independence is achieved in the interests of objectivity.

BOARD MEMBER EDUCATION

In terms of King IV Principle 7, the 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. The depth of knowledge and relevance of knowledge of the current Board is evident from the preceding pages.

However, the Fund is committed to investing in the induction, training, support and development of its Board members, in order to enhance their ability to contribute the strategic management of the Fund. Moreover, the Pension Fund Act obliges the Fund to do so.

Upon their election in 2020 Board members attended the *Trustee Toolkit Training* provided by the FSCA and some Board members also completed *Being a Director 1 – 4*, offered by the Institute of Directors of South Africa (IODSA).

BOARD MEMBER COMPENSATION

The setting of compensation for Board members is governed by the Trustee Remuneration Policy which was adopted by the Board on 13 November 2020. This is in accordance with the Fund rules which provide: "Board members shall receive from the Fund such remuneration and allowances as the Board may from time to time determine."

The policy provides for such remuneration to be derived from market benchmarks, the scope of work and the number of meetings attended. The Fund conducts remuneration benchmarking related to Board members and external experts every three years to test the reasonability of proposed Board remuneration in relation to the market.

Details of expenditure on the Board and remuneration of Board members appear in the report of the Chief Financial Officer (page 66) and the full annual financial statements.

BOARD TURNOVER

During the reporting period, there were no resignations from the Board of Fund.





OUR PERFORMANCE continued

CARE IN ACTION:

CASE STUDY

Demonstrating transparency and accountability

A lack of transparency results in distrust and a deep sense of insecurity – Dalai Lama

In February 2021, the EPPF participated in the latest Global Pension Transparency Benchmark (GPTB) study to establish how well we were meeting our commitment to being open and accountable to our members and other important stakeholders.

The GPTB is the first global standard for pension disclosure. It aims to promote greater transparency in the retirement fund industry in order to achieve better pension outcomes for members. It ranks the

five largest pension funds in 15 countries on their public disclosure of key value-generation elements. Ratings are based on the completeness, clarity, information value and comparability of disclosures.

Overall country scores look at four general areas: governance and organisation, performance, costs, and responsible investing. In each area, hundreds of underlying components are measured.



15

COUNTRIES ANALYSED



188

QUESTIONS ASKED



14 100

DATA POINTS ANALYSED

Transparency, which goes hand in hand with accountability, is not simply “the right thing to do”. It also contributes to several other beneficial outcomes:

- It provides valuable data that ultimately leads to better business decisions.
- It builds trust, which leads to better relationships with stakeholders, including beneficiaries, participating employers, regulators, suppliers and concerned citizens.
- It facilitates clarity of purpose, sound goals, progress and better outcomes for members and pensioners.

The GPTB reframes the transparency narrative, taking it from a narrow focus on costs to a more holistic and positive concept that includes governance, strategy, value generation and sustainability.

The results of the GPTB demonstrated that the EPPF performed strongly in relation to standalone funds from other countries in terms of transparency but there is still room for improvement.

The Fund has taken into account the GPTB guidance in making the following disclosures in this year’s report:

- **Governance structure** – a slightly more detailed overview has been provided of the EPPF governance structure, directors and Board committees, including responsibilities and membership.
- **Board competencies and qualifications** – the report discloses the experience and relevant qualifications of Board members and provides details of their attendance at Board and committee meetings.
- **Compensation** – the Fund has disclosed Board member compensation as well as total compensation for the CEO. Management salary information has been supplied.
- **Organisational strategy** – the Fund has shared its organisational strategy – including its approach to improving services to members and pensioners – and its high-level investment strategy, including its approach to insourcing more investment functions while utilising external fund managers selectively.



CHIEF FINANCIAL OFFICER'S REPORT

Thandeka Meslane

Acting Chief Financial Officer

“

THE FINANCIAL YEAR ENDED 30 JUNE 2021 DISPLAYED A STRONG REBOUND IN LOCAL AND GLOBAL EQUITY MARKETS. THE FIRST QUARTER KICKED OFF IN A PERIOD OF CONTINUED LOW INVESTMENT RETURNS, DELIVERING A ONE-YEAR INVESTMENT RETURN OF 3.18% (AUM: R145.6BN).



OPERATING ENVIRONMENT

The financial year ended 30 June 2021 displayed a strong rebound in local and global equity markets. The first quarter kicked off in a period of continued low investment returns, delivering a one-year investment return of 3.18% (AUM: R145.6bn). This was soon followed by better (than expected) one-year returns of 7.37% (AUM: R153.9bn) and 30.76% (AUM: R163.9bn) in quarters two and three, respectively. The markets remained strong in the fourth quarter closing with the one-year return at 17.57% (AUM: R166.4bn). The movement in markets, and the resulting impact on Assets Under Management has a direct bearing on external manager fees, which are based on assets under management and are paid either on a monthly or quarterly basis.

MEMBERSHIP TRENDS

Active members

Over the past few years, the Fund has experienced a decline in active membership, as employees leave Eskom and/or retire without being replaced. During the period under review Eskom issued voluntary severance packages to some of its employees which further contributed to the decline in active members. This results in restricted growth in pensionable salaries and ultimately lower contributions being received by the Fund. For the financial year end 30 June 2021, active members declined by 3.5% (2020: declined 3.8%). Over the last 5 years there has been on average an active membership decline of 2.9% per annum.

Pensioners

Year-on-year pensioner numbers have grown by of 1.8% (2020: decline 0.5%). Over the past five years pensioner numbers have grown marginally by an average of 0.25% per annum.

EPPF achievements

Some notable achievements for the period include stabilisation and optimisation of the Pension Administration System as well as the implementation of new digital and technological capabilities. Some of the immediate benefits that these solutions bring includes the ability to work remotely during the COVID-19 pandemic while delivering an improved digital experience for members, optimised digital on-boarding, and enhanced communication channels. The new Pension Administration System realised a cost efficiency of approximately R6m per annum when compared to the previous service contract.

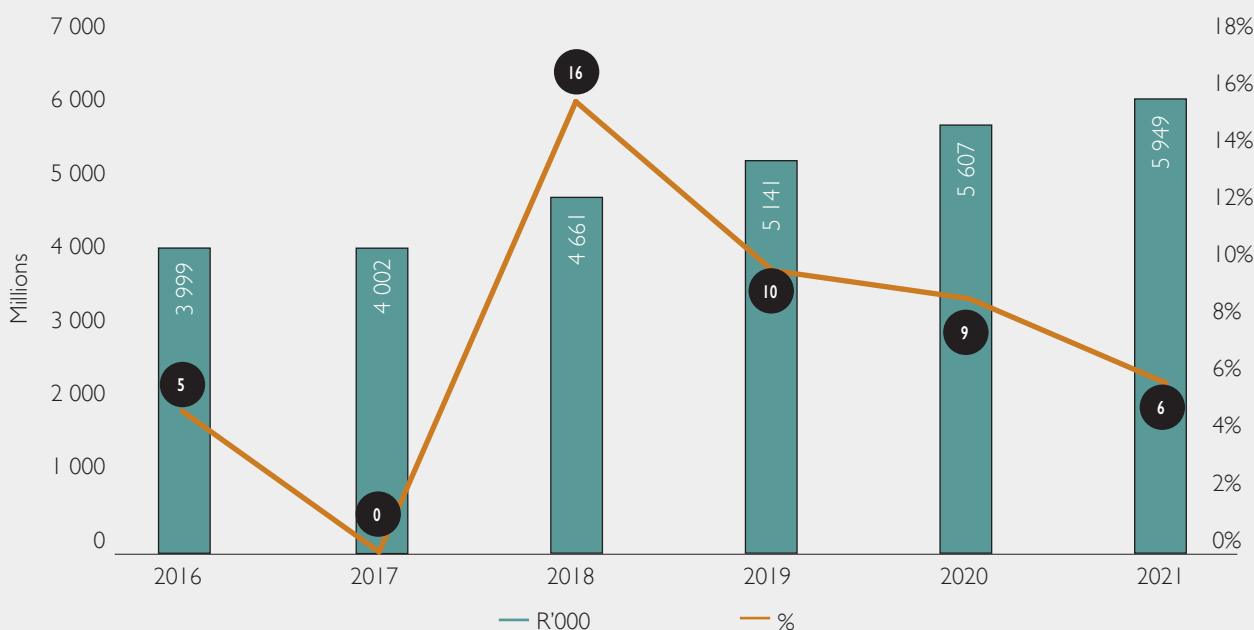
During the final year, the Fund reviewed its procurement capabilities with an objective of improving the governance and controls over its procurement activities as well as to improve operational efficiencies through improved sourcing strategies.

Contributions received and accrued

Contributions received and accrued for the year ended 30 June 2021 amounted to R3 867m (2020: R3 836m), representing a year-on-year increase of approximately 0.8% (2020: 0.8%). This marginal year-on-year increase is largely due to a 4.5% increase in the average contribution per member which was offset by the decline in active members of 3.5%

TREND IN BENEFITS PAID AND ACCRUED: 2016 – 2021

Benefits paid and accrued amount to R5 949m (2020: R5 607m) representing a year on year increase of 6% (2020: 9%).



CHIEF FINANCIAL OFFICER'S REPORT continued

Benefits paid and accrued

Annual pensioner payment increases were 3% and net pensioner membership growth was 2%.

Lump sums commuted declined by 15% (2020: increased by 21%) and withdrawals decreased by 25% (2020: decreased by 5%). Divorce benefits increased by 25% (2020: increased by 11%). The average pension per member per annum was R118 864 (2020: R108 824), representing an increase of 9% from the previous year.

ACTUARIAL LIABILITIES AND FUNDING LEVEL

The actuarial surplus at year end, after providing for contingencies, was R51.0bn (2020: R37.5bn) and the funding level increased to 145% (2020: 135%).

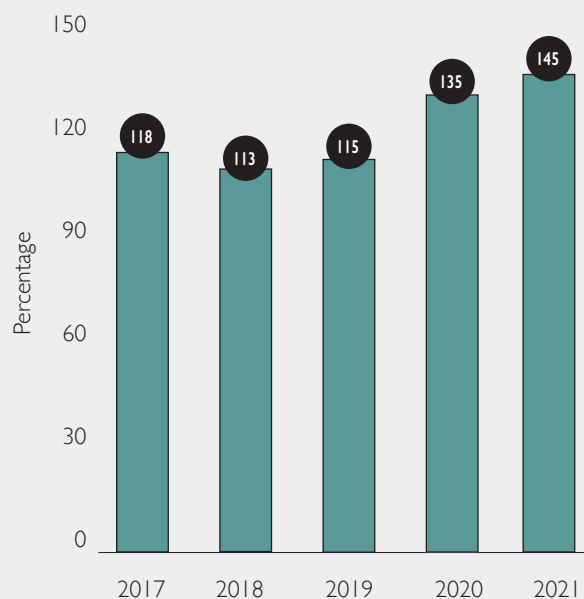
Actuarial liabilities increased from R101.1bn in 2020 to R103.0bn in 2021, while contingency reserves increased from R4.7bn in 2020 to R11.3bn. The main reasons for the increase in the funding level are:

- The net discount rate used to value the liabilities was higher than the rate used in the prior year. In 2020 the net pre- and post-retirement discount rate was 5.5% and in 2021 it was 5.9%. This is the long term expected return on the assets, based on market conditions at the valuation date, net of the salary increase assumption (in the case of active members) or net of the pension increase assumption (in the case of pensioner members).
- Strong investment returns over the year to 30 June 2021.

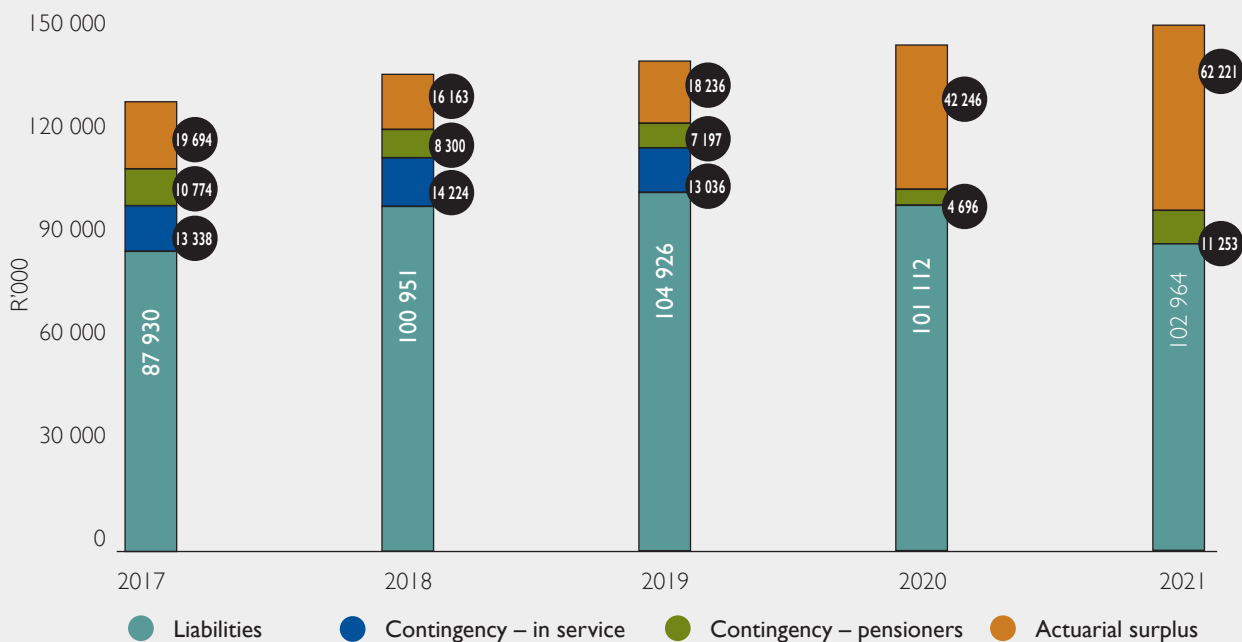
- Actual experience being more favourable than assumed last year; for example, the actual salary roll over the year to 30 June 2021 was significantly lower than anticipated when the assumptions were set in 2020.

Please see the Valuator's Report on page 76.

TREND IN FUNDING LEVEL AFTER PROVISION FOR CONTINGENCY RESERVES 2017 – 2021 (%)



TREND IN ACTUARIAL LIABILITIES, CONTINGENCIES AND SURPLUS 2017 – 2021



The contribution surplus or deficit, which measures the extent to which the current fixed contribution rate can cover the cost of future service benefits accruing, was positive 3.55% at 30 June 2021, up from 2.76% in 2020. In other words there is a contribution surplus at the valuation date. This is largely due to the following:

- The discount rate used to value the liabilities was higher than the rate used in the prior year.
- Lower than expected salary roll.



NET INVESTMENT INCOME

Assets are invested with the objective of generating investment returns to underwrite the Fund's pension benefits liabilities. Net investment income, after deducting expenses incurred in managing investments, amounted to R24 459m (2020: R2 226m). This represents an extraordinary year-on-year increase of 999% (2020: 63% decrease) and is largely attributable to the strong and sustained recovery of domestic and global markets from the third quarter of 2020 onwards, as the most stringent COVID-19 containment measures were lifted.

INVESTMENT MANAGEMENT EXPENSES

Total expenses incurred in managing investments amounted to R677m (2020: R573m), representing a year-on-year increase of 18% (2020: 10%). This is in line with the 15% year on year increase in AUM since 2020, as manager fees are levied in proportion to the value of the funds managed.

The Fund has an in-house investment management capability. Costs related to this capability of R85m (2020: R81m) are included in total investment management expenses to improve the comparability of investment management expenses to other funds.

Securities lending income amounted to R21m (2020: R23m), which is reported separately in the statement of changes in net assets and funds.

Below is a breakdown of the net investment income for the period in relation to previous years.

	2016 Rm	2017 Rm	2018 Rm	2019 Rm	2020 Rm	2021 Rm
Dividends	2 349	2 337	2 956	3 343	3 327	3 127
Interest and rentals	1 604	1 546	1 688	1 552	1 363	2 574
Profit on sale/redemption	6 784	3 484	7 221	3 195	5 664	7 784
Fair-value adjustments	1 205	(3 578)	(2 422)	(1 545)	(7 555)	11 652
Total investment income	11 942	3 789	9 443	6 545	2 799	25 136
Less management costs	(453)	(436)	(514)	(521)	(573)	(677)
Net investment income	11 489	3 353	8 929	6 024	2 226	24 459

CHIEF FINANCIAL OFFICER'S REPORT continued

ADMINISTRATION EXPENSES

Administration expenses include costs related to the Fund's retirement fund administration and operations, member-related activities, expenses related to the Board of Fund, and shared administration services such as finance, IT, legal, human resources, communication and risk and compliance. Below is actual expenditure against prior year actuals:

Administration expenses 2021

	2020 R'000	Total %	2021 R'000	Total %	YOY %
Administration expenditure					
Staff costs	124 189	42	143 221	47	15
Principal Officer expenses	1 018	0	1 819	1	79
Governance costs	7 346	2	7 069	2	(4)
IT costs	52 271	18	59 199	20	13
Membership costs	10 809	4	4 309	1	(60)
Office rental	13 550	5	11 362	4	(16)
Consultancy and legal costs	24 836	8	22 534	7	(9)
Other	27 576	9	21 764	7	(21)
Core fund operating costs	261 595	88	271 277	90	4
Project expenditure	35 531	12	31 757	10	(11)
Total administration expenses	297 126	100	303 034	100	2
Investment services	(80 935)		(84 744)		5
Total fund administration expenses	216 191		218 290		1

In 2021, the Funds total administration costs grew by 2% (2020: 14%) and, when the once-off IT project costs of R31 757m are excluded, growth in core administration costs amounted to 4% (2020: 1%), which is in line with inflationary increases.

Total Fund administration expenses (excluding Investment Services) grew by 1%.

- Staff expenses grew by 15%. The increase is largely due to CPI increases to salaries, training expenses, provision for bonuses, recruitment costs and a settlement paid to a former employee.
- Governance expenses declined by 4% which was largely due to reduced travel and training costs.
- In the 2020 financial year, the Principal Officer at the time was not eligible for a bonus and as such a bonus was not paid. However, during the 2021 financial year, a bonus was paid to the Principal Officer.

- IT cost increases are due to new investments in addressing the business transformation journey to digitise the Fund. Some of the key components of this cost included Pension Administration System (20%), Investment Systems (52%).
- Member development, administration and office rental expenses were restricted due to the COVID-19 lockdown restrictions. The prohibitions on travel and physical gatherings resulted in only digital member engagements being held. Water and electricity usage, rates and levies that are included in the office rental expense for the Bryanston office park declined due to limited occupancy in FY2021.
- Consultation fees associated with investment activities such as due diligence and ESG insights were restricted due to COVID-19 lockdown restrictions.

Breakdown of project costs

	Actual FY2021
Pension Administration System implementation costs	7 968
Member eligibility assurance exercise	20 792
Organisational design	1 651
Other optimisation and member projects	1 347
TOTAL	31 757

TOTAL EXPENSE RATIO

The Fund's total net expense ratio (TER) – that is, the ratio of total costs less securities lending income to AUM – amounted to 0.54% in 2021 compared to 0.58% in 2020. Below is a breakdown of the core TER components:

Total expenditure	Unit	2019 ACT	2020 ACT	2021 ACT	YoY Difference
Assets under management (R'000)	R'000	144 656 343	144 506 420	166 358 247	21 851 827
Investment management costs/AUM	%	0.39	0.43	0.39	(0.04)
Pension administration costs/AUM	%	0.13	0.13	0.13	0
Recurring costs		0.52	0.56	0.52	(0.04)
Project expenditure/AUM	%	0.00	0.02	0.02	0
Total expenditure/AUM (TER)	%	0.52	0.58	0.54	(0.04)

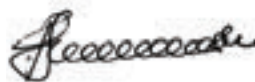
Please note: Investment administration costs have been reported under net investment costs – 2019 and 2020 figures have been restated accordingly.

The ratio for investment management fees was 0.39% (2020: 0.43%); for pension administration expenses 0.13% (2020: 0.13%); and project expenditure 0.02% (2020: 0.02%). The year-on-year decrease of four basis points was largely due to a reduction in external management fees due to the increase of assets managed internally, as well as savings in pension administration expenditure.

WAY FORWARD

Over the past few years, the Fund has allocated the necessary financial resources to enable it to achieve its strategic objectives while dealing with critical regulatory compliance requirements such as the member eligibility assurance exercise. These costs were in key areas such as

IT, related infrastructure as well as attracting the necessary skills. Going forward, we plan to realise these investments through improved services to our members, operational efficiencies, and improved compliance with regulatory requirements. At the same time the Fund will continue to challenge itself to improve its cost competitiveness through the insourcing of activities where it is cost effective to do so, and a transfer of some active mandates to passive mandates where applicable, amongst others.



Thandeka Meslane
Acting Chief Financial Officer



FINANCIAL STATEMENTS



CONTENTS

Statement of responsibility by the Board of Fund	73
Approval of the summarised annual financial statements	73
Statement of responsibility by the Principal Officer	75
Independent Auditor's report	76
Valuator's report	77
Summarised statement of net assets and funds	78
Summarised statement of changes in net assets and funds	79
Notes to the summarised annual financial statement	80

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

05

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND

FOR THE YEAR ENDED 30 JUNE 2021

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; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

APPROVAL OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised 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; and
- the financial records are reliable.

The summarised annual financial statements set out on pages 73 to 97 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 summarised annual financial statements have been reported on by the independent auditors, BDO South Africa Inc, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on page 76.

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. As a result of the replacement of the membership administration system divorce benefits payable to non-member spouses during the period January to February 2020 were not processed within the regulated 60 day period.	Delays in payments to beneficiaries with late payment interest at payment date.	All outstanding payments have been made with late payment interest where applicable.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND *continued*

FOR THE YEAR ENDED 30 JUNE 2021


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. Regulation 38 requires pension funds to provide for members who leave the service of the participating employer before retirement, to be become paid up members and to be issued with a paid up membership certificate within two (2) calendar months of the Fund becoming aware that the member has left the service of the participating employer. In addition, Regulation 38 also requires pension funds to make provision to accept any amount or amounts transferred, to the Fund from another fund for the benefit of a member or members, and such funds must, within 4 months of a member joining the Fund, request a list of all paid up membership certificates in respect of any retirement savings of that member. During the year under review, the Fund did not issue paid up certificates nor request a list paid up memberships from new members.	Knowledge as to the importance of preservation for retirement will not be totally visible to the member. This is triggered by the issuing and receiving of paid up certificates where the member can be further engaged or request advice on whether it will be prudent to transfer his/her benefit to the new fund or consider alternatives. The paid up certificate offers them the opportunity for a period of time to consider these alternatives and make strategic decisions that enables their retirement.	Certificates and letters have been distributed to all impacted members.

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
3. Ineligible member participation. As noted in prior years, the Fund has ineligible members participating 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 of the Fund until it is resolved.	Members being granted Fund benefits without being confirmed as permanent employees of the participating employers.	The Fund is currently conducting an assurance exercise on all membership records to determine and affirm membership. The process is anticipated to be finalised by 31 December 2021. Based on the outcome of the assurance exercise a legal process will be embarked upon to resolve the findings.

These summarised annual financial statements:

- were approved by the Board of Fund on 11 November 2021;
- 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 2021 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:



Ms Caroline Mary Henry
Chairperson

11 November 2021



Mr Jasper Martin Buys
Board Member

11 November 2021



Ms Molibudi Anah Makgopa
Board Member

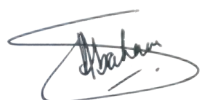
11 November 2021

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2021

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-compliances	Remedial action taken
Delayed divorce payments.	Payments made with late payment interest.
Non-compliance with Regulation 38.	Certificates and letters have been distributed to all impacted members.
Ineligible member participation in the Fund.	The Fund is currently conducting an assurance exercise on its membership.



Mogomoet Shafeeq Abrahams

Principal Officer

11 November 2021

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

To the Board of Fund

Eskom Pension and Provident Fund

OPINION

The summarised annual financial statements of Eskom Pension and Provident Fund set out on pages 78 to 97 of the Integrated Annual Report, which comprise the summarised statement of net asset and funds as at 30 June 2021, 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 2021.

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 26 November 2021.

TRUSTEES' RESPONSIBILITY FOR THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The trustees are 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



LM September

Director

Registered Auditor

9 December 2021

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

VALUATOR'S REPORT

PARTICULARS OF FINANCIAL CONDITION OF THE FUND AS AT 30 JUNE 2021

An annual actuarial valuation was carried out as at 30 June 2021. 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 – R165 328 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R165 328 million.
3. The actuarial present value of promised retirement benefits – R102 964 million vested, and R0 non-vested.
4. Contingency reserve account balances total – R11 253 million.

At 30 June 2021 the individual contingency reserve balances are as follows:

- Solvency Reserve – Active members: nil
- Solvency Reserve – Pensioners: R8 305 million
- Contribution Reserve: nil
- Pension Increase Affordability Reserve: R2 948 million

5. The projected unit credit method was adopted for the valuation, which is unchanged from the method used at the last valuation. The contingency reserves comprise a solvency reserve calculated as the estimated additional amount required, to the extent that sufficient assets are available, to ensure that the liabilities and assets can be matched on a substantially risk-free basis, a contribution reserve equal to the expected present value of the future contribution shortfall for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve. An additional provision was made to fund in advance for the annual pensioner bonus in respect of current pensioners.
6. The key financial assumptions are that investment returns will exceed salary inflation by 5.9% per annum (5.5% 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 7.2% per annum (8.6% 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 3.55% of pensionable salaries (compared with an excess of 2.76% at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2021 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 Willis Towers Watson company.

15 November 2021

SUMMARISED STATEMENT OF NET ASSETS AND FUNDS

AS AT 30 JUNE 2021

	Note	2021 R'000	2020 R'000
ASSETS			
Non-current assets		166 364 569	144 514 559
Plant and equipment	2	6 322	8 139
Investments	3	166 358 247	144 506 420
Current assets		682 219	611 739
Transfers receivable	5	359	225
Accounts receivable	4	354 477	308 692
Arrear contributions	10	276 880	274 900
Cash at bank		50 503	27 922
Total assets		167 046 788	145 126 298
FUNDS, SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		154 075 634	138 758 678
Normal retirement		148 163 238	132 650 071
Additional voluntary contribution scheme		517 268	512 040
Performance bonus scheme		5 395 128	5 596 567
Total reserves			
Reserve accounts	19	11 253 000	4 696 000
Total funds and reserves		165 328 634	143 454 678
Non-current liabilities			
Unclaimed benefits	8	244 519	218 563
Current liabilities		1 473 635	1 453 057
Transfers payable	6	30 466	41 311
Benefits payable	7	1 219 265	1 155 025
Accounts payable	9	183 278	208 601
Accruals	15	40 626	48 120
Total funds and liabilities		167 046 788	145 126 298

SUMMARISED STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Normal retirement R'000	Additional Voluntary Contribution Scheme R'000	Performance Bonus Scheme R'000	Member's Individual accounts and accumulated funds R'000	Reserve accounts Refer note 19 R'000	Total 2021 R'000	Total 2020 R'000
Contributions received and accrued	10	3 739 271	45 569	82 579	3 867 419	–	3 867 419	3 836 565
Net investment income	11	24 293 012	14 658	151 797	24 459 467	–	24 459 467	2 226 262
Allocated to unclaimed benefits	8	(2 747)	–	–	(2 747)	–	(2 747)	(7 802)
Other income	12	22 088	–	–	22 088	–	22 088	23 484
Less:								
Administration expenses	13	(218 290)	–	–	(218 290)	–	(218 290)	(216 191)
Net income before transfers and benefits		27 833 334	60 227	234 376	28 127 937	–	28 127 937	5 781 383
Transfers and benefits		(5 760 737)	(54 527)	(426 099)	(6 241 363)	–	(6 241 363)	(5 967 349)
Transfer from other funds	5	–	349	10	359	–	359	1 157
Transfer to other funds	6	(241 558)	(1 993)	(32 548)	(276 099)	–	(276 099)	(338 548)
Benefits	7	(5 519 179)	(52 883)	(393 561)	(5 965 623)	–	(5 965 623)	(5 629 958)
Net income/(loss) after transfers and benefits		22 072 597	5 700	(191 723)	21 886 574	–	21 886 574	(185 966)
Funds and reserves								
Balance at the beginning of the year	19	132 650 071	512 040	5 596 567	138 758 678	4 696 000	143 454 678	143 655 976
Prior period adjustment	14	(9 055)	–	–	(9 055)	–	(9 055)	(15 332)
Transfers between reserve accounts	19	(6 546 812)	(472)	(9 716)	(6 557 000)	6 557 000	–	–
Investment return allocated								
Former members		(3 563)	–	–	(3 563)	–	(3 563)	–
Balance at the end of the year		148 163 238	517 268	5 395 128	154 075 634	11 253 000	165 328 634	143 454 678

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

I. PRINCIPAL ACCOUNTING POLICIES

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

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

The summarised 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 accounting policies applied in the preparation of the annual financial statements from which the summarised annual financial statements were derived are in terms of Regulatory Reporting Requirements for Retirement Funds in South Africa and are consistent with those accounting policies applied in the preparation of the previous annual financial statements.

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

I.2 PLANT AND EQUIPMENT

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

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

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

The periods of depreciation used are as follows:

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

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

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

I.3 FINANCIAL INSTRUMENTS

Measurement

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

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

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

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

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

I. PRINCIPAL ACCOUNTING POLICIES *continued*

I.3 FINANCIAL INSTRUMENTS *continued*

I.3.1 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.

Equities

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

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

Listed equities

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

Unlisted equities

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

Preference shares

Listed preference shares

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 JUNE 2021

I. PRINCIPAL ACCOUNTING POLICIES *continued*

I.3 FINANCIAL INSTRUMENTS *continued*

I.3.1 Investments *continued*

Insurance policies

Non-linked insurance policies

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

Linked or market-related policies

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

Collective investment scheme

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

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.

Investment in participating employers

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

Hedge funds

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

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

I.3.2 Accounts receivable

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

I. PRINCIPAL ACCOUNTING POLICIES continued

I.3 FINANCIAL INSTRUMENTS continued

I.3.3 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.3.4 Accounts payable

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

I.4 RESERVES

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

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

Provisions

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

Contingent liabilities

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

Contingent assets

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

Accruals

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

I.6 CONTRIBUTIONS

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

Contributions are accrued and recognised as income in accordance with the rules of the Fund. Contributions received are applied to fund benefits due in terms of the rules, and to meet expenses of the Fund.

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

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

I.7 NET INVESTMENT INCOME

Net investment income comprises 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.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 JUNE 2021

I. PRINCIPAL ACCOUNTING POLICIES *continued*

I.7 NET INVESTMENT INCOME *continued*

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.8 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.9 UNCLAIMED BENEFITS

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

I.10 TRANSFERS TO AND FROM THE FUND

Section 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.11 ADMINISTRATION EXPENSES

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

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

I. PRINCIPAL ACCOUNTING POLICIES continued

I.12 RELATED PARTIES

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

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

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

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

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

I.14 IMPAIRMENT

Asset impairment tests are applied annually to assets whose measurement basis is 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.15 RETURNS ALLOCATED TO SCHEMES

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

I.16 LEASES

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

2. PLANT AND EQUIPMENT

2.1 CURRENT YEAR

	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Gross carrying amount					
Cost at beginning of year	11 789	1 515	7 551	308	21 163
Additions	2 246	–	–	305	2 551
Disposals	(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 year	(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

2.2 PRIOR YEAR

	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Gross carrying amount					
At beginning of period	9 873	772	6 290	308	17 243
Additions	2 179	743	1 409	–	4 331
Other movements	(263)	–	(148)	–	(411)
At end of year	11 789	1 515	7 551	308	21 163
Accumulated depreciation and impairment					
At beginning of period	(6 707)	(122)	(3 289)	(308)	(10 426)
Depreciation charges	(1 599)	(194)	(1 146)	–	(2 939)
Accumulated depreciation on disposals	196	–	144	–	340
Other movements	1	–	–	–	1
At end of year	(8 109)	(316)	(4 291)	(308)	(13 024)
Net carrying amount at end of period	3 680	1 199	3 260	–	8 139

3. INVESTMENTS

3.1 INVESTMENT SUMMARY

	Note	Local R'000	Foreign R'000	Total 2021 R'000	Total 2020 R'000	Fair value current year R'000	Categorised per reporting framework
Cash		10 414 573	1 487 614	11 902 187	7 092 005	11 902 187	At fair value through statement of changes in net assets and funds
Commodities		–	–	–	19 525	–	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments		29 715 779	–	29 715 779	27 364 692	29 715 779	At fair value through statement of changes in net assets and funds
Investment properties and owner occupied properties*	3.3.	109 000	–	109 000	117 000	109 000	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		66 377 217	35 030 187	101 407 404	87 649 477	101 407 404	At fair value through statement of changes in net assets and funds
Collective investment schemes		–	13 887 985	13 887 985	13 341 466	13 887 985	At fair value through statement of changes in net assets and funds
Hedge funds		1 430 709	–	1 430 709	1 276 282	1 430 709	At fair value through statement of changes in net assets and funds
Private equity funds		2 587 860	2 746 245	5 334 105	5 359 777	5 334 105	At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	3.2.	2 571 078	–	2 571 078	2 286 196	2 571 078	At fair value through statement of changes in net assets and funds
Total		113 206 216	53 152 031	166 358 247	144 506 420	166 358 247	

* The property consists of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator, Ms Natalie Azeredo (professional valuer). The valuation was performed as at 30 June 2021. The valuator used the following assumptions in determining the fair value of the land and buildings: Competent property management is in place, reasonably stable economic conditions and stable interest rates which influence real estate values. Assumptions are made on expiry of leases for vacancies. During this void revenue period (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 section 13 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	2 286 196	83 152	201 731	2 571 079
Total	2 286 196	83 152	201 731	2 571 079

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	117 000	(8 000)	109 000
Total of properties					117 000	(8 000)	109 000

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

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	2020/06/20	No	119 000	(2 000)	117 000
Total of properties					119 000	(2 000)	117 000

4. ACCOUNTS RECEIVABLE

	2021	2020
	R'000	R'000
Accrued investment income	88 505	68 597
Pensioner payroll (prepaid)	246 065	222 644
Prepaid expenses	4 347	4 036
Other receivables	5 090	3 639
Recovery of ineligible member payout – Mr B Molefe	10 470	9 776
Total	354 477	308 692

Recovery of ineligible member payout: Refer to Schedule E, Significant Matters point 8.3 Interest calculated at the Fund's rate of return to the value of R694 (R'000) was added to the outstanding amount.

5. TRANSFERS FROM OTHER FUNDS

		No.	A	B	C	D	A+B+C-D
	Effective date	of members	At beginning of year R'000	Transfers approved R'000	Return on Transfers R'000	Assets transferred R'000	At end of year R'000
In terms of Section 14							
Agterskot	04/06/2019	13	104	–	–	(104)	–
The Preservation Pension Fund	04/04/2019	1	121	–	–	(121)	–
Alexander Forbes	01/09/2020	1	–	127	–	–	127
Individual transfers in	22/07/2020	1	–	232	–	–	232
Total		16	225	359	–	(225)	359
Transfers approved (B)							359
Return on transfers (C)							–
Statement of changes in net assets and funds							359

6. TRANSFERS TO OTHER FUNDS

			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
	Effective date	No. of members					
Individual transfers out	Various	135	41 311	276 099	–	(286 944)	30 466
Total		135	41 311	276 099	–	(286 944)	30 466
Transfers approved (B)							276 099
Return on transfers (C)							–
Statement of changes in net assets and funds							276 099

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	129 423	4 012 376	–	(4 045 030)	–	96 769
Lump sums on retirements						
– Pensions commuted	150 945	943 437	–	(1 003 046)	(190)	91 146
Lump sums before retirement						
– Death and disability benefits	117 465	274 697	–	(104 458)	(17 341)	270 363
– Withdrawal benefits	171 365	489 649	–	(493 623)	(22 520)	144 871
Divorce payments	15 521	184 095	–	(163 880)	–	35 736
Other						
Instalment lump sums	570 306	44 762	16 324	(51 012)	–	580 380
Interest on late payment of benefits	–	283	–	(283)	–	–
Total	1 155 025	5 949 299	16 324	(5 861 332)	(40 051)	1 219 265
Benefits for current year (B)						5 949 299
Return allocated (C)						16 324
Statement of changes in net assets and funds						5 965 623

8. UNCLAIMED BENEFITS

	2021 R'000	2020 R'000
Balance at the beginning of the year	218 563	191 962
Transferred from benefits payable	40 051	47 357
Adjustment – opening balance correction	(1 531)	–
Investment income allocated	2 747	7 802
Less:		
Benefits paid*	(15 311)	(28 558)
Balance at the end of the year	244 519	218 563

* During the current year the Fund automated the recording of the unclaimed benefit values, this led to a difference in balances that were recorded in the prior period.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

	2021 R'000	2020 R'000
9. ACCOUNTS PAYABLE		
Contributions refundable to Eskom Holdings SOC Limited*	39 527	36 999
PAYE	40 350	74 531
Investment expenses payable	64 053	65 477
Operational suppliers	31 386	24 667
Amounts refundable to ineligible members*	7 962	6 927
Total	183 278	208 601

* 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 R3 563 (R'000) was added to the contributions refundable to Eskom SOC Limited R3 512 (R'000) and ineligible members R51 (R'000).

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	74 838	1 312 270	(1 291 111)	95 997
Employer contributions received and accrued	180 527	2 427 001	(2 429 985)	177 543
Additional voluntary contributions – members	19 535	45 569	(61 764)	3 340
Performance bonus scheme member contributions	–	28 981	(28 981)	–
Performance bonus scheme employer contributions	–	53 598	(53 598)	–
Total	274 900	3 867 419	(3 865 439)	276 880
Towards retirement				3 867 419
Towards reinsurance and expenses				–
Statement of changes in net assets and funds				3 867 419

11. NET INVESTMENT INCOME

	2021 R'000	2020 R'000
Income from investments	5 701 111	4 690 158
– Dividends	3 127 048	3 327 252
– Interest	1 986 591	1 317 817
– Rentals	11 162	11 522
– Collective investment schemes distribution	576 310	33 567
Net profit on sale/redemption of investments	7 783 714	5 663 718
Fair value adjustment on investments	11 651 807	(7 554 515)
	25 136 632	2 799 361
Less: Expenses incurred in managing investments	(677 165)	(573 099)
Total	24 459 467	2 226 262

The Fund has an inhouse investment management capability and during the current and previous years direct administration expenses relating to this capability of R84.7m (2020: R80.9m) have been allocated to expenses incurred in managing investments (refer note 13).

	Notes	2021 R'000	2020 R'000
12. OTHER INCOME			
Net Securities lending fees		21 166	23 431
Board fees received		53	53
Profit on sale of fixed assets		175	–
Interest on ineligible member payout		694	–
Total		22 088	23 484
13. ADMINISTRATION EXPENSES			
Actuarial fees		1 907	1 644
Audit services		5 939	5 554
Audit fees – external		4 317	2 116
Audit fees – internal		1 622	3 438
Consultancy fees and legal fees		22 534	24 836
Depreciation		3 541	2 938
Fidelity insurance		1 136	1 859
FSCA levies		1 795	1 866
Other expenses		114 074	125 876
Bank charges		2 617	2 263
Member interaction and related costs		469	5 861
IT services and rental		59 199	52 271
Membership, development and other administration expenses		15 671	23 624
Travel expenses		72	1 571
Telephone, postage, printing and stationery		4 289	4 755
Project costs		31 757	31 640
Trustee election costs		–	3 891
Governance expenses	13.1	7 068	7 346
Staff expenses	13.2	143 221	124 189
Principal Officer expenses	13.3	1 819	1 018
Inhouse Investment Management Expenses		(84 744)	(80 935)
Total		218 290	216 191

During the financial year the Fund incurred once-off project expenditure amounting to R31.8m. Included in this is R7.9m relating to the pension administration system data assurance and migration costs; and R20.8m non-recurring legal fees relating to the member eligibility assurance exercise of which the Fund expects to recover R10.4m from Eskom SOC Limited relating to the legal fees.

In order to improve the comparability of investment expenses, during the year the Fund decided to reallocate the costs of inhouse investment management to expenses incurred in managing investments (see note 11). Accordingly administration expenses amounting to R84.7m (2020: R80.9m) were reallocated.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

	2021 R'000	2020 R'000
13. ADMINISTRATION EXPENSES		
13.1 GOVERNANCE EXPENSES		
Board of Fund remuneration	4 709	4 364
External expert fees	1 788	1 619
External expert meeting allowances	543	686
Travel, training and other expenses	28	677
Total	7 068	7 346

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.

	2021 R'000	2020 R'000
13.2. STAFF EXPENSES		
Remuneration	96 789	88 003
Contributions to retirement fund	14 726	14 839
Training expenses	3 521	2 561
Provision for bonuses	16 008	12 269
Long-term incentive provision	7 500	3 000
Levies and insurance	1 138	967
Recruitment costs	3 539	2 550
Total	143 221	124 189

Included in Remuneration for the period is a legal settlement with a former employee amounting to R3.5m.

	2021 R'000	2020 R'000
13.3 PRINCIPAL OFFICER EXPENSES		
Principal Officer expenses – Remuneration	1 039	925
Principal Officer expenses – Allowances	6	6
Principal Officer expenses – Contributions to retirement fund	108	87
Principal Officer expenses – Incentive remuneration	666	–
Total	1 819	1 018

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. On 1 April 2021 Mr. Mogomoet Shafeeq Abrahams was appointed as the Chief Executive and Principal Officer, replacing Ms. Linda Mateza who resigned on 31 March 2021.

	2021 R'000	2020 R'000
14. PRIOR PERIOD TRANSACTIONS		
Accumulated funds adjustments ⁺	(9 055)	–
Contribution refunds [*]	–	(10 650)
Tax adjustment [*]	–	(4 682)
Total	(9 055)	(15 332)

⁺ During 2020 the processing of additional benefits were frozen due to the implementation of PAS. The accumulated benefits of R9m relates to the processing of these delayed transactions. Implementation of the system required a freezing of transactions resulted in a delayed processing of R9m relating to voluntary contributions and performance bonuses.

^{*} 2020 Contribution refunds: The Fund entered into memoranda of understanding with two former employees of the Fund in which their membership was reversed and contributions refunded accordingly. The Fund received a declaratory order from the court reversing the purported membership of the former Eskom Group CFO Mr Anoj Singh. Applicable contributions were refunded to Mr Singh and Eskom Holdings SOC Limited.

	2021 R'000	2020 R'000
15. ACCRUALS		
Leave pay accruals	6 999	6 332
Incentive bonus accrual	33 627	41 788
	40 626	48 120

16. RISK MANAGEMENT POLICIES

RISK MANAGEMENT FRAMEWORK

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

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

Solvency risk

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

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

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

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

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 credit worthiness of the counterparties that it deals with.

Legal risk

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

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 are limited to the allowable limits prescribed in Regulation 28 of the Pension Funds Act. The majority of such investments are in companies listed in public markets and are denominated in US Dollars. The Board ensures that the Fund's foreign investments are managed by reputable and regulated asset managers which are reviewed and due diligence carried out 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 strategies 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

During the current financial period 30% of the Chief Executive's remuneration excluding incentives amounting to R1 819 000 (2020: R1 018 000) was allocated to Principal Officer expenses.

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

During the financial year, Board members' and external experts' remuneration amounting to R7.1m (2020: R7.3m) 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 R2.5bn (2020: R2.5bn) and refunded R661m (2020: R542m) medical aid contributions for pensioners.
- The Fund has investments in the participating employer to the value of R2.6bn (2020: R2.3bn).
- The participating employers had outstanding contributions of R277m at year end (2020: R275m).

The following transactions occurred between the Fund and its Board of Fund, Outside Experts and Participating Employers.

Related party	Relationship	Description	Transactions 2021 R'000	Transactions 2020 R'000
Eskom Holdings SOC Limited	Participating Employer	Contributions for employer appointed Board members	1 352	1 109
Eskom Holdings SOC Limited	Participating Employer	Member contributions for employer appointed Board members	769	623
Board of Fund	Board Members	Pension payments	1 665	2 887
Board of Fund	Board Members	Board members remuneration paid to individuals	4 709	4 346
Board of Fund	Board Members	Board members remuneration paid to participating employer	–	18
Outside experts	Outside experts appointed by Board of Fund	Outside experts fees paid to individuals	2 331	2 305
JM Maisela	Previous Chairman	Fees for appearance at the Zondo Commission	105	–
Eskom Holdings SOC Limited	Participating Employer	Net redemption of bonds.	–	129 415
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	2 229 356	4 529
Eskom Roteck Industries SOC Limited	239 517	–
Eskom Pension and Provident Fund	11 725	–
Total	2 480 598	4 529

Eskom Holdings SOC Limited has undertaken to subsidise a portion of the costs relating to the member eligibility assurance exercise to a maximum of R10m inclusive of VAT. To date the Fund has invoiced Eskom a total of R4.5m exclusive of VAT.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 JUNE 2021

17. RELATED-PARTY TRANSACTIONS *continued*

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

	2021 R'000
Remuneration	16 045
Contributions to retirement fund	1 831
Incentive remuneration	11 850
Sign on bonus	500
Total amount contributed	30 226

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

Executive management remuneration has increased 17% (2020: R25 768) mainly due to more executives becoming eligible for the incentive bonus scheme.

18. OPERATING LEASE COMMITMENTS

	2021 R'000	2020 R'000
Within one year	27 174	25 694
Between one and five years	82 518	53 623
After five years	4 712	–
Total	114 404	79 317

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 April 2025.

An operating lease with Maitland Group South Africa Limited for an investment administration system. The lease can be terminated on a three month notice period given by either party.

A lease with Barra International LLC for data processing and reporting services relating to investment risk management. The lease expired in February 2021 and was renewed for a further five years until 28 February 2026.

A lease with Bloomberg for investment information which will expire in June 2022.

A lease with StatPro Limited for investment information which will expire on 31 March 2022.

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	D+E Reserve Accounts Total R'000	D Pensioner solvency reserve R'000	E Pensioner increase affordability reserve R'000
At beginning of year	132 650 071	512 040	5 596 567	138 758 678	4 696 000	4 696 000	–
Prior period adjustment	(9 055)	–	–	(9 055)	–	–	–
Contributions received and accrued	3 739 271	45 569	82 579	3 867 419	–	–	–
Net investment income	24 293 012	14 658	151 797	24 459 467	–	–	–
Allocated to unclaimed benefits	(2 747)	–	–	(2 747)	–	–	–
Other income:	22 088	–	–	22 088	–	–	–
– Net Securities lending fees	21 166	–	–	21 166	–	–	–
– Board fees received	53	–	–	53	–	–	–
– Profit on sale of fixed assets	175	–	–	175	–	–	–
Interest on ineligible member payout	694	–	–	694	–	–	–
Less:	(218 290)	–	–	(218 290)	–	–	–
– Administration costs	(218 290)	–	–	(218 290)	–	–	–
Net income before transfers and benefits	160 474 350	572 267	5 830 943	166 877 560	4 696 000	4 696 000	–
Transfers and benefits	(5 760 737)	(54 527)	(426 099)	(6 241 363)	–	–	–
Transfers from other funds	–	349	10	359	–	–	–
Transfers to other funds	(241 558)	(1 993)	(32 548)	(276 099)	–	–	–
Benefits	(5 519 179)	(52 883)	(393 561)	(5 965 623)	–	–	–
Net income after transfers and benefits	154 713 613	517 740	5 404 844	160 636 197	4 696 000	4 696 000	–
Transfer between reserve accounts	(6 546 812)	(472)	(9 716)	(6 557 000)	6 557 000	3 609 000	2 948 000
Net investment return	(3 563)	–	–	(3 563)	–	–	–
At end of year	148 163 238	517 268	5 395 128	154 075 634	11 253 000	8 305 000	2 948 000



REPORTING SCHEDULES

06

REPORTING SCHEDULES

30 June 2021

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	Shareholder Weighted (SWIX)	6 453 157 394	3.88
EPPF CORE EQUITY B	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	6 268 444 883	3.77
EPPF SWIX TOP 40 INDEX TRACKER FUND	DOMESTIC	TRACKER	EMERGING	JSE SWIX TOP 40	9 193 398 932	5.53
					21 915 001 209	13.17
LISTED PROPERTIES:						
EPPF LISTED PROPERTY	DOMESTIC	CORE	EMERGING	SA Listed Property Index	4 959 420 927	2.98
					4 959 420 927	2.98
INFLATION LINKERS:						
EPPF INFLATION LINKED BONDS	DOMESTIC	CORE	EMERGING	Composite Inflation-Linked Index/LDI Benchmark	22 177 202 131	13.33
					22 177 202 131	13.33
NOMINAL BONDS:						
EPPF GOVERNMENT BOND	DOMESTIC	CORE	EMERGING	BEASSA GOVI	207 856 390	0.12
					207 856 390	0.12
MONEY MARKET:						
EPPF CALL 1	DOMESTIC	CORE	EMERGING	STEFI Composite Index	5 427 402 897	3.26
EPPF MONEY MARKET 2	DOMESTIC	CORE	EMERGING	STEFI Composite Index	1 200 524 473	0.72
					6 627 927 370	3.98
PRIVATE EQUITIES:						
EPPF PRIVATE EQUITY	DOMESTIC	CORE	EMERGING	MSCI EM	4 535 195 145	2.73
EPPF PRIVATE EQUITY INCUBATION	DOMESTIC	CORE	EMERGING	MSCI EM	139 801 850	0.08
					4 674 996 995	2.81
REAL ASSETS:						
EPPF REAL ASSETS	DOMESTIC	CORE	EMERGING	JSE All Property Index	659 107 263	0.40
					659 107 263	0.40
UNLISTED PROPERTY:						
EPPF INVESTMENT PROPERTY	DOMESTIC	PASSIVE	EMERGING	JSE All Property Index	109 000 000	0.07
					109 000 000	0.07
STRATEGIC ASSET ALLOCATION*:						
EPPF ASSET OVERLAY	DOMESTIC	CORE	EMERGING	SAA	5 739 540 345	3.52
					5 739 540 345	3.45

REPORTING SCHEDULES continued

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AUM 'R	AUM %
EQUITY LINKED NOTES:						
EPPF SWIX NOTE	DOMESTIC	PASSIVE	EMERGING	JSE SWIX TOP 40	11 179 171	0.01
MSCI CHINA NOTE	DOMESTIC	PASSIVE	EMERGING	MSCI A China Onshore Net	2 035 147 327	1.22
MSCI WORLD NOTE	DOMESTIC	PASSIVE	EMERGING	MSCI/EM Emerging Markets Net	2 407 407 624	1.45
					4 453 734 122	2.68
OTHER**:						
OTHER	DOMESTIC	PASSIVE	EMERGING		1 239 761 996	0.75
					1 239 761 996	0.75
TOTAL INTERNALLY MANAGED					72 763 548 600	43.74
EXTERNALLY MANAGED ASSETS						
LISTED EQUITIES:						
OLD MUTUAL QUANTS	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	1 039 702 731	0.62
OLD MUTUAL CORE	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	1 306 726 090	0.79
MERGENCE	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	1 319 082 647	0.79
MIANZO	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	1 709 392 668	1.03
EXCELSIA	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	255 976 910	0.15
LIMA MBEU	DOMESTIC	CORE	EMERGING	Shareholder Weighted (SWIX)	224 439 591	0.13
CORONATION	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	7 817 492 455	4.70
MAZI CAPITAL	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	5 474 750 435	3.29
PERPERTUA	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	2 782 921 670	1.67
BENGUELA	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	1 154 557 437	0.69
AEON	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	969 015 435	0.58
NINETY ONE GENERAL EQUITY	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	3 844 287 388	2.31
NINETY ONE ACTIVE QUANTS	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	1 790 818 888	1.08
KAGISO INSTITUTIONAL EQUITY	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	1 982 341 020	1.19
VALUE CAPITAL PARTNERS	DOMESTIC	SATELLITE	EMERGING	Shareholder Weighted (SWIX)	1 047 601 438	0.63
					32 719 106 802	19.67
SEI	GLOBAL	CORE	DEVELOPED	MSCI AC World Index Net	6 004 681 053	3.61
BLACKROCK - INDEX FUND	GLOBAL	TRACKER	DEVELOPED	MSCI AC World Index Net	4 881 858 978	2.93
MORGAN STANLEY	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	5 997 805 656	3.61
STATE STREET GLOBAL ADV	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	3 555 221 862	2.14

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AUM 'R	AUM %
ALLIANZ	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	5 891 707 377	3.54
VERITAS	GLOBAL	SATELLITE	DEVELOPED	MSCI ACWI ex SA Net	4 698 358 768	2.82
UBS	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	20 697 479	0.01
UBS ACTIVE	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	3 747 524 330	2.25
ROBECO	GLOBAL	SATELLITE	EMERGING	MSCI/EM Emerging Markets Net	3 328 255 030	2.00
UBS(CHINA)	GLOBAL	SATELLITE	EMERGING	MSCI A China Onshore Net	2 103 998 356	1.26
BLACKROCK (CHINA)	GLOBAL	SATELLITE	EMERGING	MSCI A China Onshore Net	2 308 067 910	1.39
					42 538 176 798	25.57
AFRICA ex SA EQUITIES						
EMERGING MARKETS INV. MANAGEMENT	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	1 469 579 916	0.88
ASHMORE	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	575 190 087	0.35
SANLAM CENTRE SUB SAHARAN AFRICA FUND	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	775 768 968	0.47
DRAKENS CAPITAL	GLOBAL	SATELLITE	EMERGING	MSCI/EFM Africa ex ZA Net	527 865 633	0.32
					3 348 404 604	2.01
HEDGE FUNDS:						
MATRIX	DOMESTIC	SATELLITE	EMERGING	STEFI Composite Index	1 430 709 476	0.86
					1 430 709 476	0.86
LISTED PROPERTIES:						
STANLIB	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	798 478 883	0.48
CATALYST	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	2 351 702 008	1.41
MEAGO	DOMESTIC	SATELLITE	EMERGING	SA Listed Property Index	1 929 239 683	1.16
					5 079 420 575	3.05
NOMINAL BONDS:						
ALUWANI	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	4 055 555 483	2.44
NINETY ONE BONDS	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 453 896 589	0.87
STANLIB FIXED INCOME	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 191 707 026	0.72
VUNANI FIXED INCOME	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	1 184 767 848	0.71
NGWEDI	DOMESTIC	SATELLITE	EMERGING	BEASSA All Bond Index	326 171 704	0.20
					8 212 098 651	4.94

REPORTING SCHEDULES continued

ASSET CLASS	REGION	TYPE OF MANDATE	TYPE OF ECONOMY	PERFORMANCE BENCHMARK	AUM 'R	AUM %
MONEY MARKET:						
BLACKROCK USD	GLOBAL	PASSIVE	DEVELOPED	Citi 1 Month USD Eurodeposit	180 904 190	0.11
STATESTREET USD	GLOBAL	PASSIVE	DEVELOPED	Citi 1 Month USD Eurodeposit	84 277 800	0.05
					265 181 990	0.16
EQUITY LINKED NOTES:						
SANLAM	DOMESTIC	CORE	EMERGING	FTSE/JSE Capped SWIX	1 103 907	0.00
OLD MUTUAL	DOMESTIC	CORE	EMERGING	FTSE/JSE Capped SWIX	495 597	0.00
					1 599 503	0.00
TOTAL EXTERNALLY MANAGED					93 594 698 398	56.26
TOTAL AUM					166 358 246 998	100.00

* The Asset Allocation Overlay portfolio is a tactical portfolio that is managed by the Chief Investment Officer (CIO). In running the portfolio the CIO employs an active management strategy to take advantage of short- to medium-term price anomalies in the market. The portfolio can invest in all assets permissible by the Investment Policy Statement of the Fund, and the investments made are done without exposing the Fund to undue risk.

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

SUMMARY OF NEW INVESTMENTS

For the year ended 30 June 2021

Rand Denominated	Asset Class	Commitment
Stanlib Infrastructure Fund	Real Assets	R 400 000 000
Revego Africa Energy Limited	Real Assets	R 350 000 000
Momentum Student Accommodation Income Fund	Development Impact	R 350 000 000
Ngwedi Investment Managers*	Nominal Bond	R 300 000 000
Re-imagine Social Debt Fund	Development Impact	R 200 000 000
SME Debt Fund	Development Impact	R 350 000 000
Trust for Urban Housing Finance	Development Impact	R 250 000 000
Futuregrowth Community Property Fund	Development Impact	R 250 000 000
Nova Pioneer Property SPV I (RF) Proprietary Limited	Development Impact	R 200 000 000
Lima Mbewu Investment Managers	Core Equity	R 200 000 000
SA Taxi	Development Impact	R 175 000 000
		R 3 025 000 000
Dollar Denominated	Asset Class	Commitment
AlphInvest	Private Equity	\$ 100 000 000
International Real Assets		\$ 100 000 000
Fiera Infrastructure	Real Assets	\$ 50 000 000
Metropolitan (GreenOak)	Real Assets	\$ 35 000 000
Other	Real Assets	\$ 15 000 000
Pantheon	Private Equity	\$ 65 000 000
Carlyle Asia Fund	Private Equity	\$ 55 000 000
DPI Fund	Private Equity	\$ 20 000 000
		\$ 340 000 000

EXTERNAL FUND MANAGERS

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

REPORTING SCHEDULES continued

INVESTMENTS IN PRIVATE MARKETS

Domestic	International
Stanlib Infrastructure Private Equity Fund I & 2 (Fof)	Vantage Mezzanine III Pan African Sub Fund
Capitalworks Private Equity Partnership III	Helios Investors II
Ethos Mid-Market Fund I (A) Partnership	Helios Investors III LP
Mpande Property Fund	Capital Alliance Private Equity III
Capitalworks Private Equity Partnership II	Capital Alliance Private Equity IV
Vantage Green X Note II	Investec Africa Private Equity Fund II LP
Vantage Mezzanine III Southern African Sub Fund	Neoma Africa Fund III
Ethos Fund VI En Commandite Partnership SA	Neoma Africa Fund
Medu III SA Partnership	Pan African Infrastructure Development Fund
Pape Fund 3	Novare Africa Property Fund II
Housing Impact Fund South Africa	Alpinvest Secondary Programme VIII
Ethos Capital V GP SA (Pty) Ltd	Alpinvest Co-Investment Programme VIII
Old Mutual Private Equity Fund IV	
Vantage Mezzanine Fund II Partnership	
IHS Fund II Sa Collector LP	
Brait IV Sa Partnership	
Kleoss Fund I	
Trinitas Private Equity En Commandite Partnership	
Vantage Mezzanine Fund IV	
Thuso Private Markets Fund	
Direct investments	
Sphere Holding Proprietary Ltd	
Gammatek K20182256 I I Sa	
Van Schaick Book Store	
Busamed Pty Ltd	
Nova Pioneer	

FIVE-YEAR TREND IN ASSETS MIX

Asset class	% of AUM				
	2017	2018	2019	2020	2021
Cash	3.4	5.9	5.9	4.9	7.2
Commodities	0.1	0.0	0.0	0.0	0.0
Debt instruments	17.2	16.7	17.5	18.9	17.9
Investment properties	0.1	0.1	0.1	0.1	0.1
Insurance policies	1.4	0.0	0.0	0.0	0.0
Equities	60.4	61.4	61.9	60.7	61.0
Collective investment schemes	12.5	10.8	9.1	9.2	8.3
Hedge funds	0.6	0.6	0.7	0.9	0.9
Private equity funds	2.5	3.0	3.2	3.7	3.2
Derivative market instruments	0.0	0.0	0.0	0.0	0.0
Investment in participating employer	1.8	1.7	1.7	1.6	1.5
Total	100	100	100	100	100

SCHEDULE OF INVESTMENT MANAGEMENT FEES AS AT 30 JUNE 2021

Asset class	Market value (R'000) 2021	Annual fees (R'000)
Local equities	32 720 706	115 637
Global equities	46 151 763	261 263
Private equities	5 334 104	110 811
Hedge funds	1 430 709	71 180
Properties	5 079 421	16 294
Nominal bonds	8 212 099	15 656
In-house	67 429 445	84 744
Alexander Forbes	—	1 580
	166 358 247	677 165

FINANCIAL ASSUMPTIONS FOR THE 30 JUNE 2021 AND 30 JUNE 2020 VALUATION

Item	Best Estimate Basis (% p.a.)	
	2021	2020
Nominal bond yield (15 to 20 years)	12.36	14.16
Index-linked bond yield (15 to 20 years)	4.44	4.82
Inflation risk premium	0.75	0.75
Inflation assumption	7.2	8.6
Discount rate (investment return assumption)	13.5	14.6
Long term salary inflation	7.2	8.6
Net pre-retirement return (in-service members)	5.9	5.5
Pension increase assumption	7.2	8.6
Net post-retirement return (pensioners)	5.9	5.5

REPORTING SCHEDULES continued

SCHEDULE OF INVESTMENTS

For the year ended 30 June 2021

SUMMARY OF INVESTMENT ASSET HOLDINGS

Top 15 Holdings as at 30 June 2021		
Security name	Asset Class	% of AUM
Naspers	Equity	4.45
I2050 2.5% 311250	Fixed Interest	3.92
I2046 2.5% 310346	Fixed Interest	3.92
Anglo American	Equity	2.16
Firststrand Limited	Equity	1.57
I2038 2.25% 310138	Fixed Interest	1.53
MTN Group	Equity	1.44
British American Tobacco PLC	Equity	1.27
Impala Platinum Hlds	Equity	1.25
R2048 8.75% 280248	Fixed Interest	1.22
Standard Bank Group	Equity	1.09
Prosus	Equity	1.02
NEPI Rockcastle PLC	Equity	1.01
Growthpoint Prop Ltd	Equity	0.99
R202 3.45% 071233	Fixed Interest	0.84
Top 10 Equity Holdings as at 30 June 2021		
Naspers	Domestic Equity	4.45
Anglo American	Domestic Equity	2.16
Firststrand Limited	Domestic Equity	1.57
MTN Group	Domestic Equity	1.44
British American Tobacco PLC	Domestic Equity	1.27
Impala Platinum Hlds	Domestic Equity	1.25
Standard Bank Group	Domestic Equity	1.09
Prosus	Domestic Equity	1.02
NEPI Rockcastle PLC	Domestic Equity	1.01
Growthpoint Prop Ltd	Domestic Equity	0.99
Top 10 Bond Holdings as at 30 June 2021		
I2050 2.5% 311250	Inflation Linked Bond	3.92
I2046 2.5% 310346	Inflation Linked Bond	3.92
I2038 2.25% 310138	Inflation Linked Bond	1.53
R2048 8.75% 280248	Nominal Bond	1.22
R202 3.45% 071233	Inflation Linked Bond	0.84
R2044 8.75% 310144	Nominal Bond	0.67
R210 2.60% 310328	Inflation Linked Bond	0.62
R2037 8.50% 310137	Nominal Bond	0.49
R2032 8.25% 310332	Nominal Bond	0.41
EL36 2.25% 310136	Inflation Linked Bond	0.38

SUMMARY OF DIRECT INVESTMENTS

In thousands of Rands	Commitment 2021	Capital deployed 2021	Fair value 2021	% of direct investments	% of AUM 2021
SPHERE HOLDING PROPRIETY LTD	249 966	249 966	288 967	44,78%	0,17%
GAMMATEK K2018225611 SA	44 496	44 496	47 400	7,35%	0,03%
VAN SCHAICK BOOK STORE	44 552	32 626	45 730	7,09%	0,03%
BUSAMED PTY LTD	566 277	540 681	236 084	36,58%	0,14%
DSV	700 000	—	—	0,00%	0,00%
NOVA PIONEER	150 000	27 147	27 147	4,21%	0,02%
		894 916	645 328	100%	0,39%

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ALM	Asset-liability management
ARC	Audit and Risk Committee
AUM	Assets under management
B-BBEE	Broad-based black economic empowerment
BC	Benefits Committee
Board	Board of Fund of the EPPF
Bn	Billion
CC	Communication Committee
CE	Chief Executive
CFO	Chief Financial Officer
COSO	Committee of Sponsoring Organisations
CPI	Consumer price index
CRM	Customer relationship management
DI	Development investments
EPPF	Eskom Pension and Provident Fund (the Fund)
ESG	Environmental, social and governance
Eskom	Eskom Holdings SOC Ltd
FSCA	Financial Sector Conduct Authority
GDP	Gross domestic product
HRRC	Human Resources and Remuneration Committee
IMS	Impact Management System
IMU	Investment Management Unit
INSETA	Insurance Sector Education and Training Authority
IODSA	Institute of Directors of South Africa
IRRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation
IT	Information technology
IT Steerco	Information Technology Steering Committee
LGC	Legal and Governance Committee
M	Million
PAS	Pension Administration System
PFA	Pension Funds Adjudicator
POPIA	Protection of Personal Information Act
SAICA	South African Institute of Chartered Accountants
SIC	Strategic Investment Committee
SME	Small or medium enterprise
SMME	Small, medium or micro enterprise
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

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