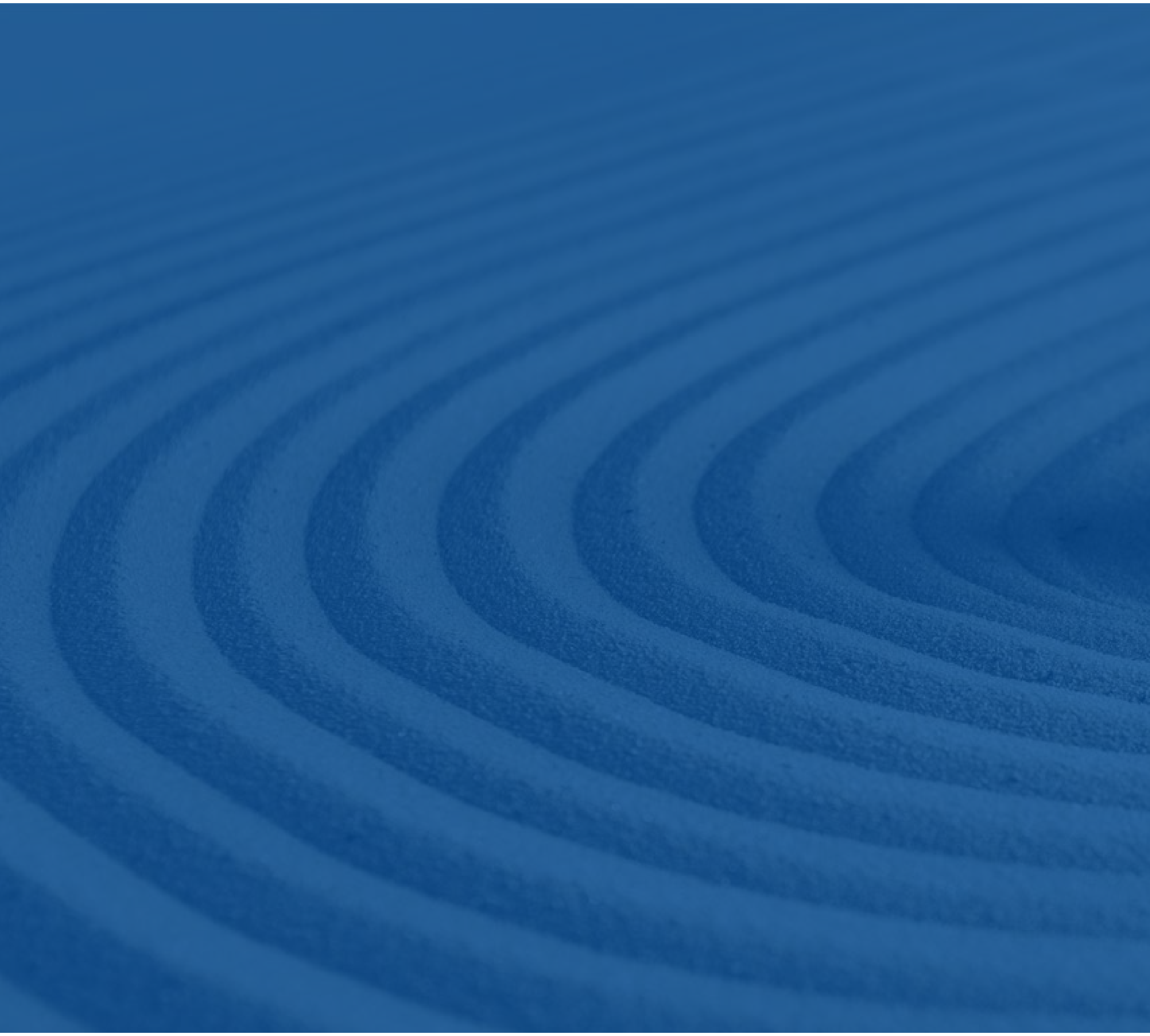
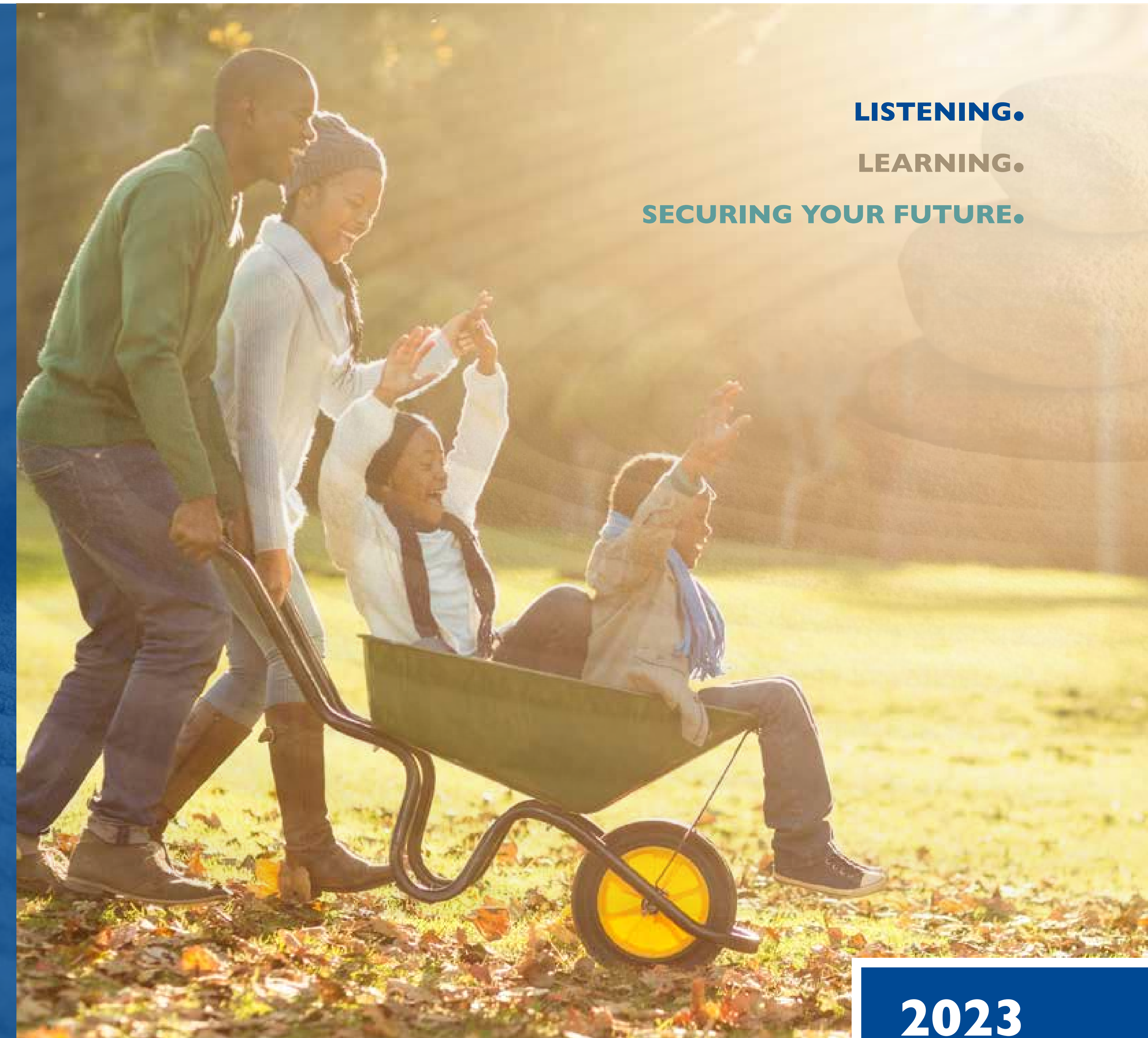
www. eppf.co.za

Eskom
Pension and Provident Fund



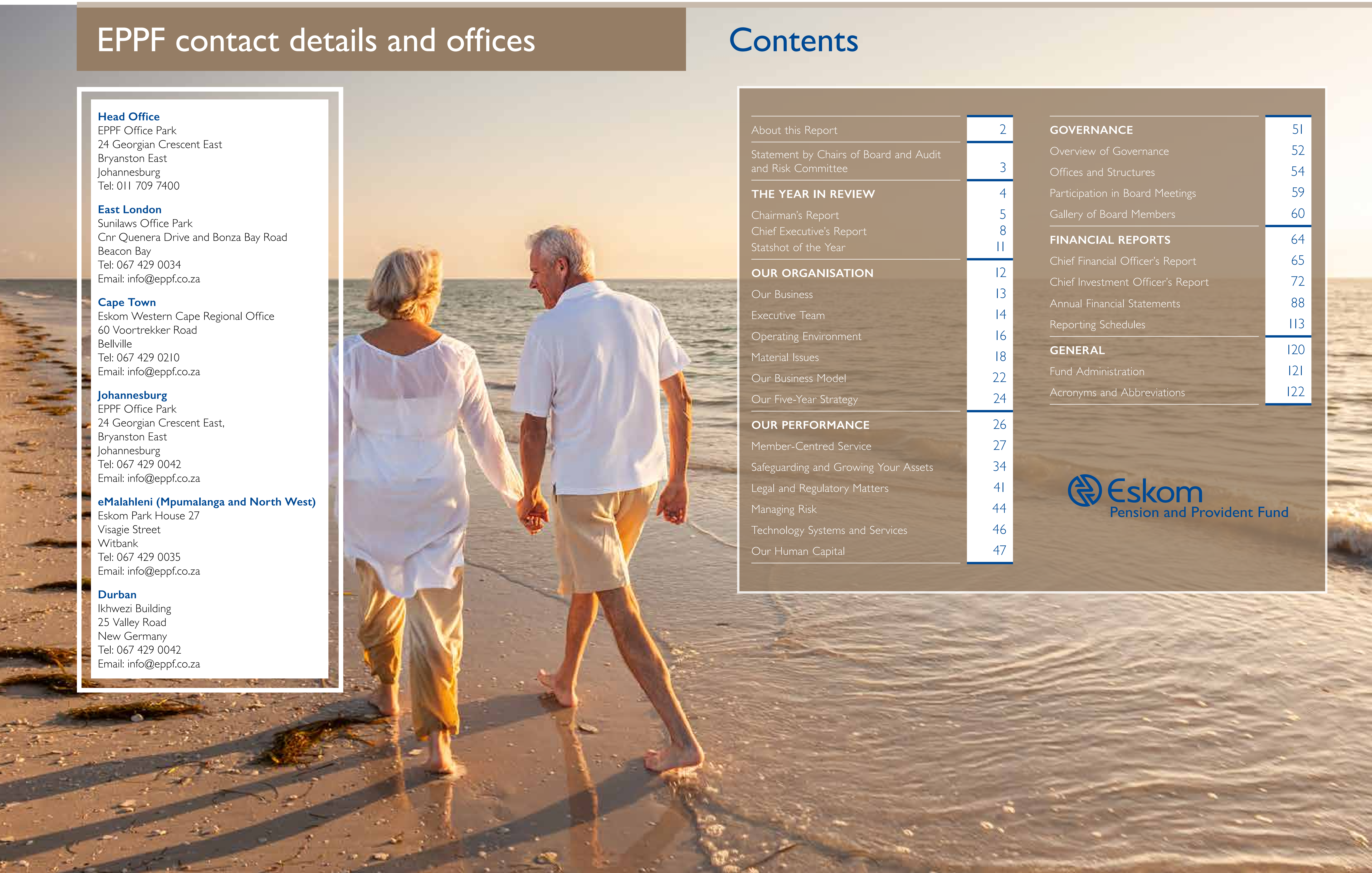


2023

Eskom
Pension and Provident Fund

INTEGRATED **REPORT**

Invested in our *members*



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About this report

The theme of the 2023 integrated report of the Eskom Pension and Provident Fund (the Fund or EPPF) is 'Listening, learning, securing your future'. This reflects our commitment to taking heed of our members' needs, concerns and perceptions to understand how best to serve them, then translating these learnings into actions to improve service and enrich members' experience of their pension fund. An appreciation of our members' perspectives on saving and retirement impacts on how we realise our strategy, maximise our investments, and extend the boundaries of our offering.

During the year under review, we again contended with unstable international and local economic conditions that demanded agility and proactivity in decision-making and action.

This report presents an overview of how we navigated this bumpy road from 1 July 2022 to 30 June 2023, how our investment decisions ensured the financial well-being of members, and what internal and external factors influenced our results. The highlights of 2023 are presented in the first sections of the report, with more detail provided in the comprehensive financial and investment reports preceding the annual financial statements.

As an organisation committed to compliance and sound governance, we continued to take our lead from relevant legislation and principles, including:

- Pension Funds Act No 24 of 1956.
- King IV Report on Corporate Governance in South Africa.
- Regulatory Reporting Requirements for Retirement Funds in South Africa.
- Circular PF130 issued by the Financial Sector Conduct Authority (FSCA), previously known as the Registrar of Pension Funds.
- International Integrated Reporting Council (IRRC) framework.

Forward-looking statements

Compilation of the report requires that we make certain forward-looking statements that may involve unknown conditions and risks that cause actual performance and outcomes to be materially different from those presented here. Should such events occur, they will be included in the next integrated report.

Combined assurance

The Fund's combined assurance approach comprises five levels of defence that ensure all material risks are considered, controls are optimised, comprehensive data is integrated, duplication of tasks is avoided, and remedial action is effective.

1. Management oversees daily internal controls and implements the Board-approved risk management strategy.
2. The internal legal, risk and compliance functions ensure that the Fund adheres to legislation.
3. Our internal audit function assesses the effectiveness of internal controls, governance and risk management and reports to the Audit and Risk Committee. The Board of Trustees holds the ultimate fiduciary control.
4. Our external auditor, BDO South Africa Inc, expresses an opinion on our regulatory annual financial statements. Our valuator, Willis Towers Watson, provides assurance on the solvency and sustainability of the Fund. External legal counsel and consulting actuaries are used when appropriate.
5. Regulatory inspectors and licensing authorities, conduct reviews in line with legislation, issue a final, independent external assurance opinion.

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

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

Statement of Chairs of the Board and the Audit and Risk Committee

The Board, through the Audit and Risk Committee, oversees the integrity of this integrated report and acknowledges its responsibility for this. Board members have monitored and assessed the preparation and presentation of this report and believe it to be a fair representation of the performance of the Fund and its material matters. The Board accordingly approved the report on 1 November 2023.

Caroline Mary Henry
Chairman of the Board

Izak du Plessis
Chairperson of the Audit and Risk Committee

THE YEAR IN REVIEW

01

Chairman's Report

This report, which charts our performance from 1 July 2022 to 30 June 2023, reflects a year of progress during which the EPPF demonstrated its standing as a member-centred fund delivering sustainable results for its membership.

Although great uncertainty prevailed in both international and local environments, we managed those factors within our control and monitored closely those beyond our control, ending the year in a strong position to respond to the many changes occurring in our industry.

Globally, hybrid business models, which combine working at home and at the office, have contributed to growing concerns about data privacy and cyberthreats. The skills gap in relation to digital innovation is widening and it is difficult to recruit people who have pensions management and technology skills. Unsurprisingly, related regulatory scrutiny and new legislation are emerging, both internationally and locally.

The transformation of the country's social security system has, in recent years, demanded significant policy and legislative adjustments to the pension industry. These have included regulatory upgrades such as the 'twin peaks' approach, which separated regulation of financial stability and market conduct. While increased regulation is aimed at safeguarding and protecting the interests of pension fund members, it also imposes a burden in terms of capacity and resources. Compliance and monitoring requirements are more stringent, and this heightened scrutiny comes with associated costs. Pension funds must adapt to these evolving regulatory landscapes to ensure they continue to effectively manage and protect the financial well-being of their members while managing the operational challenges posed by increased regulatory demands.

The ongoing volatility in markets may allow unsustainable investments to infiltrate the financial system. Therefore institutional investors and financial institutions must strengthen their corporate governance protocols for environmental, social and governance (ESG) implementation and for third-party due diligence and compliance.

Strengthening sustainability

Sustainability is an abiding theme for the Fund, as it is with all responsible corporate citizens, and the launch of our sustainability policy and strategy during the year was a significant step in the direction we have plotted. The framework is far-reaching and gives us a strong foundation on which to base our investment decisions, incorporating ESG elements that ensure we contribute to a better South Africa and a safer world.

To advance our activities in this crucial area – which increasingly holds the gaze of the global business community – we have expanded the brief of our Communications Committee and renamed it the Social, Ethics and Communications Committee. It will work closely with the Strategic Investment Committee, which will weave sustainability considerations into all investments.

Board developments

During the year, the Board maintained its focus on responsible running of the Fund, keen oversight of operations, and the potential to expand membership. We continued to favour our long-term investment perspective over short-term gains, as we have proven our ability to ride market storms in the knowledge that healthier returns will be the ultimate prize.

Chairman's Report *continued*

Our current five-year strategy concludes in 2024 and we hope to see some market stabilisation so that we can count on more predictable returns in the final year instead of the extreme fluctuations we've become used to.

Our portfolio faced external pressures due to global factors, with 36% of our investments allocated to international funds. South Africa has successfully maintained inflation within the targeted range for an extended period, and our familiarity with these measures enabled us to successfully navigate this landscape.

In the course of the Board's normal cycle of reviewing policies and procedures, we decided to contract acknowledged governance experts to assess our policy structure and ensure we were not straying from our purpose. The outcome was a multitiered policy structure that enables the Board to deal with the most pressing issues and take crucial strategic decisions without getting lost in detail.

Becoming more deliberate about our responsibilities has allowed us to delegate authority more effectively to Board committees.

We conducted an annual evaluation of the Board and its committees, and the assessment affirmed the effectiveness of the Board in fulfilling its role. We have taken the recommendations on-board and are implementing these to enhance our overall performance.

The current Board is heading into its final year of office, and I believe that the actions we have taken to focus our energies will help us make good use of our remaining time and be helpful to those who succeed us.

Eskom unbundling and opportunity

The Eskom unbundling occupies a great deal of Board time, thought and discussion as we assess both the risk and the potential opportunities. While the Fund rules would need to be modified to accommodate a change from a single employer to a multi-employer scenario, we do not anticipate any complexity in changing the rules. The EPPF is considering the possibility of expanding its pensioner and active member pool, leveraging its existing infrastructure, capacity, and capabilities to accommodate the entities resulting from the unbundling. This strategic move presents opportunities that both the Board and the executive team will explore, ultimately leading to a larger membership base, which in turn can yield economies of scale and other advantages for its members.

The Chief Executive's Report describes some of the work that has been done to help answer this key question.

Litigation and legal matters

Receiving a R22m repayment through our legal claim against Steinhoff was a source of relief. However, it's important to note that the resolution of this matter is expected to take several years to address all claimants. While this recovery is a positive development, it's essential to acknowledge that the Fund and other investors in Steinhoff still experienced significant losses.

However, the Brian Molefe case – which has been ongoing since 2016, continues.

You can read more about this on page 41 of the report.

The Fund has expended considerable energy on confirming the eligibility our members. The outcome has vindicated the time-consuming processes: 99.9% of current members are eligible.

Outlook

Our current five-year strategy concludes in 2024. The next five-year plan will see the expansion of our product portfolio through the new flagship defined contribution product which will be a gamechanger.

This will be implemented under the eye of a new Board, which will take office in June 2024. The election process was initiated during the reporting period, with the appointment of an independent electoral officer to oversee the election.

Given the immense effort in planning and executing the election, we expect it will, as always, be well run and the hand over will take place seamlessly, with no disruption to the Fund's operations. We look forward to the participation of our members and pensioners in constituting the new Board.

In the interim, we have decided to augment the annual board evaluation with assessments of individual member performance. This will identify gaps and areas that need attention. These steps will further strengthen governance and establish a stronger platform for the incoming Board.

Appreciation

The Board and its committees continued to work cohesively, with members complementing each other through their individual skills and expertise.

The Board's performance during the year has been commendable. Within the parameters of our governance prescripts, members have shown that they are not shy to speak their minds and call on their wisdom when it is needed. Collectively, we are confident about doing things pragmatically, effectively and decisively.

Some Board committees benefitted from new experts brought into the fold to share their specialist knowledge and provide authoritative guidance. Three experts swelled the ranks of the Strategic Investment Committee and one additional member, with strong information technology and King IV credentials, joined the Audit and Risk Committee. We welcome the newcomers, while acknowledging and appreciating the work of those whose tenure ended.

I extend my heartfelt gratitude to Mabatho Seeiso, an independent Eskom-appointed member, who left us on 31 October 2022. I thank her for her contribution, especially as chairperson of the Strategic Investment Committee.

At the same time, I extend my sincere appreciation to Lufuno Ratsiku, a member-elected non-bargaining unit representative, who resigned from the employment of Eskom SOC Ltd, and therefore the Board, with effect from 31 October 2023. He made an immense contribution, especially as chairperson of the Human Resources and Remuneration Committee. On the other hand, I extend a warm welcome to Nazley Sallie, who is an independent employer-appointed Board member and a seasoned industry specialist, as from 16 August 2023.

Lastly but most importantly, the Board strongly appreciates the calibre of the Fund's current executive team and the way in which it has tackled the tasks at hand, preserving the reputation of the organisation and setting the tone for leadership and responsible investment in what was undeniably another tough year.

With this team as the face and the force of the Fund, our members can be assured that their interests will always be uppermost across all levels and functions of the organisation.

As we approach the last year of this Board's term, we are proud to highlight the significant progress we have achieved in solidifying robust and efficient governance practices. Throughout our tenure, we have remained vigilant in overseeing the execution of the 2024 strategy. In addition to this, we have dedicated our efforts to enhancing the quality of service provided to our members, ensuring the long-term sustainability of the Fund, and fostering strong and constructive relationships with our stakeholders. These accomplishments reflect our commitment to stewarding the Fund's growth and welfare during our tenure, and we look forward to concluding this term with a continued focus on these critical areas.

Caroline Henry
Chairman

Chief Executive's Report

ESKOM UNBUNDLING

- Transmission company
- Generation company
- Distribution company

As we approach the final stretch of our five-year strategy, Vision 2024, the activities in the year under review have brought us closer to our goal of establishing a member-centric fund primed for future growth. We regard Vision 2024 as our 'build' phase, in which we established our technology platforms, enhanced our digital capability, strengthened our investment processes, acquired additional skills, and embedded strong governance processes.

Ensuring financial sustainability

The achievements of the past year have set Vision 2024 on course for a successful conclusion. Our assets under management grew from R170bn to R190bn, a remarkable feat in a lacklustre market. We registered a one-year return of 14.23% and outperformed our consumer price index (CPI) target by 8.40%. We also exceeded the market benchmark for our strategic asset allocation by 0.28%. Our three-year rolling investment return of 11.93% outperformed our target of CPI + 4.5% by 1.40%.

The Fund's annual actuarial valuation, which measures assets and liabilities in the light of the goal of long-term sustainability, grew from 139% in 2022 to 155%. This provides our members with the necessary comfort and peace of mind that the Fund continues to be financially secure.

During the year, we reviewed our investment strategy and approach to ensure improved resilience within our portfolio so to withstand market volatility, while delivering the required returns on a long-term basis. As a result, we are investigating the expansion of our private market programme investments in the real economy, both domestically and abroad. By strategically diversifying our investment portfolio, we aim to harness uncorrelated sources of return.

Serving our members

In 2021 we started tracking member loyalty using the net promoter score methodology. We are pleased to note that the net promoter score has risen from 25 in the first year to 31 in 2022 and closing at 52 in 2023. This reflects our team's collective efforts to improve our members' experience, and ultimately member loyalty, through a multifaceted strategy. Our communication campaigns bore abundant fruit and the number of member interactions soared to 18 247, up from 13 326 in 2022, the highest number achieved in the last five years. Through these member engagements the Fund was able to communicate key developments within the Fund, conduct member education, listen to member concerns and address them where applicable.

Our commitment to listening, learning and expanding member engagement platforms also enabled us to address a greater number of queries. Our various digital channels are designed to make it almost effortless for members to interact with the Fund and we are encouraged by the growth in use of these tools. During the year we saw 11 069 new users across our digital channels and recorded 48 390 interactions on our WhatsApp and USSD channels.

As we continue maturing our channels and service platforms to embed member-centricity. we would therefore like to thank our members for taking time in engaging with the Fund and for providing us with invaluable feedback in a variety of other ways.

> During the year, we reviewed our investment strategy and approach to ensure improved resilience within our portfolio to withstand market volatility, while delivering the required returns on a long-term basis based on our risk and cost budgets.

Pension increases

As reported previously, the Fund conducted a review of its pension increase policy, in response to a request from pensioners, to assess whether its practices met its obligations. This included examining the methods used to arrive at the annual increase. This review recommended that Fund introduce a minimum annual pension increase, which is indexed to inflation. In order to give effect to this recommendation the fund rules were amended to ensure that future pension increases are indexed to inflation with the minimum pensioner increase not being less than 60% of CPI.

In January 2023, an annual pension increase of 4% came into effect. We are pleased to report that the annual pension increase, which will implemented in January 2024, will be 9%. This comprises a full CPI increase of 5.4% (based on September 2023 CPI) and an inflation catch-up increase of 3.6%.

In addition, pensioners will be receiving the following cash bonuses in December 2023:

- A standard bonus payment of R8 150; plus
- A special ad hoc bonus payment of R5 000 to assist pensioners with inflationary pressures.

Eskom unbundling

As the electricity industry undergoes restructuring, we are in the fortunate position of having the ear of Eskom. We meet regularly to discuss issues and solutions to support the changes within the organisation. The unbundling of Eskom Holdings SOC Ltd into wholly owned subsidiaries, will change the Fund from a single-employer to a multi-employer organisation.

We continuously monitor the potential effects that the unbundling may have on the sustainability of the EPPF. We have conducted an analysis of the possible impact on the Fund's financial health, with a view to ensuring that our assets continue to be more than adequate to cover liabilities. Simply stated, our actuarial modelling confirms that the Fund remains financially sustainable.

We are currently reviewing our operating model to understand the requirements of a multi-employer arrangement capable of servicing the new Eskom configuration. This includes a pilot project to introduce a defined contribution scheme. The project will be completed by the end of 2023.

Our members can rest assured that their retirement funds remain in safe and experienced hands and we will remain resolute in safeguarding and protecting these funds as we navigate the changing landscape.

Ready for regulatory change

Government's proposed two-pot pension system is stirring interest among our stakeholders. Scheduled to come into effect on 1 March 2025, the system will allow pension fund members to access one-third of their future retirement savings during their working life, subject to annual limits, while the remaining two-thirds will be preserved until retirement. The Fund has a dedicated team charged with taking the necessary actions to ensure our readiness.

The Conduct of Financial Institutions (CoFI) Bill is another feature on the regulatory horizon. The bill will affect financial institutions, including retirement funds and its aim is to ensure that customers – that is, Fund members – are treated fairly. While these approaches are already woven into the Fund's fabric and operations, we have assessed the bill's particular requirements and will be ready to comply when the legislation is enacted.

Sustainable investing

In response to the changing investment landscape, the EPPF has diligently formulated a new approach to sustainable investing that aspires to preserve and regenerate the environment and life on Earth in everything we do. This approach places emphasis on investing in a way that addresses present needs without compromising the Fund's ability to generate investment returns for future generations. It takes a holistic view of economic, social and environmental factors with a view to investing in a way that harmonises human needs with the natural world.

A glimpse of EPPF 2.0

As we close out Vision 2024, we have undertaken preparatory work for the next iteration of our strategy, titled EPPF 2.0. In this process, we have identified the following key objectives to guide the strategic direction over the next five years:

- Create peace of mind for our members by ensuring the sustainability of the Fund.
- Serve our members with care, empathy and excellence.
- Lead effectively.
- Impact positively on our communities and stakeholders.
- Secure our future.

It is no coincidence that the first two objectives are centred on service to our members. We are steadfast in our intention to sustain the member-centric momentum that we have built through Vision 2024. This will demand an investment of resources in the short-term, but we will reap the dividends later by staying ahead of the game. Through our upcoming member engagements we aim to share more details on the EPPF 2.0 strategy.

Acknowledgements

Once again, during the financial year, the executive team and staff of the EPPF looked to the Board for direction and guidance. Board members consistently provided the required strategic guidance and counsel. We sincerely appreciate the insight and advice we received from the Board.

An organisation can have the best systems and technology, but without the human touch and talent these are just empty calories. During 2023, we took our value proposition to the market in search of prime talent to deepen our pool of expertise.

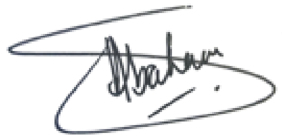
We're extremely proud to have welcomed many new joiners, including Sonja Saunderson as our Chief Investment Officer. These appointments speak to our ability to attract sought-after talent – individuals who share our organisational purpose of serving our members and effecting positive change in society. Thank you to all our new recruits for making the choice to join our team.

We remain indebted to our network of external asset managers who are integral to our business model and add consistent value. There were some hard investment decisions to be made during the year under review and you were ready and willing to assist us in these.

I would like to express my appreciation to the EPPF team for delivering a sterling set of results under trying conditions. I thank you for keeping the Fund in good standing through impeccable systems, attention to detail, dedication and sheer hard work.

As a nation, we may be contending with a great deal – a floundering power grid, political instability, inflation, civil disobedience, and even potholes – but as we consistently prove, with the right attitude even the darkest clouds dissipate to let in the light.

So we look to the 2024 financial year with optimism, we join our partners and stakeholders to collaborate, co-create and deliver the best outcome for members. Together we are listening, learning and securing your future.



Shafeeq Abrahams
Chief Executive and Principal Officer

Statshot of the year

Assets under management
R189.76bn
(2022: R170bn)

Contributions received
R4.01bn
(2022: R3.78bn)

One-year investment return
14.23%
(2022: 4.44%)

Benefits paid
R6.65bn
(2022: R6.82bn)

Three-year annualised investment return
11.93%
(2022: 7.72%)

Processing times for contributions
2 days
(2022: 5 days)

Bonuses paid to pensioners
R239m
(2022: R230m)

Percentage of calls answered <3 minutes
76%
(2022: 80%)

Pension increases
4%
(2022: 5% for all individual top-ups up to 3.7%)

Percentage of claims processed <6 weeks
90%
(2022: 72%)

In-service members
38 718
(2022: 39 224)

Black empowerment spending
R705m
(2022: R443 million)

Pensioners and beneficiaries
40 761
(2022: 40 593)

Funding level
155%
(2022: 139%)

02

OUR ORGANISATION

Our business

OUR VISION, MISSION & PURPOSE

Vision
A sustainable and trusted retirement savings provider, positively impacting on change in society.

Mission
Demonstrate that we are a member-centric fund, delivering sustainable results for our membership.

Purpose
Help our members enjoy a better financial future.

We exist to provide retirement and other benefits to eligible employees and former employees of participating employers, and to their nominated beneficiaries in event of death. Our ability to fulfil our purpose rests on sound governance, faultless administration and appropriate investment performance.

Values
Our values are reflected in our C.A.R.E philosophy:

C.A.R.E.

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

- Customer-centricity
- Accountability
- Resourcefulness
- Excellence

Executive team

Shafeeq Abrahams
Chief Executive and Principal Officer

- *BCompt (Hons) in accounting*
- *MBL*
- *CA (SA)*

Joined 1 September 2018

Thandie Mashego
Chief Financial Officer

- *BCom (Hons) in accounting*
- *MBL*
- *CA (SA)*
- *Leadership development programme*

Joined 1 February 2022

Sonja Saunderson
Chief Investment Officer

- *BSc in mathematics and computer science (cum laude)*
- *BCom and BCom (Hons) in economics and statistics (cum laude)*
- *MCom in statistics and economics (cum laude)*

Joined 1 November 2022

Ayanda Gaqa
Executive: Governance and Assurance

- *BTech in internal auditing*
- *Postgraduate diploma in financial planning*
- *Certified compliance professional, financial planner and fraud examinator*

Joined 1 July 2007

Gender

50% (Women) | 50% (Men)

Joey Sankar
Executive: Pensions Administration

- *BCom in management*
- *Master's in information technology*
- *Certified pensions specialist*

Joined 1 July 2014

Shyless Shai
Executive: Human Capital

- *BA and BA (Hons) in psychology*
- *MCom (Business Management)*
- *Registered psychometrist*

Joined 1 April 2017

Yolisa Skwintshi
Executive: Information Technology

- *BSc*
- *BSc (Hons) in computer science*
- *Executive leadership and advanced management development programmes*

Joined 6 January 2020

Lebogang Mogashoa
Company Secretary & Deputy Principal Officer

- *LLB*
- *Postgraduate diploma in law (commercial and business law)*
- *Master of Management (current)*
- *Business acumen programme*

Joined 1 October 2021

Number of years with the EPPF

2 (<2 years) | 2 (2–4 years) | 3 (5–9 years) | 1 (>10 years)

Operating environment

> The local economy continues to traverse difficult terrain, stymied by stunted global growth, geopolitical tensions, growing citizen dissatisfaction, an unprecedented power crisis, inefficiencies in state-owned enterprises, and climate change.

To halt deterioration and set the country up for future growth, urgent action is required to address supply-side constraints, according to international consulting firm Deloitte. This would include stable availability of electricity, and improved freight and logistics systems. In addition, Deloitte contends, South Africa must urgently address its grey listing by the Financial Action Task Force in February 2023 as this poses a risk of reputational damage, increased transaction costs for businesses, and a reduction in foreign flows.

Global economy

Global growth slowed to 3.2% in 2022. This was well below expectations and, according to the Organisation for Economic Cooperation and Development (OECD), reflected the impact of the war in Ukraine, the cost-of-living crisis, and the economic slowdown in China.

Although some positive signs are emerging, with business and consumer sentiment improving and food and energy prices settling, global growth is expected to remain sluggish in 2023. The International Monetary Fund (IMF) has pegged the rate at 3% while the OECD expects a more conservative 2.6%.

OECD figures indicate that annual growth in the United States will slow to 1.5% in 2023 and 0.9% in 2024 as monetary policy moderates demand pressures. The Eurozone should experience 0.8% growth in 2023 but pick up to 1.5% in 2024 as the effects of high energy prices diminish. Growth in China, according to the OECD, is likely to rebound to 5.3% in 2023 and 4.9% in 2024.

The OECD notes that the Russia-Ukraine war, which had critical impact in 2022, continues to cast a shadow on the world economy. Trade tensions are high and could worsen. While fuel and food costs remain high compared to the pre-war period, their downward trend is boosting purchasing power for most firms and households and is helping to lower headline inflation. Core inflation (excluding food and energy) continues to be driven by strong service price increases and cost pressures from tight labour markets.

The IMF predicts that global headline inflation in the baseline will fall from 8.7% in 2022 to 7% in 2023 and to 4.3% in 2024. However, it foresees that inflation is unlikely to return to target before 2025 in most countries.

Monetary policy will likely remain restrictive until underlying inflationary pressures are lowered. Further interest rate increases are expected in many economies, including the United States and the Eurozone.

South African economy

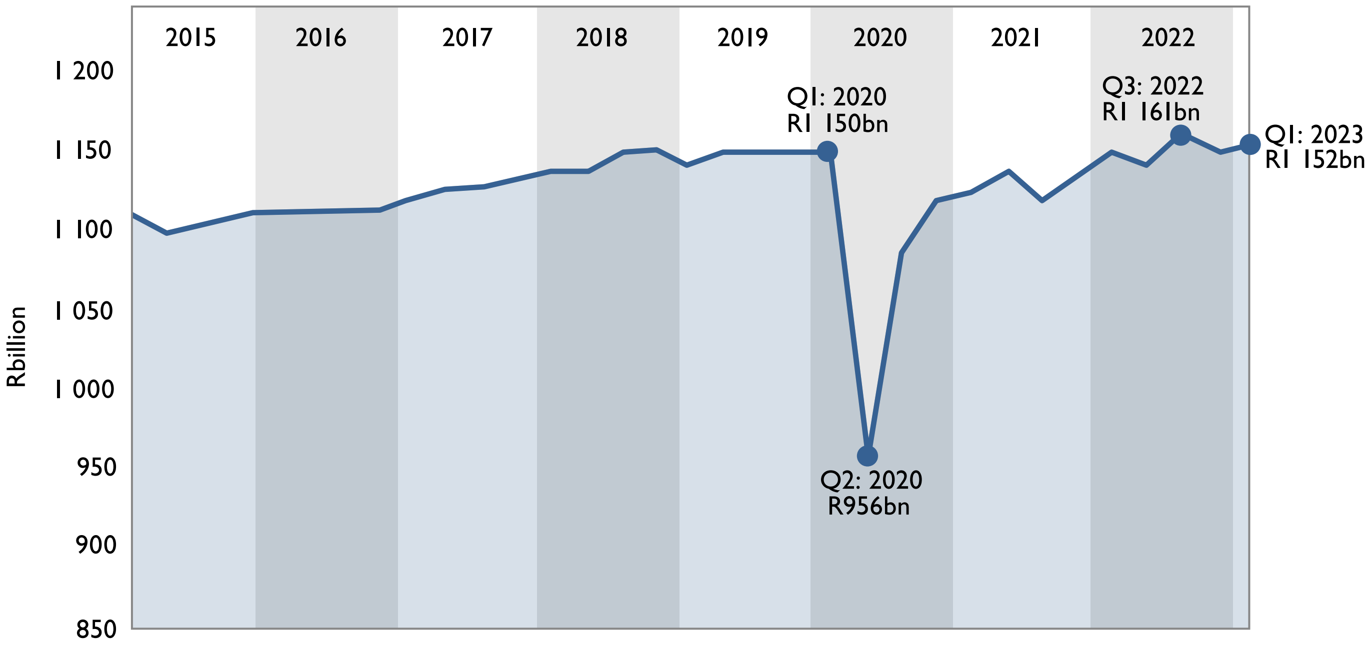
After contracting by 1.1% in the fourth quarter of 2022, real gross domestic product (GDP) expanded by an estimated 0.4% in the first quarter of 2023, according to Stats SA. The manufacturing and finance sectors were the major growth drivers on the supply side, while the demand side was lifted by exports, with smaller positive contributions from household, government and investment spending.

Manufacturing output increased by 1.5%, adding 0.2 of a percentage point to GDP growth. The production of food and beverages was the main catalyst. Finance, real estate and business services edged up 0.6% while personal services increased by 0.8% due to increased activity in community services.

A rise in rail freight and rail passenger transport pushed the transport, storage and communication industry up 1.1%. Electricity, gas and water declined and agriculture was down by 12.3%.

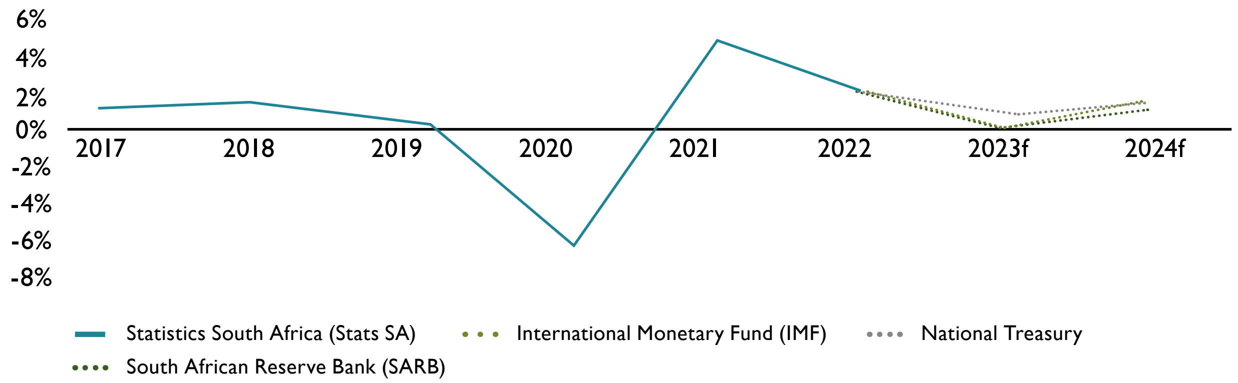
> **Listening, learning,**
> **securing your future**
> Separate surveys, catering for pensioners' and in-service members' unique priorities, returned an average satisfaction score of 4.7 out of 5

South Africa GDP trend since 2015



Source: Gross domestic product (GDP), 1st quarter 2023

South Africa GDP growth trend and forecast for 2023 and 2024



Note: f denotes forecast
Source: Stats SA, IMF, National Treasury and SARB

Inflation reached 7.8% in July 2022 (Stats SA) but had declined to 5.4% by June 2023, within the target range of the South African Reserve Bank (SARB).

Unemployment remained at unacceptable levels. It rose to 32.9% at the end of March 2023 from 32.7% in the fourth quarter of 2022.

An IMF delegation visiting South Africa in March 2023 noted the country's mounting economic and social challenges. Apart from the external shocks, South Africa's public debt significantly limited its ability to respond to economic and climate pressures and meet social and developmental needs, the IMF reported. This was exacerbated by product and labour market rigidity, while governance weaknesses and resultant corruption also affected growth and employment prospects, posing a threat to social cohesion.

The IMF delegation recognised South Africa's large external asset position, low foreign currency debt, diversified economy, sophisticated financial system, and flexible exchange rate system as sources of economic strength. They also noted the proactive monetary policy of the SARB that has kept inflation expectations steady.

The IMF delegation pegged GDP growth at only 0.1% in 2023 due mainly to the adverse power situation, weak commodity prices and the external environment. In May 2023, the SARB's growth expectation for 2023 was 0.3%.

Measures identified by the IMF delegation as crucial are:

- Structural reforms to achieve job-rich, inclusive and greener growth.
- Restoration of energy security together with implementation of the Just Energy Transition Investment Plan.
- Alleviation of transport logistics bottlenecks.
- Rationalisation of state-owned entities.
- Good governance.
- Responsiveness to gender inequality.

Material issues

Material issues influence the Fund's operations, performance and stakeholder interests and are identified in various ways:

- We assess stakeholder perceptions and sentiment on important issues through feedback and dialogue involving surveys, focus groups and interviews.
- We consider historic information, local and international industry trends, regulatory developments, the experiences of our industry peers, and reports in the mass media.
- We undertake internal engagement and analysis.

Early identification of material issues gives us an opportunity to develop and implement strategic responses and engage stakeholders proactively about areas of concern in order sustain trust and preserve relationships.

Material matters of strategic importance

Developments in the external environment

In its annual financial stability report, the SARB raised concerns about global monetary policy tightening, persistently high inflation, nervousness about the resilience of the global banking system, volatile financial markets, and downward revisions of growth projections for South Africa and major economies. Other destabilising factors include the inadequate electricity supply, the risk of secondary sanctions arising from South Africa's non-aligned stance in the war between Russia and Ukraine, and the impact of the debt of Eskom and other state-owned enterprises.

Despite an increasingly adverse operating environment, the SARB reported that the financial sector remained resilient and was able to absorb the impact of shocks.

In this context, the Fund anticipated that there would be concerns among members regarding the impact of the Eskom unbundling on the Fund's long-term sustainability and financial performance.

Other external factors of major concern are corruption, weak governance, the breakdown in public service delivery, social unrest, and environmental risks, particularly extreme weather events and water scarcity.

Stakeholders	How we engage	Stakeholder concerns
Fund employers	Direct meetings at executive level Quarterly meetings with Eskom representatives from different departments	EPPF's services to the Eskom group and a future unbundled entity
Fund members	Periodic roadshows and townhall sessions with the Chief Executive and management team Member perception surveys Communication through digital platforms, the call centre and our retirement fund consultants Distribution of a comprehensive integrated report	The impact of the Eskom unbundling on the Fund's long-term sustainability and financial performance benefit design and administration
Regulators	Periodic meetings with the Regulator	There's concern about readiness to implement new regulation There's concern about asset allocation policies and the ability of organisations with assets and influence to contribute to social cohesion and mitigate the impacts of climate change
Society	Mass media, the EPPF website and social media platforms	

Fund's response

The Fund has commensurate capacity in its systems and human resources to respond to risks and opportunities that arise from ongoing changes in the macro-economic environment such as Eskom unbundling, retirement reform and other changes to the regulatory landscape. We were able to rely on a robust investment strategy, prudent financial management, and close monitoring by the Fund's actuary to ensure that benefits were adequately funded.

As a signatory to the United Nations-supported Principle for Responsible Investing (PRI), the Fund is passionate about its role as corporate citizen. A focus in the coming year will be close monitoring of implementation of the Fund's environmental, social and governance (ESG) policy. We developed a sustainability approach that prioritises the environment and humanity. It emphasises the capacity to meet current needs without compromising future generations, considering economic, social, and environmental factors for resilience, equity, and prosperity.

Building business resilience was a priority risk management strategy for the Fund in 2023. This was prompted by ongoing social unrest and the possibility of power grid failure. Although total grid failure appears remote, our responsibility is to protect the interests of members against all possible threats. We therefore reviewed our business resilience strategy and plans thoroughly and we introduced periodic crisis simulations to strengthen our response capability.

The changing regulatory landscape and impacts on our operating model

In response to regulatory changes, retirement funds and other financial institutions have invested resources to adapt their strategies and operations, and ensure compliance. In the reporting period, two key areas of legislative reform were the Conduct of Financial Institutions (CoFI) Bill, which provides a market conduct framework, and the Financial Markets Act, which regulates financial markets. The regulators most closely associated with these laws are the FSCA and SARB.

The CoFI Bill consolidates provisions on the conduct of various financial institutions into a single overarching piece of legislation and incorporates new provisions. A significant focus is a robust regulatory framework for treating customers fairly (TCF).

Changes to the Financial Markets Act will increase inclusivity and strengthen the oversight responsibility of regulators. The FSCA regulation plan, which is reviewed annually, sets out various regulatory interventions. See www.fsca.co.za.

Stakeholders	How we engage	Stakeholder concerns
Regulators	Regular and proactive engagement Periodic submission of statutory reports Participation in industry events and forums Onsite visits and reviews by regulators Fund rule amendment submissions and related engagement	Fund governance and compliance with regulatory requirements Regulatory scrutiny in the context of the twin peaks financial sector regulatory reform, including the CoFI Bill with its TCF framework Excessive regulatory changes and the Fund's ability to respond (see Legal and Regulatory section on page 41)
Members	Ongoing communication with members on key changes	The complexity of new requirements, tight timelines for implementation, and the adequacy of resources
Suppliers (mainly information systems and technology)	Ongoing engagements with our suppliers to communicate our compliance requirements and provide feedback on the solutions provided	Preparation and readiness with implementation of new laws and regulations

Fund's response

Management believes the Fund has an important role to play in advocating for regulatory reform and shaping regulatory policy. We have engaged regulators, collaborated with industry bodies, and taken steps to educate members and other stakeholders on regulatory changes.

Operationally, our combined assurance model continued to serve us well and we were able to enhance our compliance programme by formalising certain activities in line with best practice. Policies and procedures were improved or established. By keeping up with regulatory changes over the years, the Fund has been able to prepare for change and adjust its operating model accordingly. See page 22.

Cyberattacks		
As information technology advances and networks become more complex, vulnerabilities and cyberthreats grow. Advances in digital platforms, artificial intelligence and automation are often at the disposal of cybercriminals while many legitimate IT teams may struggle to acquire new technology and develop the skills to respond to threats. A notable increase in ransomware attacks in South Africa has been reported in the media in recent years. In December 2022, the FSCA and Pension Funds Adjudicator (PFA) jointly updated their minimum standards for sound practices and processes in the areas of cybersecurity and cyber-resilience. These standards apply to various categories of financial institutions, which will have to acquire the necessary tools and technology and implement the prescribed processes on preparing for, responding to cyberattacks and recovering from them.		
Stakeholders	**How we engage**	**Stakeholder concerns**
IT suppliers	Vendor management and monitoring of IT service-level agreements	The Fund's ability to respond to major cyberattacks
Members	Member information sessions, social media platforms, emails, our mobile app and website	
Employees	Internal engagement with all staff members to create awareness of cyber-risks and ensure understanding and successful implementation of cybersecurity interventions. Online learning opportunities	
Regulators	Participation in industry body engagements, formal reporting on cybersecurity and related matters, site visits by regulators	
Fund's response		
Growing risks to cybersecurity are recognised as priority by the Board. Considerable investment has been made to acquire the tools and human resources necessary to create systems for enhanced cybersecurity. However, this is an ongoing effort as the advance of technology is rapid and relentless – and cybercrime follows closely behind. The Fund's various assurance providers will continue to accord cybercrime the highest level of attention.		

Other risk management measures are described on page 44.

Ethics Management Programme

At the EPPF we believe that our leaders set the tone and are ultimately responsible for building an ethical organisational culture. We expect leaders to lead with integrity and display conduct commensurate with our C.A.R.E. values. However, every employee shares this obligation for honest, respectful and diligent work in service of our members. We are passionate about cultivating ethical influencers within and beyond the boundaries of the EPPF.

In 2021 we reviewed our governance frameworks and structures to align with industry best practice guidelines. We identified employees responsible for relevant functions to steer the ethics management programme. In 2022, we focused on execution of planned activities: ethics awareness raising and training, appointment of ethics personnel, establishing an internal ethics advisory line, and conducting an ethics perception survey.

Vuvuzela hotline

The Vuvuzela hotline, managed by an external, independent party, allows staff and members of the public to report confidentially and without fear of reprisal. During the year, two out of 264 queries were of an ethical nature. All other calls were operational queries.

Listening, learning, **securing your future**

Benefits paid and accrued – including regular pension payments, lump sums and payments to trust accounts – totalled R6.65bn in 2023, with a pension increase of 4% payable from January 2023

Our business model

Two core business units, Pension Administration and Investment Management, are responsible for the Fund's strategic and operational delivery and rely on critical support from the following units: Information Technology, Governance, Risk and Assurance, Finance, Human Capital, and the Office of the CEO. The Board of Trustees undertakes oversight of strategy, organisational performance, ethics and risk management.

The Pension Administration Unit delivers member-centric administration services, which include benefit processing, pensioner payroll administration, call centre operation, data management, and member communication and education services.

Investment management is executed through an internal investment team and external managers. The Fund applies prudent and sound investment principles, robust risk management and rigorous governance processes to allocate, manage and oversee the Fund's investment portfolio. The overall objective of the Fund is to deliver sustainable, risk-adjusted long-term returns and achieve better retirement outcomes for our members.

Operations occur within a particular **organisational model**:
- Risk-pooling across generations is a fundamental feature, with income constantly being generated by in-service members and benefits disbursed to pensioners and other beneficiaries.
- Lines of accountability are strong, from management to the Board and from the Board to member and pensioner constituencies that elect our trustees.

VALUE CREATION

The EPPF draws on various forms of organisational capital to create value for our members and other stakeholders. Our objective is to develop and grow these assets in order to provide sustainable retirement outcomes for our members.

The nature of our social value has changed over the years. Our most immediate impact remains ensuring that our members have financial security in retirement and the potential for a comfortable quality of life. At the same time, we believe, that our investments can have a positive social impact while delivering the required investment returns and within the applicable risk parameters. As a result, we have increasingly used our financial capital to deliver positive social outcomes.

CAPITALS LEVERAGED AND CONSOLIDATED

Financial capital – This comprises the contributions from our members, investment returns, accumulated funds and reserves. Through strategic investing we are able to sustain and grow our financial assets while ensuring that we continue to meet the Fund's short-, medium- and long-term obligations.

Social capital – This comprises the social benefits that accrue to the Fund's pensioners and beneficiaries as a result of financial security, as well as the improved access to essential services and economic opportunities that occurs in society more broadly through our impact investment strategy.

Relationship capital – This encompasses favourable relationships with our key stakeholders – our members, participating employers, employees, the Board, regulators, our service providers and the retirement fund and asset management industries.

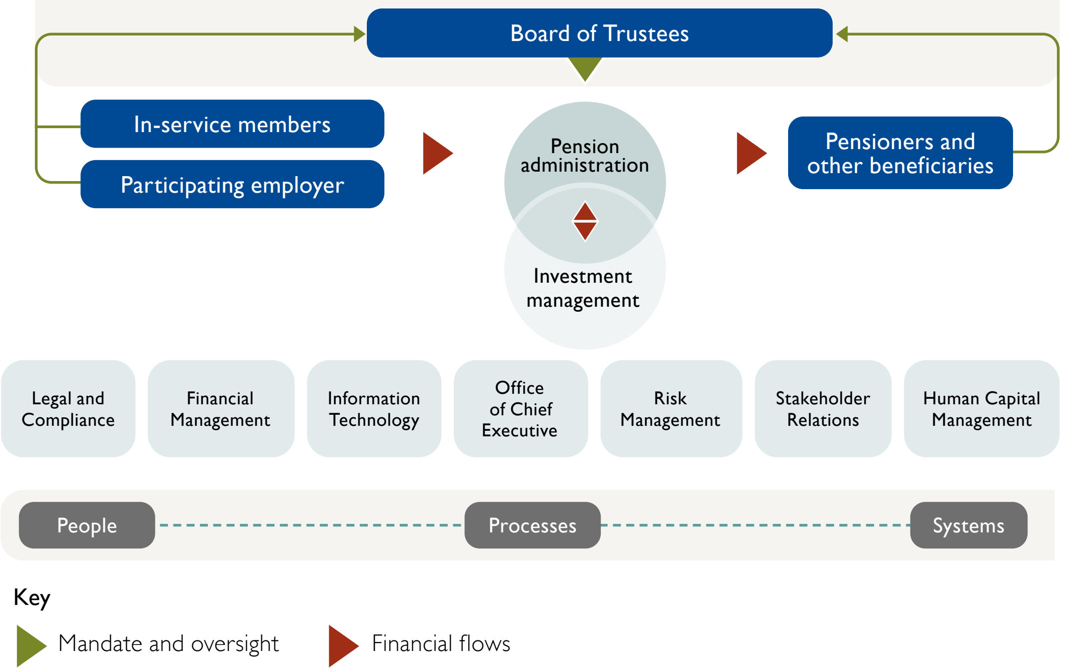
Intellectual capital – The Fund adopts a reflective and self-critical approach, formally evaluating and benchmarking its work to improve performance. This experience-based learning combines with specialist expertise and industry knowledge to win the Fund respect among its peers and other stakeholders.

Manufactured capital – The Fund has invested in advanced pension administration and investment management systems, digital communication channels, IT security systems and other essential software, plus the physical infrastructure necessary to serve its members.

Human capital – This lies in the skills and expertise of our employees and external investment managers. Our understanding of the Fund's changing knowledge and skills requirements informs the recruitment of talent and the development of staff. We strive to ensure that our people are an appreciating asset.

Natural capital – The Fund's own operations and its investment decisions have environmental impact. The Fund is committed to using the investment of its financial assets to promote a sustainable environment for future generations.

ACCOUNTABILITY, GOVERNANCE AND OPERATIONAL STRUCTURE



INPUTS

- Financial capital
- Intellectual capital
- Human capital
- Social capital
- Relationship capital
- Manufactured capital
- Natural capital

VALUE CREATION

- Strategic direction: Vision 2024
- Fund ethos: C.A.R.E.
- Sound and committed leadership
- Robust risk management
- Prudent investment strategy
- Social impact investment
- Proactive communication
- Empowerment of employees
- Strong governance oversight
- Reliable regulatory practices

OUTPUTS

- Inflation-indexed retirement benefits for members
- Efficient, member-centric administration services
- Diversified investment portfolio that delivers growth and risk-adjusted income
- Portfolio of social impact investments
- Fit-for-purpose business technologies and systems
- Member-relevant information
- Regulation-compliant policies, processes and reporting systems
- Sound financial administration
- Competent, engaged and committed employees

OUTCOMES

Financial value
A financially sustainable Fund
Growth in assets under management
Returns that outperform targets

Social value for members
A sustainable Fund
A life pension adjusted for inflation

Social and natural value for SA
Investments that create jobs, reduce poverty and support environmental conservation

Relationship value
Enhanced member satisfaction
Positive reputation and stakeholder relations

Human and intellectual value
Successful and satisfied staff
Experience-based learning and growth of institutional knowledge

Our five-year strategy

Achieving our strategic vision of protecting members and their funds requires that we ensure our members feel secure about our ability to safeguard and grow their funds throughout their working lives and into retirement. Once again, the importance of talking, listening and learning cannot be overstated.

The Fund embodies a social compact. We enable in-service members to save for their future, those who have retired to live in conditions of comfort, and participating employers to care for their staff. In this way, we alleviate the economic difficulties older people often face in South Africa. This social compact has been expanded recently through the Fund's investment for economic transformation and developmental impact. And, as the two-pot pension law comes into effect, in-service members will enjoy access to their pension savings in times of financial need.

Vision 2024, our five-year strategic journey, is premised on building a member-centric fund primed for future growth. It is constructed around five strategic pillars, all of which contribute significantly to enhancing the experience of our members.

The pillars of vision 2024 and their mobilisation of diverse capitals are set out in the graphic below, which also speaks to our 2023 performance against key indicators.

THE FIVE PILLARS OF VISION 2024

and performance against strategic targets for the year ended 30 June 2023

PILLAR 1
Grow our members's confidence by **securing sustainability** of the fund

Investment returns
- One-year: 14.23% (Target: 5.37%)
- Three-year: 11.93% (Target: 10.38%)
- Five-year: 8.35% (Target: 9.36%)
- 10-year: 9.26% (Target: 9.66%)

Sustainability
- Five-year contribution surplus (shortfall): 1.78% (Target: from -2% to 2%)
- Five-year pensioner increases relative to CPI: -0.02% (Target: 0%)
- Funding level: 155% (Target: 115%)
- Investment management costs: 0.47% of AuM (Target: 0.45% of AuM)
- Fund administration costs: 0.12% (Target: 0.12%)

PILLAR 2
Develop member-centric through **operational excellence**

- Pensioner payroll accuracy: 99% (Target: 98%)
- Promptness of contribution allocation: Two days after receipt (Target: Three days or less)
- Promptness of retirement claims processing: 78% within six weeks (Target: 75%)
- Number of member engagements: 18 247 (Target: 15 000)
- Member satisfaction as per independent survey: NPS of 52 (Target: 40)

PILLAR 3
Build platforms to serve our members better

- Delivery of Proof of Concept for a defined contribution concept: 95% (Target: 95%)

PILLAR 4
Unlock the talent of our human capital

- Employee satisfaction score: 68% (Target: 65–68%)
- Women in leadership: 57% of Exco
- Leadership Effectiveness Index 360-degree rating score: 4 (Target: 3)

PILLAR 5
Earn trust in our brand and reputation

- Readiness to implement CoFI: 80% (Target: 80%)
- Independent rating of member

PLANNING FOR THE FUTURE

For the past four years we have been building a fund that puts members at its centre and is positioned for future growth. In 2024 this building phase will draw to a close and, over the next five years, we will pour our energies into creating a multi-employer fund. Success will demand that we remain responsive to environmental triggers that will impact on our journey. These will certainly include the following:

Eskom Holdings unbundling

In October 2019, the government, through the Department of Public Enterprises, released the roadmap for Eskom in a reformed electricity supply industry. Since then, Eskom Holdings has been working towards unbundling its divisions into separate legal entities. The transmission subsidiary is the first of these and will be established in 2023. Ultimately, Eskom Holdings will comprise a number of subsidiaries each of which could potentially be a contributing employer. These developments require the EPPF to review its fund type.

Legal and regulatory changes

The FSCA 2021 – 2025 strategy outlined its intention to become 'pre-emptive and proactive, intensive and intrusive, risk-based and proportional, outcomes-based, and transparent and consultative'.

Pension fund regulatory reform continues to gather pace, with the following focus areas for policymakers and regulators:
- Preservation of retirement savings – the two-pot system.
- Fair treatment of members – CoFI Bill.
- Increased scrutiny of pension funds by the regulator.
- Statutory ESG reporting.

The Fund needs to remain prepared to implement regulatory changes to ensure continuous compliance.

Political, economic and social landscape

Our environmental overview on pages 16 highlighted the chain of events, starting during the Covid-19 pandemic, which led to a series of interest rate hikes across the world and triggered significant moves in asset prices.

The EPPF needs to ensure its investment portfolio is sufficiently diversified – in respect of asset class, geography and risk – and to take a long-term perspective to withstand adversity and capture opportunity in an increasingly volatile economic environment.

The cost-of-living crisis currently dominates global risks and our collective failure to take climate action is expected to dominate the next decade. There are growing expectations that major investors, such as the Fund, will use their influence to effect positive socio-economic change. The Fund needs a sustainable investing approach, that includes reporting transparently on key sustainability initiatives.

Technological advances

Artificial intelligence technologies and data science are advancing rapidly and the Fund continues to note developments and the impact they have on businesses and people.

Member demographics and preferences

The past decade has seen the average salary-weighted age of active members increase. All other factors being equal, this results in an increase in the actuarial liabilities as the membership ages, the term to retirement shortens and the value of the Fund's obligation increases.

In addition, employees tend to change jobs frequently and may prefer retirement savings products that are flexible, portable and suited to their life stages.

FIVE BROAD THEMES FOR THE FUTURE

We have identified several strategic focus areas which combine into five major themes:

Creating peace of mind for our members regarding the sustainability of the Fund

We will ensure a financially sustainable pension fund that delivers its promise of stable, inflation-indexed annuities as they become due.

Serving our members with care, empathy and excellence

We will focus leadership and culture initiatives on member-centricity, empathy and service excellence. We will create member value and report on this, improving communication to ensure greater transparency and improved understanding by members. This effort will apply particularly to investment performance and decision-making, costs, risks, and sustainability reporting.

Positively affecting our communities and stakeholders

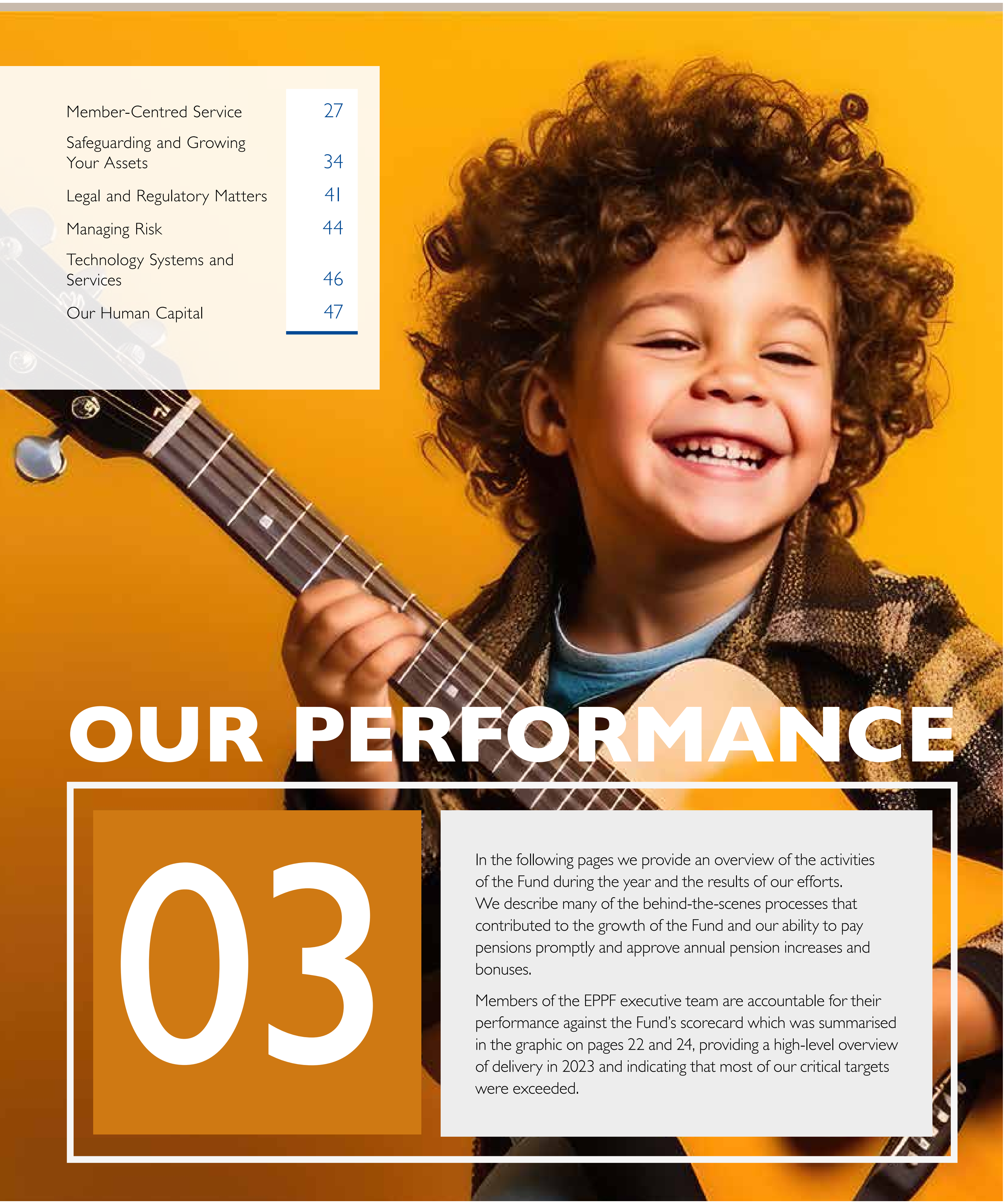
Our comprehensive sustainability investment strategy outlines the Fund's commitment to driving sustainability, key principles and intended outcomes. The strategy is based on interaction with stakeholders, aligned with investment mandates, and adheres to best practice in sustainability investment reporting.

Leading effectively

As one of the largest FSCA-regulated retirement funds in South Africa, the EPPF must remain at the forefront of local and global developments. We must demonstrate thought leadership, governance role modelling, and an ability to influence stakeholders and shape discourse. We will continue to make the necessary investment in our people for them to fulfill this role.

Securing our future

To remain relevant, we need to adjust to the changing employer environment, members' needs, and the operating landscape by reviewing our fund type and service model to become a multi-employer organisation, under the new Eskom configuration.



OUR PERFORMANCE

03

In the following pages we provide an overview of the activities of the Fund during the year and the results of our efforts. We describe many of the behind-the-scenes processes that contributed to the growth of the Fund and our ability to pay pensions promptly and approve annual pension increases and bonuses.

Members of the EPPF executive team are accountable for their performance against the Fund's scorecard which was summarised in the graphic on pages 22 and 24, providing a high-level overview of delivery in 2023 and indicating that most of our critical targets were exceeded.

Member-centred service

The Fund aims to provide our retired members with a pension that is indexed to inflation and in a manner that is reliable, convenient and sustainable. We strive to provide the same qualities of service in managing the savings of our in-service members. Our investment in an advanced pension administration system is beginning to pay dividends in terms improving turnaround times, affording members a self-service option, and analysing information about member preferences and practices. However, the human factor remains critical in our field of work and dips in the responsiveness of our service have usually been linked to fluctuations in our staffing.

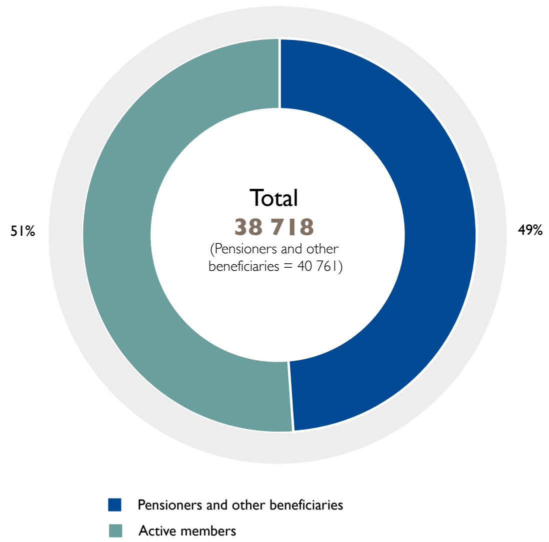
Our member profile

In 2023, the Fund had 79 479 members (2022: 79 817), about 49% of whom were active members and 51% pensioners and other beneficiaries. Active membership has declined over the years and this trend continued in 2023, with a drop of 1% (2022: 3.1%). The average decline over three years was 2.2% per year and was largely due to a reduction in staff employed by Eskom.

Year-on-year pensioner numbers increased by 0.3% in 2023, whereas 2022 had seen a decline of 0.78%. Over the past five years pensioner numbers have grown marginally by an annual average of 0.9%.

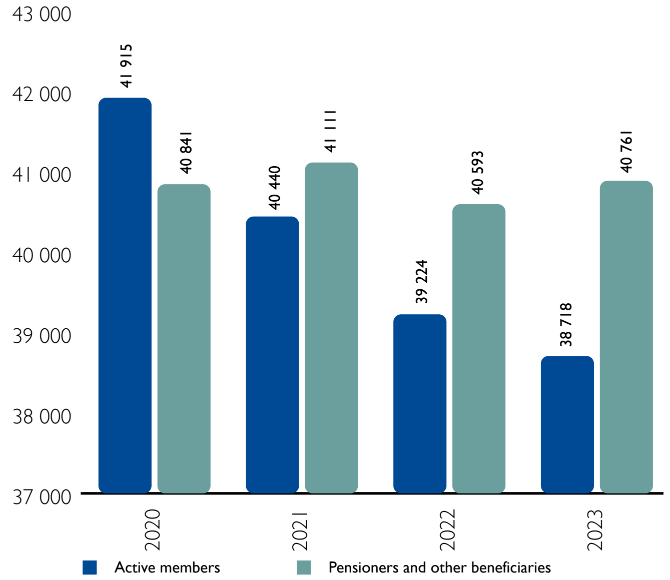
A snapshot of membership: 30 June 2023

Active members by employer



The margin by which the Fund's active members outnumbered pensioners and beneficiaries has been shrinking slowly over several years, and since 2021 the weight has shifted so that pensioners and other beneficiaries constitute a slight majority. This membership pattern has an impact on total contributions collected, total benefits paid and the size of increases granted. But it is not the only factor. For instance, in 2023 salary increases of in-service members boosted the value of their contributions and more than compensated for the decline in their numbers.

Changing balance between active members and pensioners



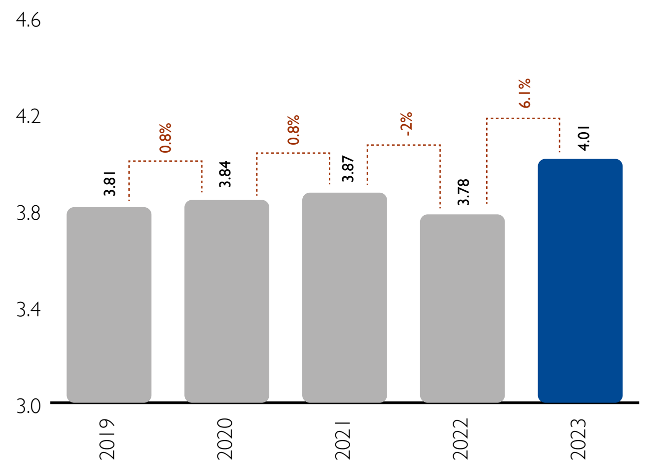
Fund contributions and benefits

Contributions totalling R4.01bn (2022: R3.78bn) were received during the review period, representing an 6.1% year-on-year increase.

Contribution rates are fixed at 7.3% and 13.5% of salary for members and employers respectively. The increase in total contributions in 2023 was a function of salary increases effected by the employer, which resulted in a larger contribution per member.

All employers paid their monthly contributions timeously and these were allocated, on average, within two days of receipt. There were efficiency gains in this area, with allocation taking a day less than in the previous year.

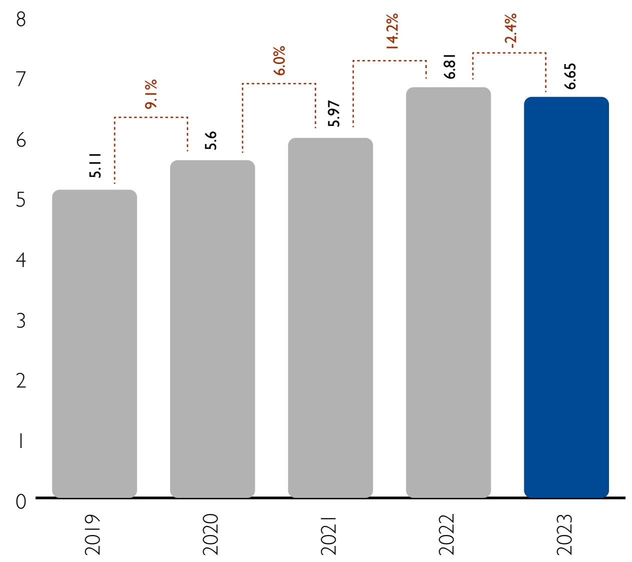
Five-year trend in total contributions (Rbn) and annual percentage change



Member-centred service *continued*

Benefits paid and accrued – including regular pension payments, lump sums and payments to trust accounts – totalled R6.65bn in 2023, a decrease of nearly 2.4% on the amount of R6.81bn paid in the previous year. There has been a sustained increase in total benefits paid over the past five years.

Trend in benefits paid (Rbn) and annual percentage change



Annual increase and bonus

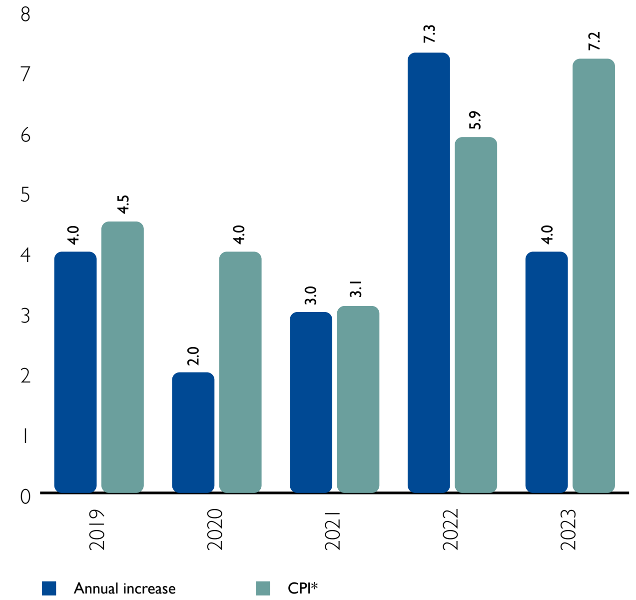
All our pensioners received an annual CPI-linked increase of 4% from January 2023. Members whose pension payments started on or after 1 January 2022 received pro rata increases based on the month in which their pensions started.

The annual bonus paid in December 2022 was a flat rate of R8 150 per household, amounting to a total of R239m. This exceeded the previous bonus allocation by R9m. Once again, members whose pensions commenced after 1 December 2021 receive pro rata bonuses.

To determine increases and bonuses, we conduct an annual actuarial valuation during which we compare assets and liabilities and consider both the impact of inflation on members and the sustainability of the Fund. While our aim is to grant annual increases equal to CPI, this has not always been possible when Fund sustainability is considered.

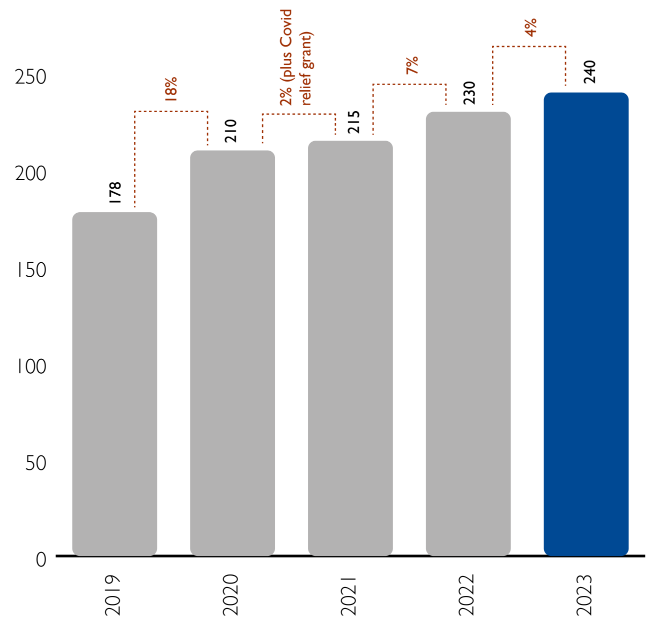
During the year, the Fund approved a rule amendment that specifies annual pension increases will be linked to CPI for the preceding year and may not be less than 60% of CPI. This rule will apply from 2024.

Annual pension increase rate compared to CPI (%)



* *On the effective date of the increase – January each year*

Total amount paid in pensioners' bonuses (Rm) and annual percentage change



Average value of individual pension

2020: **R108 262** a year | 2021: **R119 831** a year | 2022: **R128 195** a year

2023: **R142 586** a year

Administering your pensions

Pension administration requires the capacity to deal with automated systems processing large volumes of contributions and payments as well as the ability to assist individual members, each with a unique concern. We strive to be efficient, courteous and empathetic.

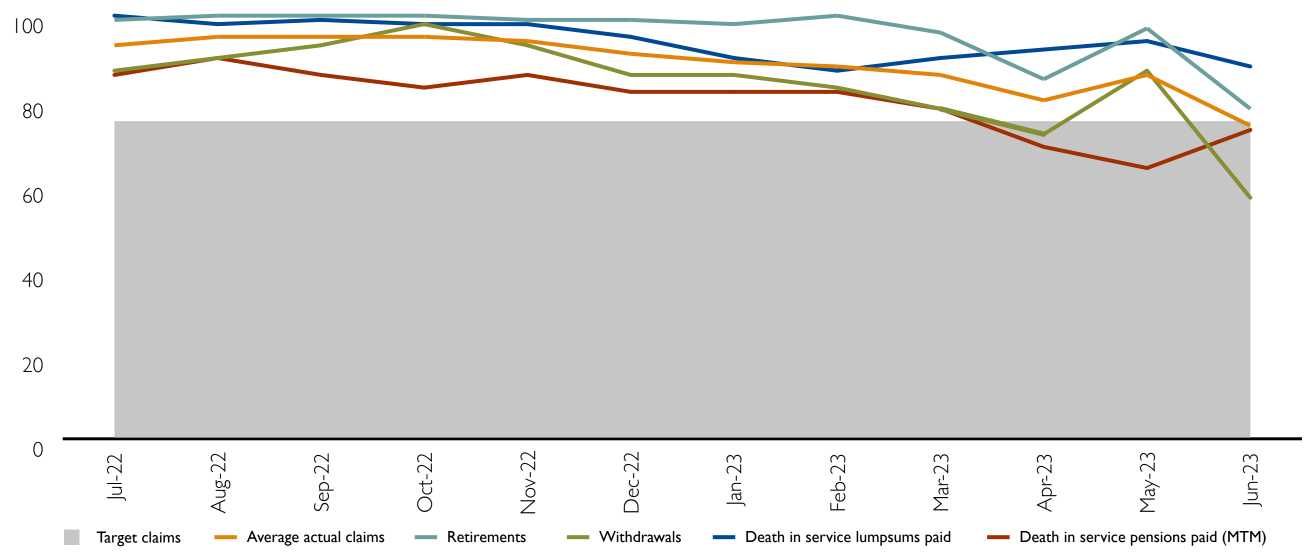
Stability within the team helps us build this service ethos and our staff turnover in 2023 was relatively low. During the year we improved our quality of reporting so that we could track the full payment cycle. We met our annual target for claims payments, although there were some fluctuations from month to month. In cases where benefit investigations were required, we improved our turnaround time.

Payment of benefits

Payment of benefits occurs in a variety of circumstances: when members reach retirement age, when they die and payment is due to their beneficiaries, and when in-service members resign from Eskom and withdraw their pension savings. We aim to make these payments within a specific time limit and our target is to ensure that 75% of payments are made within the time limit.

As can be seen from the graph, we performed well above our target for three-quarters of the year but dipped below the standard in the last quarter when we experienced a loss of staff.

Benefit payments: performance against target for timeous payment



Death claims

When a member dies in service or within five years of becoming a pensioner, the Pension Funds Act requires the board of trustees to conduct an investigation. The purpose is to establish whether the deceased member had dependants and to distribute the benefits in such a way that dependants continue to receive support. The Benefits Committee, acting on behalf of the Board, meets every two months to expedite the finalisation of death benefit.

The total number of death claims lodged has returned to pre-COVID levels and 80% of death claims under investigation were approved in the 2023 financial year, while 20% had still to be concluded. The average processing time (after receipt of completed documents) was 3.7 weeks, comfortably within the six-week limit we aspire to.

Unclaimed benefits

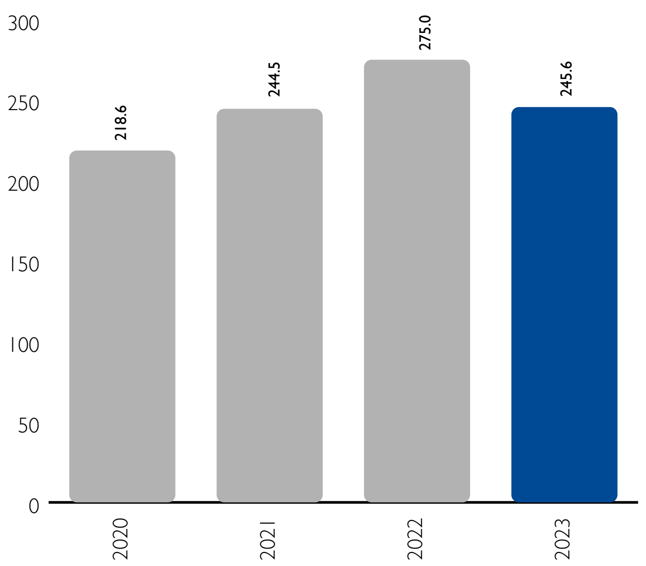
As at 30 June 2023, the Fund had 2 001 unclaimed benefits totalling R245.6m, representing a 12% reduction due to an adjustment made on the opening unclaimed benefits balance.

Listening, learning, securing your future

Our customer satisfaction score has more than doubled from 25 in 2021 to 52 in 2023

Member-centred service *continued*

Total value of unclaimed benefits at 30 June 2023 (Rm)



Focus on communication

The Fund started the year with the firm intention of improving the use of communication as a tool to ensure that we put members' needs first. An audit of all communication activities pointed to a need to simplify complicated concepts and ensure that our members and other stakeholders correctly interpret our messages.

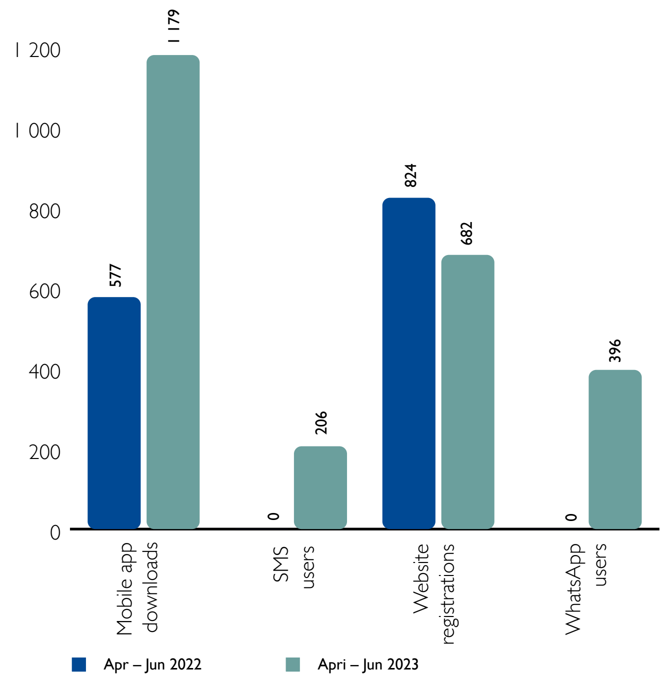
Mining your habits and interests

Covid-19 dealt a death blow to postal services and gave a great boost to digital and mobile options for disseminating information. The Fund was part of this trend: between August 2022 and June 2023, we sent 720 000 emails and 370 000 text messages to members. This switch meant we needed to be sure that all categories of members could access our messages.

Our first intervention was to use the available information on members' preferred channel of communication to advise them how to derive more value from this channel. For example, members using the website were informed about the members' portal. Smartphone users were told of our various digital channel options. Members with cell phones who did not use digital channels were informed about USSD functionality, a low-cost option that works even where network infrastructure is not optimal.

Across digital and mobile channels we saw an average of 104% growth in usage over the year. However, there were quite sharp fluctuations and highest usage was in the period January to March 2023.

Utilisation of digital and mobile communication channels

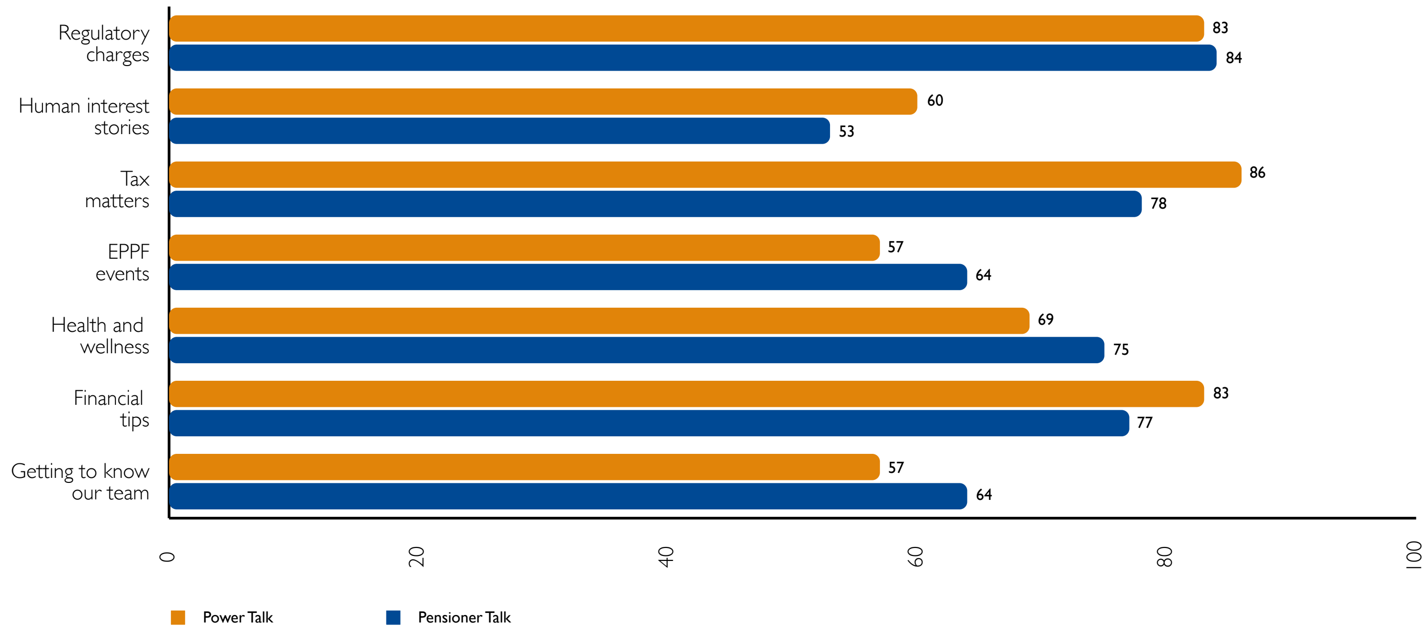


The second initiative was a campaign to update members' contact details. We sent out messages urging in-service members and pensioners to update their contact details. A total of 2 789 cell phone numbers and 2 279 email addresses were updated, and 2 303 people provided us with alternative email addresses.

We then revamped our digital newsletters, *Pensioner Talk* and *Power Talk*, in accordance with the results of a short survey of regular readers conducted via SMS. We asked what articles readers enjoyed, what additional content they would like to see, and how we could improve the newsletters. It seems our readers are thirsty for information about health, taxation, personal finance, and the laws affecting pensions.

The quarterly newsletters are now not only posted on our website but also emailed to our stakeholders so they receive them while the content is still fresh and newsy.

Newsletter survey: Percent of respondents 'very interested' in listed topics



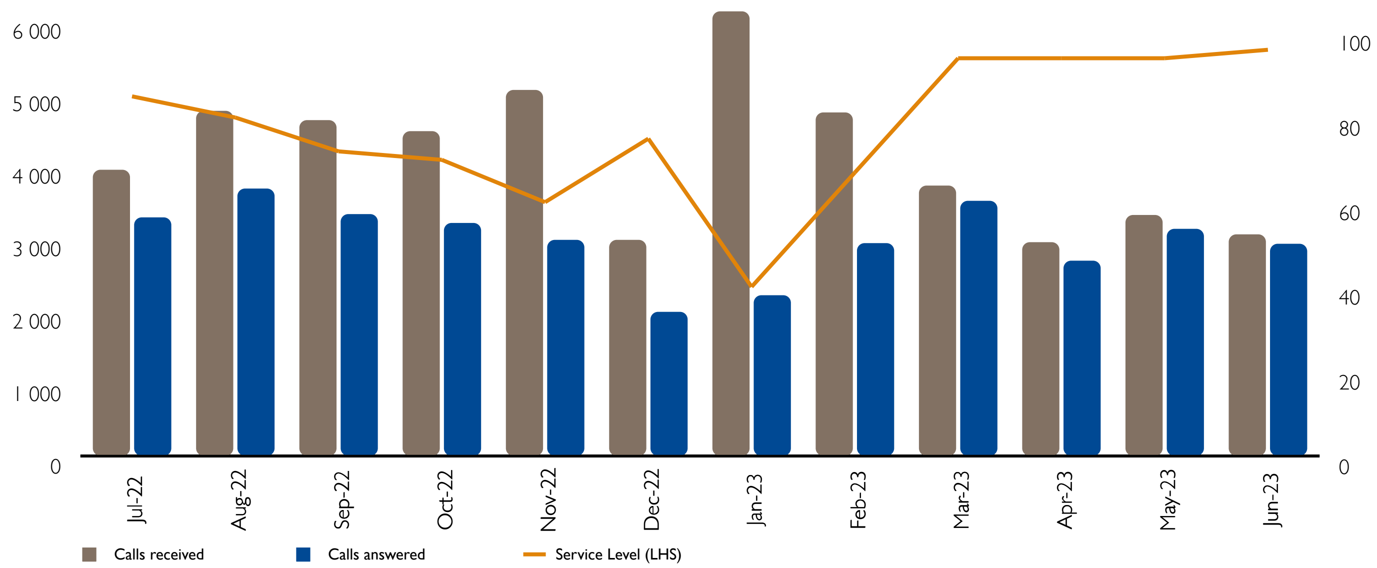
Other steps that were taken to improve communication were:

- Introducing a standard procedure for sharing important messages from EPPF executives. The order of publication is: website first, then distribution to email inboxes, followed by text messaging when appropriate.
- Tailoring the content on our LinkedIn page for retirement industry professionals. LinkedIn is an acknowledged business-to-business platform and our members are already catered for on other easily accessed platforms. The number of our LinkedIn followers has grown healthily from 2 876 in June 2021 to 3 822 in June 2022, and 5 001 in June 2023.

Customer service centre

Our call centre is a major interface with our members. In 2023 we received 46 658 calls, about 3 900 a month. Since this communication is initiated by our members when they have a specific need for information or a solution to a problem, the responsiveness of the centre is important. Given the peaks and valleys in call volumes, no call centre can answer every incoming call and we aim to respond to 85% of calls received. In 2023, the average rate of calls answered was 76% (2022: 80%). Additional call centre staff were employed in the last quarter and the response rate rose to 95%.

Number of calls received and calls answered in 2023 and response rate (%)

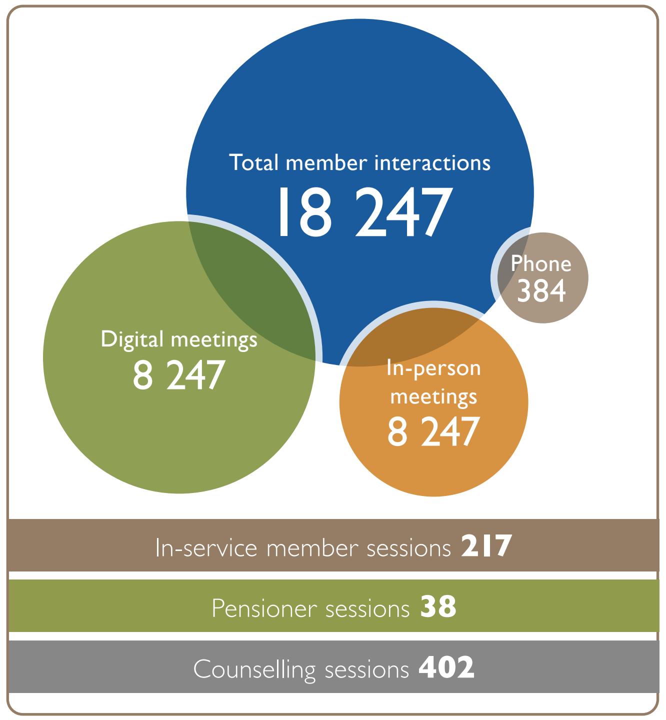


Interacting with our members

The Fund continues to expand its interactions with members and in 2023 achieved a total of 18 247 individual contacts with members (2022: 13 326) through in-person and online meetings and telephone conversations.

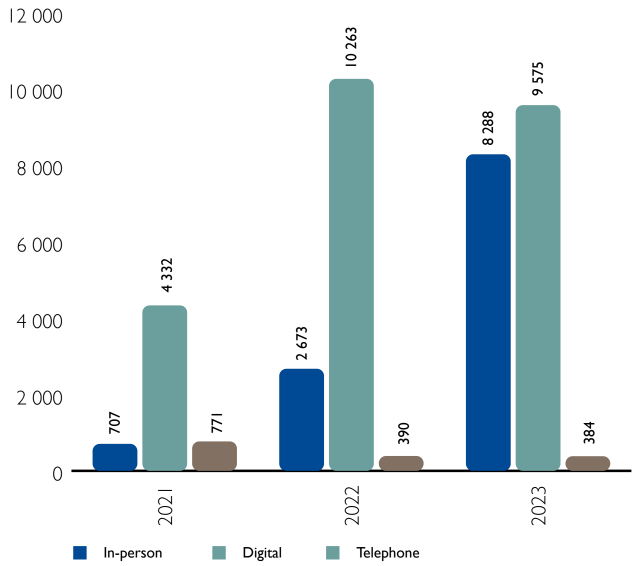
While digital platforms remain important, the growth in member contact was mostly due to concerted efforts by our six-person client liaison team to organise more in-person events to reach members where they work or reside. These included meetings at power stations with in-service members during trips to Umtata, Koeberg, Polokwane and Eshowe, and pensioner functions in the Northern Cape and Free State. Feedback from in-service members indicated a need to make the Fund more accessible to them and the employer assisted in setting up the series of face-to-face workplace meetings.

Overview of member engagements 2023

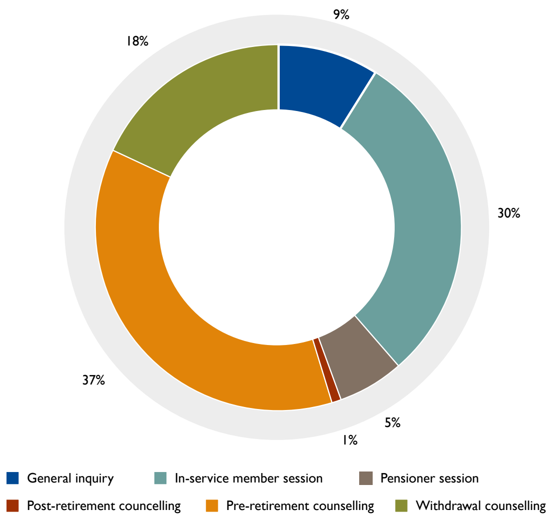


Our concerted effort to put our members first throughout the year has yielded a notable increase in their confidence in the Fund, even in a period of significant change. We achieved this by effectively using a range of communication tools, increasing our face-to-face contact with in-service members and pensioners, maintaining a good record of benefit processing, and providing accessible responses to queries. We will strive to sustain this progress by addressing occasional inconsistencies in our service level. Overall, the Fund is strongly positioned to ensure members benefit from upcoming regulatory changes, including the two-pot system and standards on treating customers

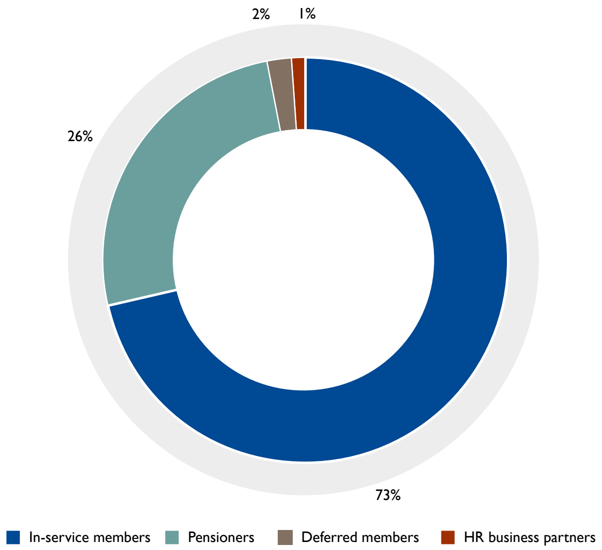
Trend in member interactions: regaining a post-COVID balance



Participation by type of engagement



Participation by member category



MEETING MORE OF YOUR EXPECTATIONS

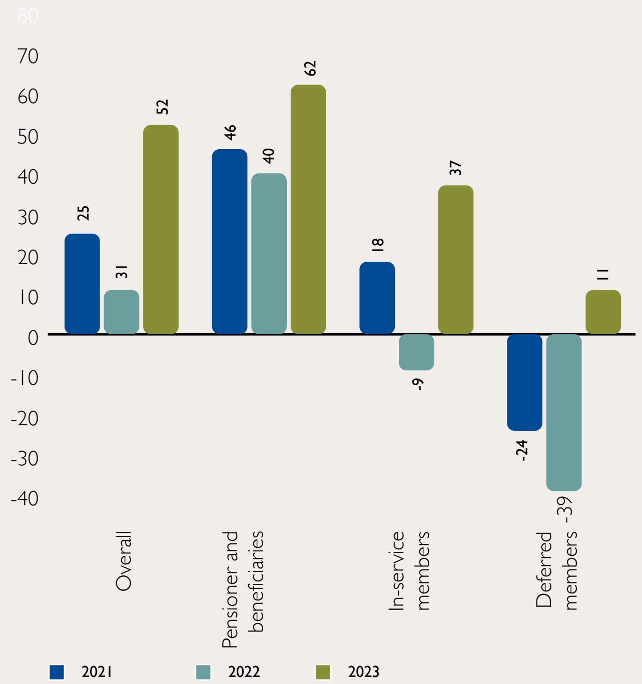
The latest EPPF customer satisfaction survey shows a clear improvement in members' ratings of the Fund. This positive trend is apparent for all membership categories. However, while we are comfortable with the approval levels of pensioners and other beneficiaries, the survey indicates there is still work to be done to satisfy in-service and deferred members.

The survey was conducted in July and August 2023 by market research company BMI-Techknowledge and 7 559 members participated, 6 549 by email and 1 010 through telephone interviews.

The net promoter score is a standard measure based on the following question: *If it was possible to recommend the EPPF to family, friends and colleagues, how likely are you to do it?* The score is derived by subtracting the percentage responding negatively from the percentage responding positively.

Overall, the Fund's score has more than doubled in two years, from 25% in 2021 to 52% in 2023. This is classified as an excellent score. We are especially pleased that our rating by in-service members has now moved firmly into positive territory but acknowledge the importance of continuing to improve our delivery to in-service and deferred members.

Trend in net promoter score

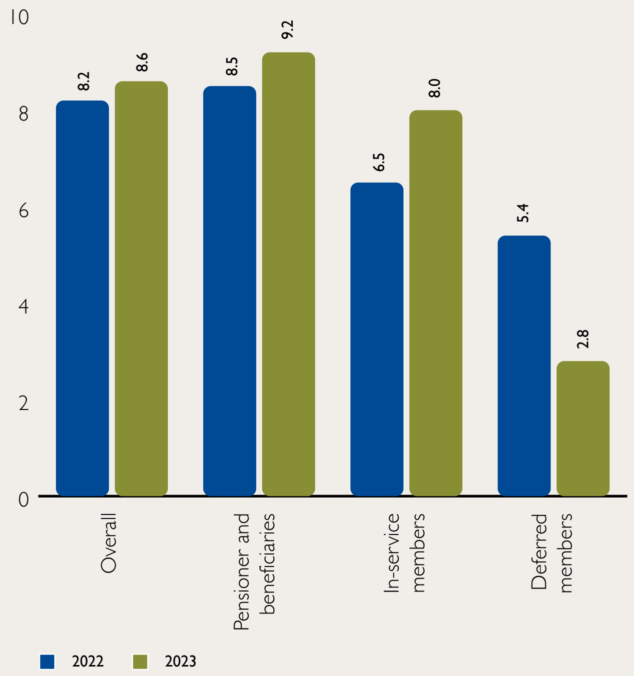


The survey also asked participants to rate, on a scale of 1 to 10, the fairness of the Fund's conduct and the ease of interacting with the Fund. The average scores were 8.6 and 8.1 respectively and, relative to 2022, there was an improvement in both ratings by all membership groups.

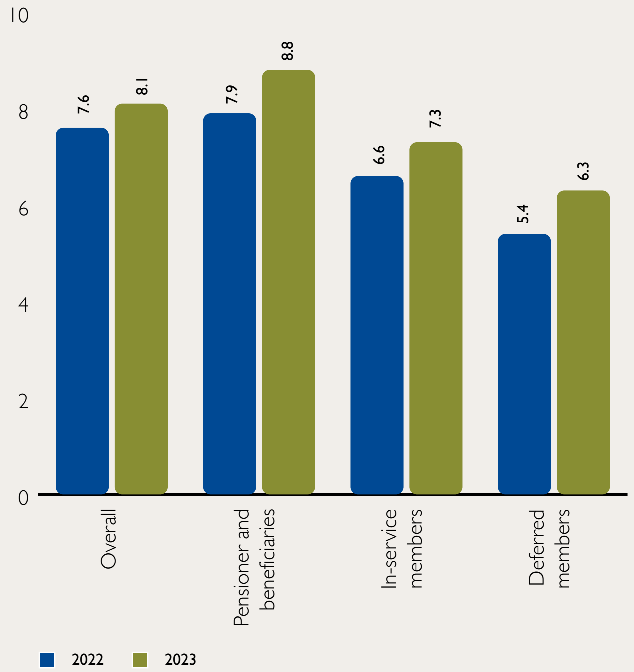
Once again pensioners and beneficiaries were most positive, followed by in-service members and then deferred members.

The Fund made a concerted effort in 2023 to increase interaction and the flow of information to members. We also encouraged members to use the service options most convenient for them and enabled greater use of digital service tools. Our takeaway from the survey results is that such actions make a difference and we must continue to make our service platforms super-simple to use and to reach out, listen to you and explain our ways of working.

Score out of 10 for treating customers fairly



Score out of 10 for ease of interaction with Fund



Safeguarding and growing your assets

The Fund achieved positive investment outcomes in a changeable environment with assets under management (AuM) climbing to R189.76bn and annual growth on investments outperforming the CPI and many other market benchmarks.

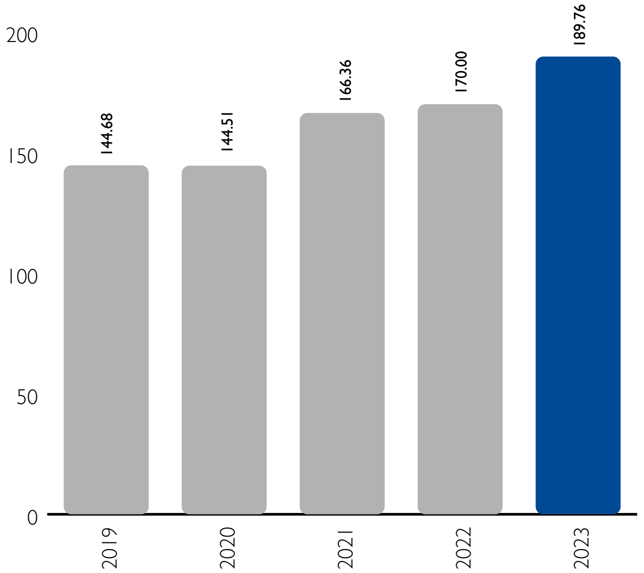
The funding level – which is a key indicator of the Fund's ability to meet its liabilities to members – came in at a very reassuring figure of 155%, a six-point improvement on the previous year's result.

Members should feel confident that the Fund's approach to asset allocation is yielding the returns required and simultaneously protecting your collective savings.

Assets under management

The growth in AuM averaged 11.62% across the financial year, with stronger accumulation in the second half of the year.

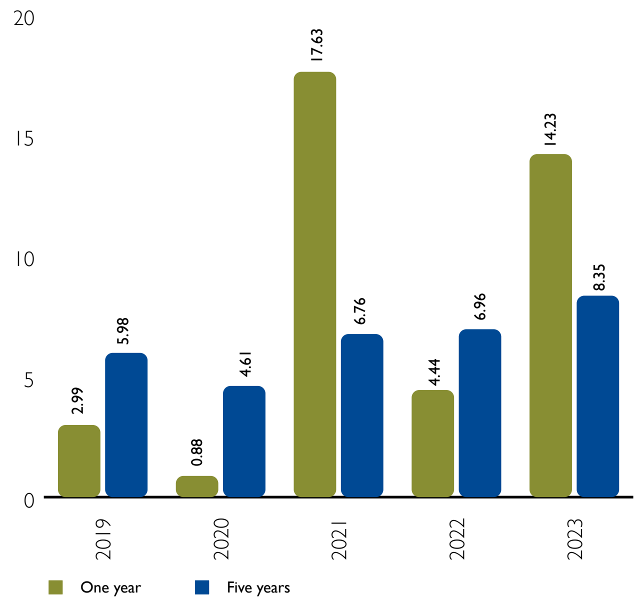
Five-year trend in assets under management at financial year end (Rbn)



Return on investments

The Fund's annual return for 2023 was substantially higher than the target of CPI and – with the exception of the unique COVID recovery year – the highest in five years. The five-year rolling return has improved steadily in the three years since the COVID crisis and in 2023 came in at 8.35%. Local and global equities and local property outperformed the target of CPI + 4.5% and contributed to this positive trend.

Five-year trend in investment returns over one year and five years (%)



Annual investment income of Fund

The annual investment income of the Fund is generated to underwrite the payment of pensions and other benefits. The 2023 reporting period saw a healthy year-on-year increase in investment income after the payment of investment management costs, rising from R6 801m (2022) to R23 180m (2023) which translates to an increase of 241%.

	2023 Rm	2022 Rm
Dividends	**4 662**	4 616
Interest and rentals	**2 258**	1 840
Profit on sale/redemption	**2 184**	6 887
Fair-value gains/(losses)	**14 970**	(5 771)
Total investment income	**24 074**	7 572
Less investment management costs	**(894)**	(771)
Net investment income	**23 180**	6 801

The costs of asset management continued to rise and amounted to R894m (2022: R771m). The increase was partly due to the growth in total AuM over the year and partly to an increased allocation to private markets which typically have higher management fees.

Performance against benchmarks

The Fund's primary investment objective is to achieve a one-year growth rate that exceeds CPI and over periods of three years and longer to earn a return of CPI + 4.5%.

As inflation was brought under control during the second half of reporting period, these targets became increasingly achievable.

- The Fund ended 2023 with year-on-year growth of 14.23% against an annual CPI rate of 5.37%.
- Our three-year rate of return rose to 11.93% and kept our nose ahead of the CPI + 4.5% figure for the period which was 10.38%.

We also measure our performance against a strategic benchmark which combines the returns of various asset classes in which we are invested, weighted in accordance with their share in our strategic asset allocation. Over one-year across all asset classes, the Fund outperformed the strategic benchmark by 0.28%, but over three years the Fund's return of 11.93% was marginally lower than the strategic benchmark of 12.39%

A full analysis of returns against strategic benchmarks appears in the Chief Investment Officer's Report on pages 72 to 87.

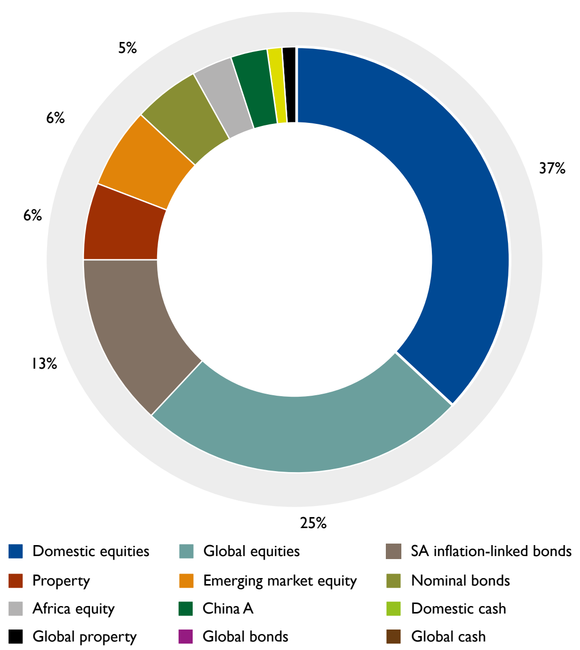
One-year returns for the Fund's three largest asset classes were as follows:

- Domestic equities, constituting 37.3% of our current asset allocation, achieved a one-year return of 13.32%, slightly below the asset class benchmark.
- Global equities and property, comprising 25.1% of our total portfolio, registered 27.5% growth, below the benchmark for this asset class.
- Domestic inflation-linked bonds, which accounted for 13.1% of all investments, recorded a loss of 2.31% but still outperformed the benchmark by 0.14%.

Strategic asset allocation

The allocation of assets to various investment classes is made in accordance with the Board-approved annual investment strategy. In 2023, domestic investments accounted for 64% of the total, while 36% was allocated to global, emerging and other African markets. The most notable shift in allocation was an increase in global equities from 19% in 2022 to 22% in 2023.

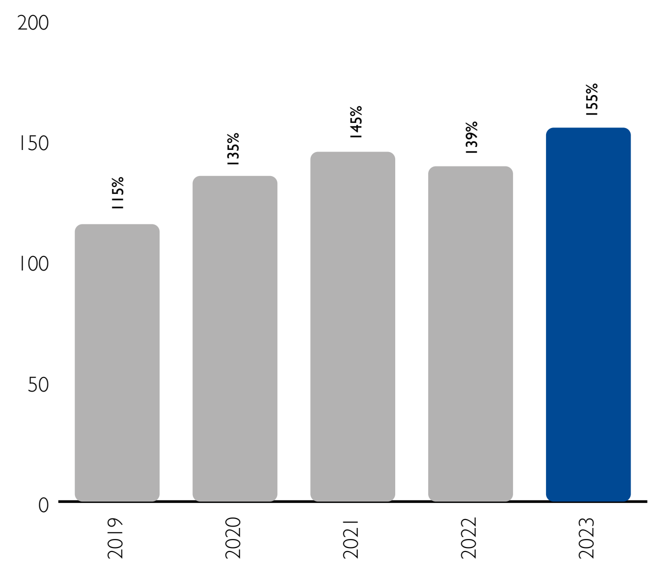
Strategic allocation of assets by weight (%)



Funding ratio

The funding ratio is considered to be the primary indicator of risk in the retirement fund industry. It indicates the extent to which a fund has sufficient funds to cover its liabilities to members as these become due. The Fund has maintained a healthy funding ratio over the years and 2023 once again saw a favourable figure of 155%.

Trend in funding ratio after provision for contingency reserves (%)



Safeguarding and growing your assets *continued*

Investing for transformation, sustainability and regeneration

The Fund's vision of investment as an instrument of social and economic change has evolved and expanded over the years. It began with a commitment to transforming the landscape of South African fund management by creating an incubation programme for black asset managers, particularly women.

The next step was direct investment in companies and funds that supported social and economic programmes to address the crippling inequities that persisted decades after the formal burial of apartheid. We then established systems to measure whether these investments were having positive socio-economic impacts – creating jobs, transforming workplaces and boardrooms, providing opportunities for women and young people, enabling small business, and creating greater equity in access to healthcare, quality education and affordable transport.

Finally, in the past year, the Fund has articulated a new sustainability approach that integrates environmental, social and governance (ESG) considerations into our decision-making processes. This thinking puts life at the centre of everything we do and emphasises meeting present needs without compromising future generations. The goal is to harmonise human needs with the natural world in an equitable manner.

The dire consequences of ignoring environmental challenges are all too evident around the world as floods, fires, heatwaves and droughts increase in frequency and severity. These devastating events have economic consequences and our fiduciary duty to protect our members' assets extends to addressing these risks. We believe it is time to move beyond sustainability to preserving and regenerating the environment.

Our sustainable investment approach has three major components: social justice, economic parity and environmental sustainability. Our incubation programme and existing impact investment portfolio will continue to play a significant role – and we report on progress in these areas on pages 36 to 39.

In addition, some significant initiatives occurred during the year:

- The Fund developed its ESG Framework (see box) which will guide the translation of our ESG principles into investment practice.
- We signed up to the United Nations-convened Net Zero Asset Owner Alliance (NZAOA), which commits us to transition our investment portfolio to net-zero greenhouse gas emissions by 2050 in a just and transparent way.
- We are partnering with the Asset Owners Forum South Africa – which was founded by the 12 largest domestic pension funds in mid-2022 – to create a listed infrastructure vehicle that would be a source of readily available capital for private and public infrastructure projects in South Africa. We believe that investment in infrastructure can revitalise the economy, address social inequalities and tackle environmental challenges. It has huge potential to help realise our ESG vision while achieving attractive returns for the Fund.

Our ESG framework

The ESG Framework sets out clear monitoring processes for sustainability investing that unfold in three phases.

Pre-investment monitoring involves detecting red flags, assessing the prospective investment's compliance with laws, regulations and standards, and doing background checks on entities and key individuals.

Execution monitoring involves the performance of due diligence which assesses risk and other governance factors.

Post-investment monitoring focuses on ongoing compliance with applicable laws and standards and with ESG requirements specified by the Fund – for example, empowerment targets, carbon emissions and governance practices.

The framework is being applied in a carefully managed manner to allow partners the opportunity to get on board.

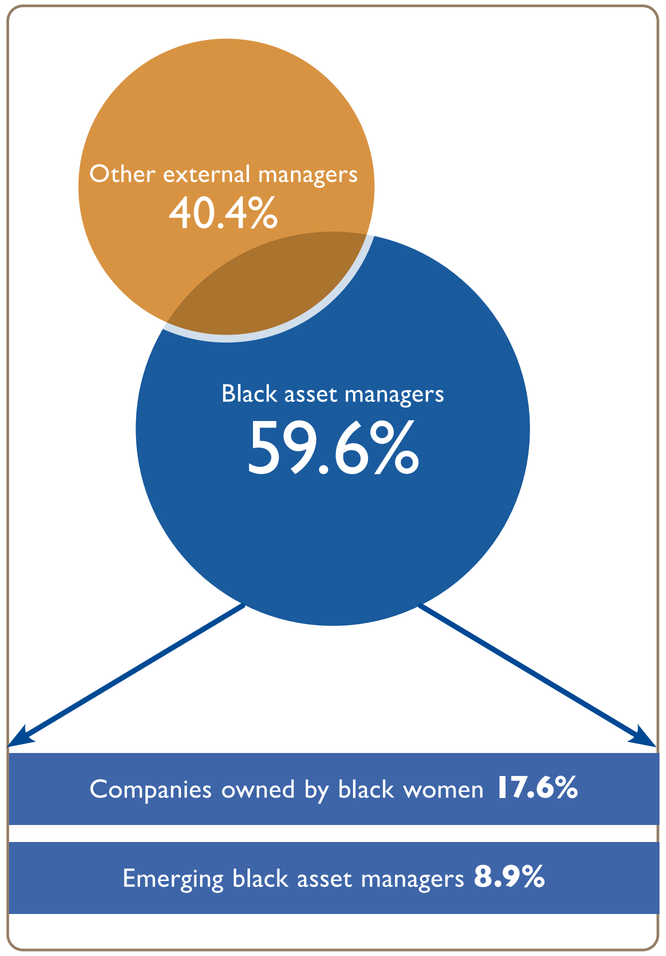
For details on the extent of our commitment to sustainable investment, social impact, and the fulfilment of this framework, download the 2023 Impact Report from www.eppf.co.za.

Transformation of the investment sector

The Fund has a long-established policy of promoting black economic empowerment by allocating domestic investment management mandates to black asset managers and currently 59.6% of our externally managed investment in the listed market is managed by black asset managers.

It has been 15 years since the launch of our incubator for emerging black asset managers, which focused initially on listed markets. Incubator "graduates" have successfully grown their client base and AuM, and only one, Lima Mbeu Investment Managers, remains within the incubator. Collectively emerging black asset managers are responsible for 10.5% of our domestic listed market mandates and companies owned by black women for 17.6%.

Listed market: allocation of externally managed domestic mandates



Transformation and private markets

The Fund's Private Markets Manager Development Programme was initiated three years ago. This aims to support the growth and sustainability of black-owned and -managed private markets fund managers. We allocated R2bn for investment through this programme and appointed Thuso Incubation Partners to manage it.

Ten private capital asset managers have been seeded and funds have been fully committed. Although these asset managers average smaller transaction sizes than their established counterparts, return profiles to date have been very promising. The initiative has increased our exposure to the lower mid-market segment of private equities, with its favourable pricing characteristics.

The next chapter in our incubator story will focus on developing expertise to manage global assets from South Africa. This will improve cost-effectiveness and ensure robust management of the Fund's assets through market cycles.

Private markets incubation participants

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

Driving development through sustainable investment

The sustainability policy adopted by the Fund in the current financial year seamlessly aligns with our investment vision. The Fund has embraced a three-dimensional investment approach, carefully balancing risk, return and societal impact. The sustainability approach contributes to the socio-economic transformation of our nation by investing in areas that address social injustice, economic disparity and the environment.

The strategy is grounded in the United Nations Sustainable Development Goals (SDGs) and South Africa's National Development Plan (NDP). It guides investment towards the following key areas:

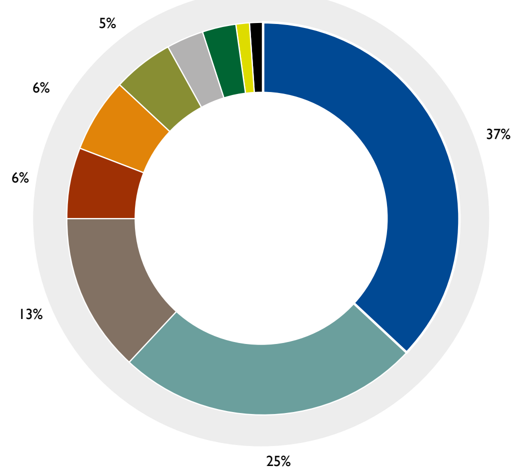
- Affordable housing.
- Quality education.
- Renewable and clean energy.
- Healthcare.
- Commercial infrastructure in townships and rural areas.
- Agriculture.
- Public transport.
- Water and sanitation.
- Information and communication infrastructure.

In 2023, the Fund once again commissioned an assessment of the socio-economic impact of these direct developmental investments and a broader evaluation of the overall impact of our investments on black economic empowerment, job creation, gender equality and economic growth. Entities that participated in the impact assessment comprised 11 companies in which the Fund is directly invested and 35 fund managers responsible for additional investments.

Active ownership

The Fund has an active ownership policy which guides its activities with companies in its portfolio on matters related to ESG and sustainable investing. The graphs on this page outline our proxy voting activities for the financial year ending 30 June 2023.

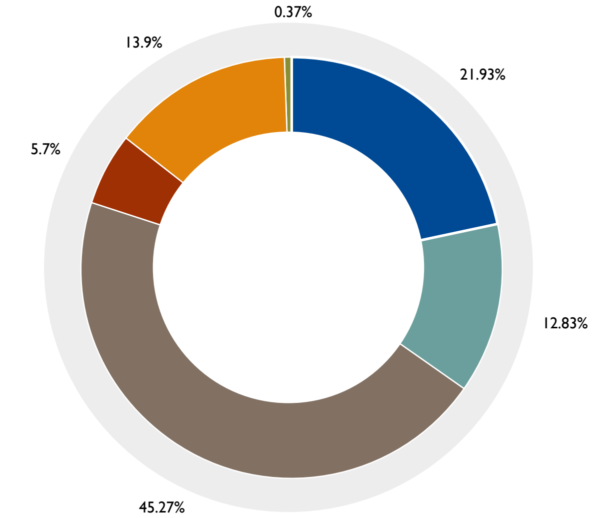
Record of voting on relevant company resolutions



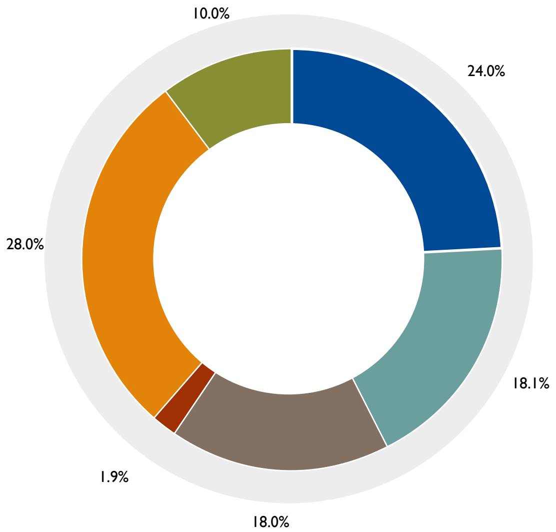
During the financial year, the Fund voted on a total of 3 853 resolutions and supported 66% of them.

The graphs below depict the themes of resolutions which the Fund considered and voted on.

Themes of all company resolutions the Fund considered



Themes of company resolutions that the Fund opposed



The Fund has proven that it is well-prepared to meet the challenges and opportunities presented by the macro-economic environment, the national programme of retirement reform, and the unbundling of Eskom. During 2023 we met all our investment objectives in full. Our strength lies in a robust investment strategy, prudent financial management, and diligent oversight, ensuring that benefits are sufficiently funded and hedged against future risks. As part of this, we have pro-actively taken on our role as responsible corporate citizens by developing a sustainability approach that balances current needs with the needs of future generations.

An overview of investment impact in 2022

INVESTED FOR ECONOMIC STIMULUS

R8.2bn
indirect economic stimulus

Figures below indicate how companies and funds in which EPPF has invested improved the lives of communities in 2022

Job creation

21 272 direct jobs created	**4.2m** indirect jobs	**47%** of jobs held by PDIs
40% of jobs held by women	**26%** of jobs held by youth	**R10.1bn** local procurement spend

Sector-specific impact

19 829 affordable housing units delivered **R3.9bn** loan book value	**22 983** learners supported (school enrolment, learning materials and accommodation) **1 504** educators employed	**1 012** megawatt installed energy capacity **3 million** megawatt hour of energy produced
34 975 patients accessed quality healthcare **2 652** medical staff employed	**R1.8bn** worth of loans to farmers **R636m** provided to previously disadvantaged farmers	**9 185** taxis acquired through SME funding **±1 million** commuters serviced each day

More than
1 million m²
lettable space provided for township retailers and large-scale logistics operators
This supported some 1 255 retail tenants and provided 10 653 local jobs

More than
R2bn
committed to previously disadvantaged asset managers

Legal and regulatory matters

> The striking feature of 2023 was the sheer volume of regulatory change that is in the pipeline. Some measures are due to come into effect early in 2024 while others are more remote and have only been published in concept, often for public comment.

Rule amendments

The following rule amendments were made during the year:

- Rule Amendment 2 clarifies that additional contributions by Eskom employees on their 13th cheques are optional and simplifies the calculation of a benefit payable on the death of a single pensioner without eligible children.
- Rule Amendment 3, which awaits the regulator's approval, will allow EPPF employees to make their performance bonus pensionable.

Eligibility confirmation

For several years, the Fund has worked to establish the eligibility for membership of many thousands of individuals who joined the Fund before 2017.

Review of the records of in-service members at Eskom Holdings has been completed and the Eskom Rotek Industries process is almost complete. Where there was no evidence of eligibility on record, the employer invited individuals to submit such evidence. Those who were found to be ineligible may participate in a court application for a declaratory order regularising their position. Alternatively, they may request the Fund to reverse their purported membership together with applicable contributions.

When this process is finalised, the eligibility of former Fund participants will be determined.

Brian Molefe litigation

Litigation continued through the financial year concerning the obligation of former Eskom CEO Brian Molefe to refund the R10m paid to him by the Fund and to bear related legal costs.

Mr Molefe was admitted to the EPPF as a member in September 2015, on information submitted by Eskom, and paid out about R10m by the Fund when he retired early. The High Court later ruled that Mr Molefe had been ineligible to receive a pension from the EPPF because he had been a temporary or fixed-term employee. The court directed him to refund the benefit paid to him. His subsequent appeals in the Supreme Court of Appeal and the Constitutional Court were unsuccessful.

The Fund then applied for a High Court order directing Mr Molefe to repay us. On 4 July 2022, the court confirmed this obligation and awarded legal costs against him. It also ruled that the Fund must repay Eskom with interest the R30m it received from the utility to fund Mr Molefe's early retirement. In September 2022, the Fund complied with this ruling to avoid accrual of further interest. But we withheld contributions received from Mr Molefe during his time at Eskom and interest accrued on the R30m.

In March 2023 Mr Molefe was given leave to appeal the July 2022 judgment before a full bench of the High Court. The Fund is opposing the appeal. The matter is likely to be heard in the second half of 2023.

Steinhoff settlement

The Fund was among many investors that suffered substantial losses when Steinhoff collapsed. We joined a class action brought in the Netherlands which resulted in Steinhoff submitting an offer of about €630m to claimants. This offer was certified in court in the Netherlands and the Western Cape, where the total approved amount was about R24bn.

In the closing days of the 2023 financial year, the Fund was paid R22 258 000 in settlement against our original claim of €1.3m.

Legislation on pension administration

Two-pot system

The two-pot retirement system will allow South Africans to access a portion of their retirement savings during their working life, while the greater portion will be retained for retirement. The system has been introduced to encourage long-term savings while recognising that in-service members may face financial emergencies and need to draw on some savings before retirement.

In June 2023, National Treasury published for public comment the revised Draft Revenue Laws Amendment Bill and Draft Revenue Administration and Pension Laws Amendment Bill. These proposed that retirement fund and retirement annuity members be permitted to access up to one-third of the savings they accumulate from the date that the two-pot system becomes effective. Government's intention is to introduce the system on 1 March 2025.

The Fund has been preparing the system changes required to administer the two-pot pension.

CoFI bill

Following stakeholder feedback, National Treasury has revised the CoFI Bill – the overarching regulatory framework on market conduct for financial institutions – and the latest version is expected to be tabled in Parliament before the end of 2023.

Legal and regulatory matters *continued*

The bill will:

- Protect customers and ensure they are treated fairly.
- Apply to all financial institutions, including retirement funds.
- Require licensing of funds to provided retirement benefits.
- Make trustees responsible for the ethical culture and governance of a fund.
- Deem that fund benefits must be appropriate for members and perform as members are led to expect.
- Protect members against barriers that unreasonably prevent them from claiming or transferring benefits or lodging a complaint.
- Require that funds and their trustees exercise the utmost good faith, care and diligence when dealing with fund assets.

The EPPF is progressing well in its CoFI readiness project. We have completed a gap assessment, implemented honesty and integrity declarations, prepared for the necessary training and begun to factor CoFI into our internal development activities. We are attending to activities that will kick-in after the bill is enacted – for example, transformation planning, updating our governance framework, amendment of rules, and reporting requirements.

The FSCA is rolling out a monitoring tool, Omni-CBR, and most financial institutions will be required to submit online quarterly statutory reports to allow the FSCA to assess the delivery of fair outcomes for customers.

Conduct standard for payment of pension fund contributions

In May 2020, the FSCA released a draft conduct standard for payment of pension fund contributions. The final conduct standard was published in August 2022 and is now in effect, replacing Regulation 33. Communication was sent to the participating employers to ensure compliance. Material non-compliance will be escalated to the Board as prescribed.

Regulatory changes related to investment

Regulation 28 amendments

The final amendments to Pension Funds Act Regulation 28 were published by National Treasury on 5 July 2022 and came into effect on 3 January 2023. They are designed to mitigate the risk posed by the concentration of retirement funds in a particular asset or asset class. They set an upper limit on the proportion of assets that may be invested offshore, in the rest of Africa, in infrastructure investments, and in private equity. In addition, retirement finds will be permitted to invest in approved hedge funds but are denied exposure to crypto-assets until further notice, as they are seen as very high risk. The Fund has adjusted its systems to enable it to comply with mandatory Regulation 28 reporting.

Investment conduct standards

A draft conduct standard setting out principles for funds' use of derivative instruments will come into effect on 11 May 2024. The principles include:

- Permissible uses of derivative instruments.
- A requirement that net derivative positions must be covered by appropriate reference assets.
- Valuation of derivative instruments.
- Determining allowable counterparties for derivative instruments.

Sustainability and environmental, social and governance responsibilities

The Code for Responsible Investing in South Africa (CRISA) was launched in 2011 to encourage institutional investors and service providers to integrate ESG considerations into investment decisions. CRISA 2, launched in September 2022, contains five voluntary principles for stewardship and responsible investment and affirms CRISA as a key component of South Africa's governance framework.

In August 2022, the Pension Funds Adjudicator published an advisory on climate-related risks, finalising indicators for piloting in 2023 to better understand and measure climate-related risks in the financial sector. The FSCA will publish a draft sustainable finance and investment roadmap in due course.

Regulatory changes related to governance

The February 2023 budget speech by the Minister of Finance noted that legislative amendments to improve governance of retirement funds, particularly commercial umbrella funds, would be published in 2023 and tabled in Parliament thereafter. An FSCA and Pension Funds Adjudicator joint standard for a corporate governance and culture framework for financial institutions is expected to be released for consultation during 2023.

Trustee education and training

The Pension Funds Act requires that trustees of funds must attain certification of completion of the FSCA training programme within six months of their appointment to the board. The FSCA has revamped its training toolkit and the first 11 new modules will be released at the end of 2023 with 11 more following in 2024. All our existing and new trustees will complete the revised modules.

More regulatory developments

Joint standards: Cyber and IT risks

In December 2021, the FSCA and Pension Funds Adjudicator issued a draft joint standard with sound proactive requirements for financial institutions on cybersecurity and cyber-resilience. In December 2022, an updated draft standard was issued for insurers, retirement funds, fund administrators, collective investment scheme managers and financial services providers. Financial institutions must have

processes, tools and technology to respond to and recover from cyberattacks. The Fund has taken measures to ensure compliance. For more info, go to page 46.

Taxation Laws Amendment Act 20 of 2021

The Act came into force on 19 January 2022, effecting amendments to the laws governing tax. Those relevant for the retirement industry deal with:

- The acquisition of more than one annuity on retirement.
- Transfers between retirement funds for members 55 years and older.
- Pensioners with two or more sources of employment income.
- Tax on retirement fund interest when an individual ceases to be a tax resident.

Pension fund financial statements

Changes are being introduced in annual financial statement reporting to align these with other regulatory changes, replace outdated requirements and formats, improve alignment with International Financial Reporting Standards, International Accounting Standards and local auditing requirements, and achieve reporting consistency across pension funds.

Employment Equity Amendment Act 4 of 2022

This Act has been signed into law, amending the Employment Equity Act of 1998 with new measures to promote diversity and equality in the workplace. The effective date is yet to be proclaimed by the President.

Complaints and query management

The Pension Funds Act empowers members of retirement funds to lodge complaints with the Pension Funds Adjudicator should they not receive satisfaction from their funds.

As seen in the table below, 53 new complaints about the Fund were lodged with the adjudicator and 36 of these were resolved in the year. We also responded to a further 53 queries from the FSCA on unclaimed benefits. The table provides additional details on queries and complaints we received directly from members.

Enquiries and complaints received and resolved

Nature of complaint/enquiry	Received	Resolved	Pending
Pension Funds Adjudicator	53	**36**	17
Financial Sector Conduct Authority	53	**53**	–
Divorce	536	**536**	–
Maintenance	41	**40**	1
Promotion of Access to Information Act	10	**8**	2
Life partnerships	64	**60**	3
Death	47	**45**	2
General	571	**571**	–
Litigation	30	**28**	2
New members: contract review to confirm eligibility	1 361	**1 361**	–

Managing risk

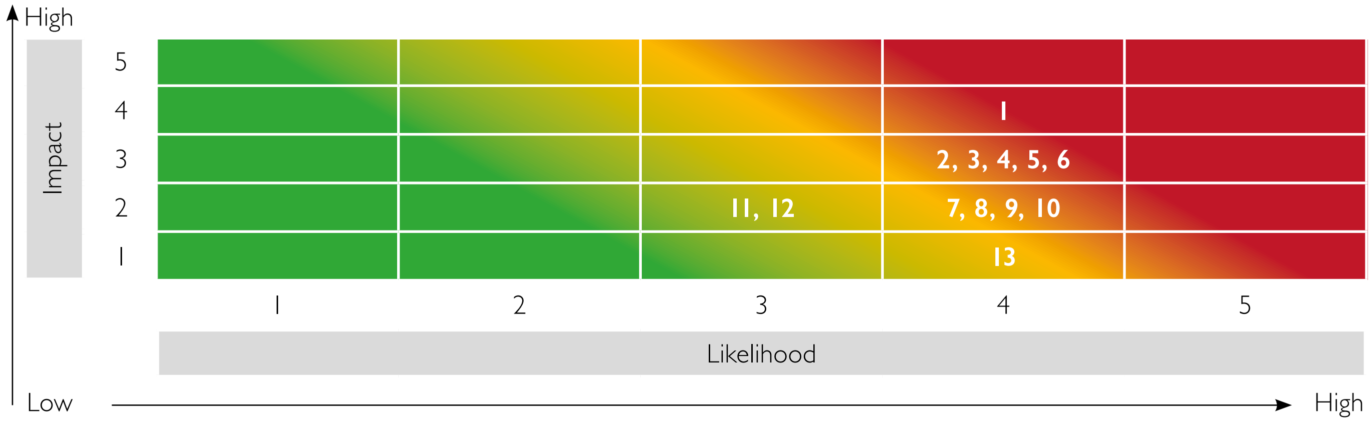
The EPPF adopts an enterprise-wide risk management (ERM) approach which considers the impact of risks across the Fund as an interconnected and integrated risk portfolio.

The Fund ranks potential risks by assessing how likely they are to occur and how severely the Fund's operation would be impacted if the adverse event were to materialise. In 2023, our top five risks were:

- Business disruption caused by an inadequate business resilience strategy.
- Cyberattacks and information security breaches.
- Failure to achieve real investment returns.
- Failure to honour benefit obligations.
- Non-compliance with regulations and core regulatory requirements.

An overview of the top strategic risks for the Fund is provided in the figure on page 18.

Heat map of major risks for the Fund



Description		Category
1.	Business disruptions caused by inadequate business resilience strategy	Operational
2.	Cyberattacks and information security breaches	Operational
3.	Failure to achieve real investment returns of 4.5% over three-year period	Financial
4.	Inability to honour benefit obligations to members as defined in the Rules	Financial
5.	Non-compliance with regulations and core regulatory requirements	Compliance
6.	Failure to attract and retain appropriate and adequate human resource skills	Operational
7.	Failure to implement our information technology strategy	Operational
8.	Negative impact of Eskom unbundling	Business
9.	Ineffective stakeholder management	Business
10.	Failure to detect and prevent member and organisational fraud	Operational
11.	Failure to achieve operational and cost efficiencies	Financial
12.	Failure to maintain data integrity and information management	Operational
13.	Failure of assets to match liabilities, that is, being under-funded	Financial

Business resilience risk

Amid growing concerns about a possible total failure of the energy grid, the Fund revised its business resilience strategy to take account of this risk.

A total grid failure could result in a widespread and prolonged power outage across the country. Challenges would include disruption of essential services and major communication breakdowns affecting landlines, mobile networks, and internet services. This would hinder communication between the Fund and various stakeholders, making it challenging to disseminate information and render basic services, such as banking transactions, member withdrawal claims, and customer services.

If the grid failure persisted for an extended period, it could have long-term effects on South Africa's infrastructure, economy, and public confidence. It could cause civil unrest and lead to a loss of investor trust. Clearly, a total grid failure would require major intervention at a country and government level. However, given the impact such a collapse would have on the Fund's operation and strategy, we enhanced our business resilience strategy to mitigate impacts and ensure continuity of services as far as possible. In doing so we considered other impacts, such as political instability, sporadic protests, and cyberevents. Business resilience measures, such as alternative power solutions, will be implemented and periodic crisis simulation exercises conducted.

Cyberattacks and information breaches

With cyberattacks increasing globally, cybersecurity and the protection of information are a priority and the Fund is dedicating resources to preventing and responding to such events. Activities range from ongoing disaster recovery testing, enhancement of the cybersecurity programme, cybersecurity monitoring and staff awareness.

For more detail see page 46.

Risk of below-target investment returns

The current economic environment is characterised by high inflation and unfavourable market conditions. The Fund has created robust investment controls, including overlay strategies, diversification of assets, and a risk budgeting approach, and invested in the resources and capacity needed to execute its investment policy and asset allocation strategy.

Compliance risk

Ongoing regulatory developments have increased the burden of compliance for retirement funds and added complexity. The importance of being adequately prepared for the implementation of the CoFI Bill, the two-pot system and Regulation 28 amendments cannot be overstated. The Fund has focused particularly on market conduct, market conduct supervision, responding to members' needs, and retirement reform. This calls for improved member engagement and education and implementation of TCF principles. The Fund's TCF policy has been approved and monitoring of compliance with regulations is being strengthened.

Cost and operational risk

The risk of operational cost inefficiencies will be addressed in various ways. The return on major IT investments will be assessed. Investment management costs will continue to be addressed by leveraging in-house skills wherever appropriate.

Impact of Eskom's unbundling

Although Eskom's unbundling was not among the topmost risks, the Fund regards it as an emerging risk that will grow in significance. Despite government's support for Eskom through debt relief and loans, the Fund considers it imperative to plan for the future participation of multiple employers and the introduction of a defined contribution option. A project on the defined contribution option is already in process and an analysis has been conducted of the probable impact of a defined contribution money purchase component on the Fund's financial position.

Technology systems and services

The Fund continued its journey to transform its IT infrastructure, systems and processes to support the strategic goal of building platforms to serve members better. Our objectives are operational reliability, service excellence and digital enablement of members, staff and business partners.

In 2021 the IT project laid a foundation of stability and resilience. It set up project management and architecture offices, recruited skilled staff and drafted a new IT operating model.

In the reporting year, we continued to optimise and streamline systems, processes and infrastructure to realise operational efficiencies for enhanced member experience.

We completed the migration of systems and services to the cloud, which reduced complexity, improved cost control and facilitated agility. By integrating our systems and applications into our data warehouse, we gained access to advanced analytics to support operational decisions.

We accelerated cybersecurity measures and risk management, addressing these priorities under the theme, 'Secure, transform and protect'.

We prioritised completion of outstanding tasks from the previous year and ended the year with 90% of intended activities completed. The remaining 10% related to ongoing initiatives such as cost optimisation.

Cybersecurity and business resilience

Cybersecurity is at the heart of everything we do and requires a proactive approach. There is increasing public awareness of and concern about cyber-risks and this extends to our members and staff.

The roll-out of our cybersecurity programme included:

- Driving awareness of cybersecurity among our staff and providing training for them.
- Implementing crisis simulations for enhanced staff preparedness.
- Increasing our monitoring, detection, and response capabilities.
- Continuous security assessments and remediation in line with best practice.

We tested our systems to provide auditable proof of recovery capabilities and ensured that the right documentation was in place to meet the prescribed recovery time and recovery point objectives.

Promoting digital service to members

The Fund continues to persuade and enable members to take a 'digital first' approach to our services. We have seen improved member utilisation of digital service channels which provide real-time information on their pension savings. By integrating these channels into our data warehouse, we have access to data analysis that helps us understand our members better and anticipate milestones in their lives.

A testing capability has been embedded to ensure that we deliver high-quality products and services to our members.

Supporting pension reform

As indicated earlier in this report, various changes to pension fund administration are in the pipeline, driven both by new legislation and by the Fund's planning for long-term sustainability. These changes must be fully supported by modifications to the pension administration system.

The necessary IT preparation for the implementation of the two-pot pension system in March 2025 is underway.

The Fund's project to test a fixed contribution option requires specific IT support and relevant staff have been fully involved in this project.

Future priorities

During 2024, our IT programme will undertake a network refresh to cater for existing and future needs. This will include implementation of audit recommendations on additional security. Cloud optimisation will be initiated to enhance the benefits of a successful migration of services and systems to the cloud.

The defined contribution system capability will be implemented to support the Fund's strategic decision to prepare for servicing multiple employers.

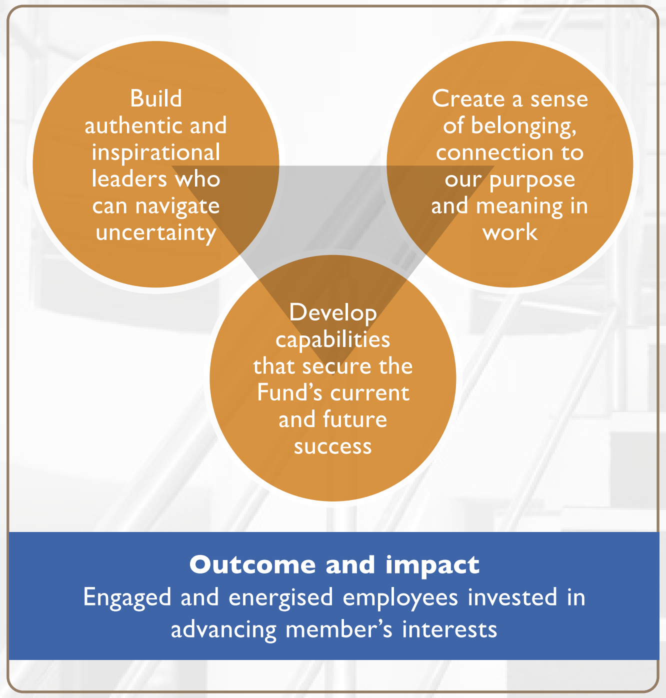
We have partnered with international companies to commence the adoption of multi-experience digital platforms which would assist the Fund to:

- Eliminate traditional software development practices and reduce time-to-market for member products and services.
- Automate and digitise business processes for faster and more economical business processing.
- Build and embed consistent user experiences across various digital channels and products.

Our human capital

The EPPF acknowledges that talent must be nurtured in order to harness the unique skills and strengths of its employees and sustain a productive, innovative organisation that satisfies the needs of our members. Our approach to awakening talent involves deepening knowledge and building skills, developing an organisational culture that sustains high performance, and leveraging leadership to inspire our team.

Capability, purpose and authentic leadership

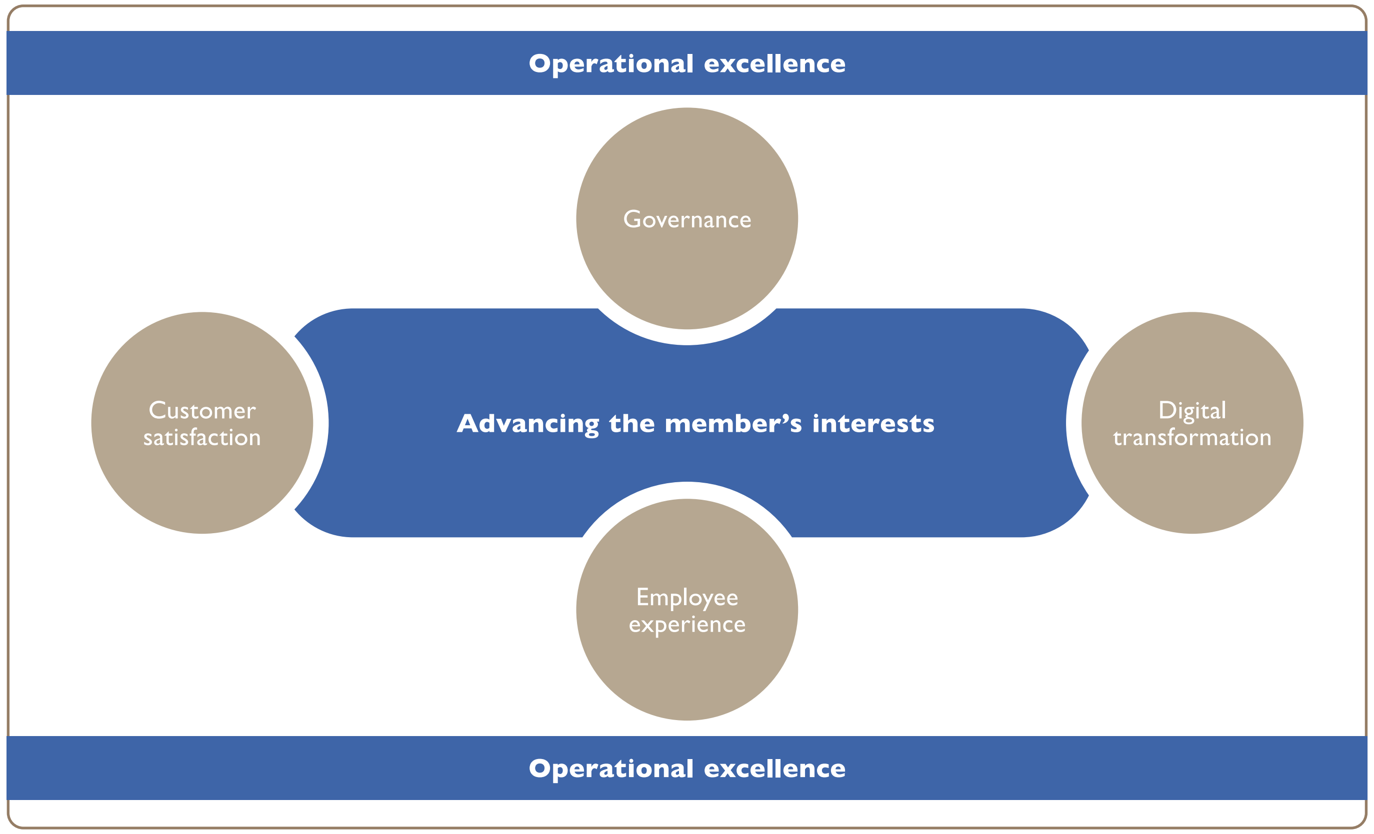


The Fund has adopted universal commitments designed to foster a high-performance culture. These are set out in the figure on page 48.

Every individual working for us is expected to practise and honour these commitments, which are the foundation of a cohesive culture capable of sustaining a member-centred organisation.

Our human capital *continued*

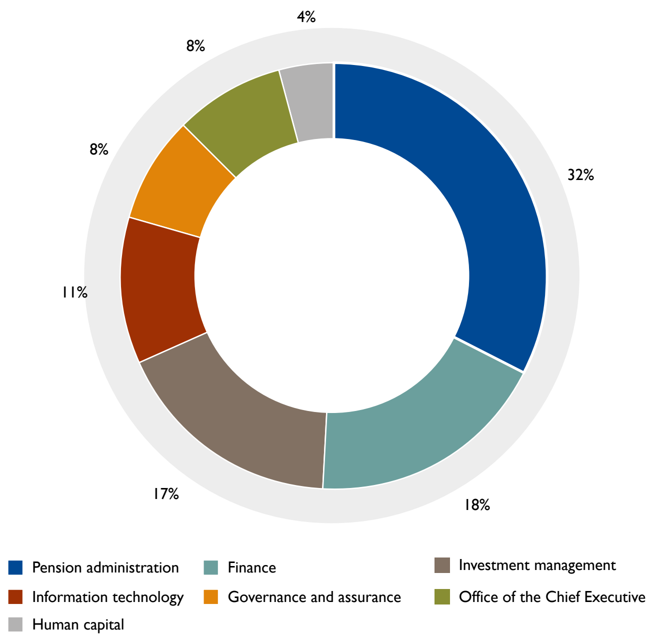
The Fund's universal commitments 2023



The team

The Fund ended the year with a staff complement of 158, comprising 123 permanent employees (2022: 120) and 35 contractors. The last category included three South African Institute of Chartered Accountants (SAICA) trainees, 19 interns in a variety of occupations, and four undergraduates in learnerships.

Distribution of staff by department June 2023



The Fund proactively builds workforce diversity and inclusivity in accordance with employment equity guidelines. Our aim is to eradicate unjust discrimination and ensure equitable representation of employees from designated groups to meet the targets of our employment equity plan.

Characteristics of workforce

	Percent of workforce (%)
Women	65
Men	35
People living with disabilities	1.26
Foreign nationals	0.63

Development of talent

Our focus areas during 2023 were:

- Capability building.
- Strategic talent management.
- The employee experience.

Organisational capabilities are the invaluable, intangible assets that enable an organisation to do its work, execute its business strategy and exceed customer expectations. The EPPF constantly enhances and fortifies its capability through diverse initiatives aligned with its learning plan.

In 2023, we continued our Purposeful Leadership programme to develop leaders whose style is more reflective and adaptive. The programme covered the following themes:

- Readiness to lead in a world of chaos and change.
- Creating insight and understanding through clarity of communication.
- Conversational intelligence – using conversations to connect, navigate and grow with others.
- Managing employee performance effectively.

Without proper leadership, even the best and boldest strategies die on the vine, their potential never realised. Through our 360° leadership index, leaders receive clear feedback from peers, employees and managers. This builds the capabilities needed now and in future and informs the coaching agenda for the leadership team.

Skills audit

Following a strategic planning session, the Fund conducted a skills audit to gain clarity on the skills the organisation holds and those it lacks. Identified shortfalls will be addressed by developing the required capabilities, encouraging cross-departmental collaboration, and building a learning culture.

Training programmes

We maintained the following initiatives:

- My EPPF – essential and mandatory learning modules available to all employees through our digital learning platform, Elevate. These deepen understanding of risk and governance disciplines. Module selection was carefully considered and structured to encourage employees to take ownership of their learning to safeguard the long-term resilience of the Fund. We also included:
  - Project management to enable employees to manage projects, meet objectives and deliver results despite time, budget and resource constraints.
  - Change management to minimise resistance, engage stakeholders and facilitate smooth transitions during organisational change.
  - Cybersecurity to enhance knowledge of mitigating risks, securing digital assets and ensuring the confidentiality, integrity and availability of information.
- Leaders of tomorrow – annual training programmes to equip undergraduates and graduates with valuable professional skills and practical work experience. This initiative aligns with the nation's mission to develop and empower our youth, enabling them to contribute actively to the economy. The work readiness programme:
  - Facilitates social inclusion of historically disadvantaged groups.
  - Allows trainees to learn and grow while participating in the workforce.
  - Offers comprehensive mentoring and workplace readiness support to ensure trainees are well prepared for future careers.

During the year under review, 26 leaders of tomorrow benefitted. The Fund offered employment opportunities to some participating graduates where opportunities existed.

Strategic talent management

The Fund has a robust talent management strategy to attract highly skilled professionals, foster employee development and retain talent. In 2023, we continued to hold talent review forums, focusing on succession planning for executive and crucial roles.

Through the forums, we identified people-related risks and instituted measures to bolster readiness of potential successors for critical roles. We also identified high-potential individuals and, as part of readying them for future roles, ensured their participation in strategic initiatives such as the defined contribution project.

The Fund scours the market for talent and builds connections with the external talent pool, including high-performing EPPF alumni.

Capturing the employee experience

The Fund has drawn on the experiences and insights of our staff to produce a compelling employee value proposition. This defines the essence of the Fund, reflects our distinctive culture, and positions us as an employer of choice. We sought to understand what drew individuals to the Fund and what kept them motivated and proud of their work. These were the qualities they most valued in the Fund:

- Diversity and inclusion.
- The opportunity to evolve and grow.
- Flexibility and concern for well-being.
- Intentional leadership.
- The opportunity to perform purpose-led work.

Embedding culture

In our continued efforts to promote a high-performance culture, we have embedded a digital reward and recognition programme, All Day Aces, which acknowledges and celebrates the efforts and achievements of employees, reinforcing a positive work environment and fostering a sense of appreciation and belonging. Management participation and peer-to-peer recognition have contributed to the success of this programme.

Employee engagement is critical in fostering a positive work environment, driving productivity and promoting job satisfaction. About 82% of staff participated in our second engagement survey. The overall satisfaction score increased from 65% in 2021 to 68% in 2023, suggesting that the people management initiatives are yielding positive results.

Diversity and inclusion were addressed through initiatives on gender neutrality, empowerment of women and unconscious bias. Gender-neutral policies were implemented to ensure all employees enjoyed equal opportunities, fair treatment and unbiased decision-making. Our women-positive practices support and uplift women, fostering their growth, development and leadership potential. By removing potential barriers and levelling the workplace, we strive for an environment that values the contributions of every individual. We aim to:

- Increase women's representation in leadership roles and decision-making positions.
- Provide equal access to development opportunities and career advancement for all employees.
- Cultivate a culture of respect, inclusivity and support for women in the workplace.

Wellness

The Fund introduced a temporary incapacity benefit designed to provide financial protection and support to employees who experience temporary incapacity and safeguard them against economic hardship. We recognise that unforeseen circumstances can arise and impact an employee's ability to work and earn a regular income. By providing a safety net through the temporary incapacity benefit, the Fund gives affected employees financial peace of mind during their recovery period, allowing them to focus on their health and well-being.

Mental well-being remains paramount and we routinely analyse employment assistance programme data. These indicate that we are aligned with industry benchmarks for many aspects of mental health.

Total Rewards

Our Total Rewards approach is designed to recruit, retain and motivate high-calibre individuals with integrity, intellect and innovative thought who will subscribe to and champion the organisation's culture, values and philosophies.

The Total Rewards philosophy:

- Reflects our core values.
- Provides clear guiding principles on how remuneration and rewards have been formulated to attract and retain talent.
- Underpins a positive organisational culture that unlocks existing talent and incoming talent potential.
- Addresses strategic issues, including the long-term sustainability of the organisation.
- Keeps pace with changes in remuneration and rewards landscape.

The EPPF benchmarks compensation to ensure it remains competitive and internally equitable. Our remuneration frameworks are enhanced regularly to ensure they remain fit for purpose, and all Total Rewards related policies are revised and approved by the Human Resources and Remuneration Committee (HRRC).

Remuneration mechanisms include:

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

Cost-to-company package

The remuneration framework is structured on a cost-to-company basis, and comprises:

- A basic guaranteed monthly salary.
- Benefits and allowances.
- Variable pay, based on Fund and individual performance.

Cost-to-company remuneration is subject to applicable statutory deductions and benefit schemes in accordance with national labour law.

Annual cash incentives

The Fund offers an annual cash incentive to all permanent employees and selected employees on fixed-term contracts. Its purpose is to:

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

The annual cash incentive is differentiated by employee and awarded on the basis of individual performance, operational performance, annual Fund returns, and affordability.

Long-term incentives

The long-term value incentive plan is a deferred cash bonus, where the value of the cash bonus is tied to the units of value in the Fund. Long-term incentives are designed to attract, retain, motivate, and reward executives, investment professionals, and employees with scarce and critical skills who can influence the Fund's long-term performance and align their interests with EPPF's stakeholders.

04

GOVERNANCE

Overview of governance

Governance of the Fund is guided primarily by the Pension Funds Act, Circular PF130, the Fund's rules and governance framework, the King IV Report on Corporate Governance for South Africa and ISO 37000:2021 Governance of organisations – Guidance.

Our principles, practices and processes are geared to achieve the outcomes set out in King IV, including an ethical culture, good performance, effective control and legitimacy. We are aligning with the ISO 37000 principles and key aspects of practice to ensure that out governance activities meet international expectations. These are all ingredients that generate confidence among our members, beneficiaries and other stakeholders.

Governance is entrusted primarily to the Board which directs, controls and oversees operations according to laws and the rules of the Fund. The Board owes a fiduciary duty to members and beneficiaries and to the Fund itself. It manages all Fund and member-related matters with due care, diligence, good faith, impartiality and independence. It also strives to avoid conflicts of interest and manages unavoidable conflicts effectively.

To create value, the Board makes major policy decisions and approves strategy. It delegates responsibilities to its committees and the Chief Executive/Principal Officer and constantly reviews the performance of all delegated responsibilities through effective reporting and disclosure. This ensures accountability, stakeholder confidence and, ultimately, stakeholder value.

Board duties in terms of the Pension Funds Act and Board Charter include:

- Acting with due care, diligence, good faith and impartiality in discharging its obligations.
- Ensuring compliance with laws and regulations.
- Serving as the focal point for and custodian of corporate governance.
- Acting in the best interests of members and the Fund.
- Ensuring that proper registers, books and records are kept of Fund operations, including proper minutes of all resolutions passed by the Board.
- Ensuring that adequate and appropriate information on their rights is communicated to members, pensioners and beneficiaries.
- Approving major policy and strategy.
- Approving financial statements, valuation reports and investment policy statements.

The Board is satisfied that it fulfilled its responsibilities in accordance with legislation and the Board Charter for the reporting period. It believes that its delegation of authority contributes to role clarity and effective exercise of authority.

Appointment and composition of the Board

The Board comprises 14 non-executive members appointed in terms of the rules.

- Seven are appointed by Eskom. Until a recent rule amendment, Eskom's representatives included a non-executive chairman and six other members, one of whom was deemed by Eskom to be an expert. Currently the Rules provide for Eskom appointees to include at least two independent experts and for Board members to elect one of these as chair.
- The other seven are elected by three constituencies, namely pensioners, bargaining unit members, and non-bargaining unit members. Members provide the skills, knowledge and experience required to oversee the Fund.

Conduct and conflicts of interest

The Board strives to lead ethically and effectively, and has adopted policies to foster ethical conduct within its ranks and embed an ethical culture in the organisation. It has a code of conduct for its members and members of its committees. This covers treatment of gifts and gratuities, conflicts of interest, personal transactions, prevention of fraud and corruption, confidentiality of information, fitness and propriety of Board members, and induction and training of Board members. The code is reviewed every three years or more frequently if need be.

Every effort is made to prevent conflicts of interest from undermining the Fund's governance protocols and denting stakeholder confidence. Relevant guidance includes the Rules, the Board and committee members' code of conduct, and the governance framework. Fund rule 3.9.14 requires any Board member with a direct or indirect personal or financial interest in a decision to be taken by the Board to disclose the interest before the matter is dealt with, to recuse himself/herself from deliberations and refrain from voting on the matter, except where the matter is a structural conflict of interest. In that case, the provisions of Circular PF130 apply and the Board member may vote on the matter provided he or she acts in a demonstrably independent way that withstands reasonable independent scrutiny.

The code prescribes standards of conduct and provides a framework for addressing conflicts of interest. Clause 5.7 forbids Board members from having any direct or material financial interests in service providers to the Fund, including administrators, expert advisers, actuaries, fund managers and consultants. Board members must annually declare their business interests in writing in the Fund's interests register. The governance framework reiterates these requirements.

Board member education

The Board must have the skills, experience and knowledge necessary to exercise strategic oversight effectively. Essential competencies include governance, finance, accounting, auditing, actuarial or legal practice, investment and administration.

The depth and relevance of knowledge of current Board members is evident from the details outlined in this report, and the Board as a whole is well able to oversee the Fund. During the year under review, to supplement these skills and competencies, the Nominations Committee approved a Board training and development plan. Members received training and information on actuarial valuation, modern responsibilities of remuneration committees, responsibilities of social and ethics committees, the two-pot system, and the geopolitics of the Russia-Ukraine conflict and its implications for markets. They also attended the conferences of the Pension Lawyers Association and Batseta Council of Retirement Funds for South Africa.

Member compensation

Fund rule 3.14 states that Board members shall receive reasonable remuneration and allowances. Member compensation is governed by the trustee remuneration policy, which stipulates that remuneration must be aligned with market benchmarks, scope of work and number of meetings attended. The Fund conducts remuneration benchmarking every three years, the most recent being in 2022.

Details of expenditure on the Board and remuneration of Board members appear in the report of the Chief Financial Officer (page 69).

The full annual financial statements can be found on www.eppf.co.za

Board evaluation

During the period under review, the Board and its committees underwent an internally facilitated self-assessment against the evaluation requirements of Circular PF130. The Board scored 3.98 out of 5, which is satisfactory but could be better. The committees' average score of 3.95 out of 5 was similar to the Board's. Recommendations were made to enhance effectiveness and a plan has been adopted to implement these.

The Board evaluation focused on the following governance areas:

- Skills
- Duties, roles, delegations and agenda setting
- Size, composition and independence
- Succession planning
- Member orientation, training and development
- Culture and teamwork
- Meetings
- Remuneration
- Management performance evaluation by the Board
- Constituencies and stakeholder expectations
- Committees
- Board role-players

The evaluation of committees focused on:

- Size, composition and independence
- Orientation, training and development
- Planning and performance
- Independence
- Meetings
- Teamwork

The Board is satisfied that the evaluation process has contributed to its performance and effectiveness. The next evaluation will be conducted in 2024.

Board turnover

Mabatho Seeiso, an independent employer-appointed Board member who was also Chairperson of the Strategic Investment Committee, resigned from the Board with effect from 31 October 2022. Eskom appointed Nazley Sallie to fill this vacancy as from 16 August 2023. Lufuno Ratsiku, a member appointed Board of Fund member, resigned on 31 October 2023.

Offices and structures

Chairman

Caroline Henry is the independent non-executive Chairman of the Board of the Fund. A chartered accountant with more than 25 years' experience in financial services, she has extensive directorship exposure in retirement funds and the healthcare, trusts, leisure and gaming sectors. The Chairman is considered to be independent.

The Fund has not appointed a lead independent Board member since this is not required by the Rules.

Chief Executive/Principal Officer

Shafeeq Abrahams was appointed Chief Executive and Principal Officer of the Fund on 1 April 2021. He is accountable to the Board and develops and implements the Fund's strategy, policy and operational planning. He leads the executive management team and serves as the primary link between the Board and management. As Principal Officer, he is also responsible for ensuring execution of Board decisions, regulatory compliance, regulatory body liaison, participation in Board meetings and any other functions imposed by law. The terms and conditions of the employment contract between Mr Abrahams and the Fund permit either party to terminate the relationship subject to three calendar months' written notice. There are no notable contractual conditions for such termination.

In light of the central role of the Chief Executive, the Board and the Nominations Committee, are reviewing and, if necessary, adjusting the succession plan for the role to ensure continuity into the future.

Company Secretary

In line with King IV recommendations, the Company Secretary provides the Board and committees with professional corporate governance services, including advice and guidance on their duties and responsibilities, compliance with governance principles and adherence to laws and regulations.

Lebogang Mogashoa was appointed to the role on 1 October 2021. The Board is satisfied that this function is effective.

The annual Board evaluation also includes an assessment of the Company Secretary's performance of governance responsibilities. The Chief Executive assesses his other responsibilities. The assessment confirmed that the Company Secretary effectively discharged his responsibilities in the reporting period.

Committees

The Board recognises the value of committees in enhancing efficiency, independence and the comprehensive application of good judgment in discharging governance responsibilities for the benefit of stakeholders. Responsibilities are delegated to committees with clear terms of reference. Deliberations and recommendations of committees do not diminish the fiduciary responsibilities of Board members, who are bound to exercise due care and judgment in line with their legal obligations.

During the period under review, certain changes to committees were made in accordance with governance best practice. With effect from 1 July 2022, the Board established the Nominations Committee to increase its focus on matters relating to the Board effectiveness, such as skills development, diversity, succession planning and performance evaluation.

The Benefits Committee was renamed the Membership and Benefits Committee to reflect its expanded focus on membership and employer participation. The Communications Committee became the Social, Ethics and Communications Committee to reflect the expansion of its mandate to include social and ethical matters. The committees are now:

- Audit and Risk Committee.
- Human Resources and Remuneration Committee.
- Legal and Governance Committee.
- Membership and Benefits Committee.
- Nominations Committee.
- Social, Ethics and Communications Committee.
- Strategic Investment Committee.

The terms of reference of all committees were reviewed and approved during the reporting period.

Each committee is chaired by a Board member. The Audit and Risk Committee, Strategic Investment Committee, and Human Resources and Remuneration Committee include independent experts to provide specialised knowledge on pertinent matters.

Audit and Risk Committee

Composition	Responsibilities	2023 focuses	Future focuses
Five members: Four Board members (including the Chairperson) and one independent expert **Number of meetings** **Six** – August, September (special) October (two), February and May **Members** Izak du Plessis (Chairperson) (6/6) Liza Brown (4/6) Natasha Salis (6/6) Sincedile Shweni (6/6) Carolynn Chalmers* (independent expert) (5/6)	• Safeguarding Fund assets • Monitoring operation of systems and controls • Reviewing financial information • Reviewing internal audit functions • Preparing annual financial statements • Reviewing independence, objectivity and effectiveness of external and internal auditors • Reviewing concerns identified by external and internal audit • Governance and strategic direction of the Fund's IT function • Review of Fund actuarial valuation information and reports	• Approval of audited financial statements • Approval of integrated annual report • Consideration of and recommendations on pension increase policy reforms • Formulation and review of Fund strategy, and review and recommendation of budget to support execution • Provided continued oversight on financial performance, risk management and IT governance	• Sustainability reporting framework for the Fund • Increased focus on strategic risks in the strategic risk register in view of changing landscape and emerging risks • Oversight of strategy delivery • Defined contribution product design • Evaluation of the independence of external auditors • Evaluation of the Fund's Chief Financial Officer and the finance function • Formulation and review of governance policies

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

** Appointed 1 September 2022*

The committee is satisfied that it fulfilled its mandated obligations.

Human Resources and Remuneration Committee

Composition	Responsibilities	2023 focuses	Future focuses
Five members: Three Board members (including Chairperson) and two independent experts **Number of meetings** **Five** – August, October (two), February and May **Members** Lufuno Ratsiku (Chairperson) (4/5) Hasha Tlhotlhalemaje (4/5) Peter Mashatola (5/5) Kokodi Morobe (independent expert)* (5/5) Kelebogile Mazwai (independent expert)** (5/5)	• Approving human resources policies and strategies • Monitoring compliance with HR statutory requirements and corporate best 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 corporate best practice	• Executive succession planning • Board remuneration benchmarking • Executive succession planning	• Independent expert remuneration policy development • Changing human capital needs necessitated by the Fund's new strategy • Formulation and review of governance policies

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

** Term ended 31 May 2023*
*** Appointed 1 August 2022*

The committee is satisfied that it fulfilled its mandated obligations.

Offices and structures *continued*

Legal and Governance Committee			
Composition Five Board members, including Chairperson **Number of meetings** **Five** – October, November February, May and June (special) **Members** Liza Brown (Chairperson) (5/5) Ben Steyn (5/5) Deon Jenkins (1/5) Hasha Tlhotlhalemaje (5/5) Helen Diatile (1/5)	**Responsibilities** Overseeing legal and governance affairs of the Fund in accordance with Fund rules and statutory requirements	**2023 focuses** • Various iterations of rule amendments • Two-pot system regulatory developments and implications • Oversight of membership eligibility assurance exercise • Oversight of Fund litigation, including the Molefe litigation • Monitoring and reporting on appropriate regulatory developments	**Future focuses** • Two-pot system implementation • Rule amendments to enable delivery of Fund's new strategy • Oversight of the Fund's litigation, including the conclusion of the Molefe litigation • Oversight of completion of eligibility assurance exercise • Defined contribution strategy delivery • Formulation and review of governance policies

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

The committee is satisfied that it fulfilled its mandated obligations.

Benefits Committee			
Composition Five Board members, including Chairperson **Number of meetings** **Six** – August, October, November, February, April and June **Members** Khehla Shandu (Chairperson) (7/7) Peter Mashatola (6/7) Deon Jenkins (5/7) Anah Makgopa (7/7) Helen Diatile (5/7)	**Responsibilities** Overseeing and making recommendations on: • Investigation of transactions under section 37C of the Pensions Fund Act • Rules on the disposition of death benefits • Applications for lifelong pensions and ill-health retirements • Allocation of disability benefits • Applications for section 14 transfers from other funds • Establishment of instalment lump-sum accounts for major and minor beneficiaries • Determination of pension benefits and suspension of pension payments • Admission of new employers	**2023 focuses** • Considering applications for participation from new employers • Development of the Fund's TCF policy	**Future focuses** • Considering applications for admission of new employers • Design and delivery of defined contribution product • Formulation and review of governance policies

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

The committee is satisfied that it fulfilled its mandated obligations.

Nominations Committee			
Composition Five Board members, including Chairperson **Number of meetings** **Three** – September, February and May **Members** Caroline Henry (Chairperson) (3/3) Izak du Plessis (3/3) Anah Makgopa (3/3) Lufuno Ratsiku (3/3) Sincedile Shweni (3/3)	**Responsibilities** Overseeing, approving and, where appropriate, making recommendations to the Board on: • Election and appointment of Board members • Composition of the Board and committees • Skills assessments, induction, training and development of the Board and committees • Succession planning for the Board and CEO/ Principal Officer • Board and committee evaluation • Review of governance policies on the above	**2023 focuses** • 2022 Board evaluation design and report • Board and committee training and development plan • Appointment of independent experts to the Strategic Investment Committee • Succession planning for the Board • Succession planning for medical panel that advises on the award of ill-health benefits	**Future focuses** • 2024 Board election and appointments • CEO/Principal Officer succession planning • Committee membership rotation principles • Succession planning for independent experts • Formulation and review of governance policies

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

The committee is satisfied that it fulfilled its mandated obligations.

Social, Ethics and Communications Committee			
Composition Three Board members, including Chairperson **Number of meetings** **Four** – August, October, February and May **Members** Barend Steyn (Chairperson) (4/4) Anah Makgopa (4/4) Mabatho Seeiso* (1/4) Liza Brown** (2/4)	**Responsibilities** • Overseeing review of communication policies and strategy • Overseeing implementation of the communication strategy and activities • Considering management's reports on communication with stakeholders • Reviewing media releases on Board matters and identifying matters for action • Considering ad hoc communication issues referred by the Board or committees • Overseeing social role and ethics at the Fund, including corporate citizenship, and ESG and economic impact	**2023 focuses** • Expansion of mandate of the committee to include social and ethical matters • Oversight of reporting on execution of stakeholder communication and engagement strategy • Review of organisational communications and social media policies • Oversight of social and ethics strategies	**Future focuses** • Embedding social and ethics matters within the committee • Review of organisational ethics strategies • Monitoring the Fund's corporate citizenship, equality, non-discrimination, reduction of corruption, social and environmental impact, and ESG activities • Formulation and review of governance policies

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

* *Resigned with effect from 31 October 2022*
** *Appointed as an interim replacement following Mabatho Seeiso's resignation*

The committee is satisfied that it fulfilled its mandated obligations.

Strategic Investment Committee			
Composition **Five members:** Two Board members (including Chairperson) and three independent experts **Number of meetings** **Six** – July, August, October, February, May and June **Members** Mabatho Seeiso (Chairperson)* (3/6) Sincedile Shweni (replacement Chairperson) (6/6) Caroline Henry (5/6) Anah Makgopa (3/6) Lufuno Ratsiku** (1/6) Natasha Salis (5/6) Khehla Shandu (4/6) Refilwe Moloto* (independent expert member) (3/6) Lebogang Mogotsi*** (independent expert member) (5/6) Imtiaz Ahmed**** (2/6) Claire Busetti **** (1/6) Lungelwa Silomntu**** (2/6)	**Responsibilities** Oversight of investment affairs of the Fund in accordance with Fund rules, the investment policy statement, and statutory requirements	**2023 focuses** • Development of the Fund's sustainability policy and strategy • Development of the Fund's climate change policy • Asset manager performance assessment • Review of investment policy statement	**Future focuses** • Oversight of implementation of sustainability and climate change policies • Private markets and infrastructure • Investment implications of two-pot system • Formulation and review of governance policies

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

* *Resigned with effect from 31 October 2022*
** *Interim replacement member*
*** *Term ended 31 May 2023*
**** *Appointed 1 March 2023*

The committee is satisfied that it fulfilled its mandated obligations.

Participation in Board meetings

	Meetings in 2023				Meetings in 2022			
Member	**17 Jan**	**17 Feb**	**30 Mar**	**22 Jun**	**28 Jul**	**22 Sep**	**13 Oct**	**8 Nov**
Caroline Henry	X	X	X	X	X	X	X	X
Liza Brown	A	A	X	X	X	X	A	X
Helen Diatile	X	A	X	A	X	X	X	A
Izak du Plessis	X	X	X	X	X	X	X	X
Deon Jenkins	X	X	X	X	X	X	X	X
Anah Makgopa	X	X	X	X	A	X	X	X
Peter Mashatola	X	X	X	A	X	A	X	X
Lufuno Ratsiku	X	X	X	X	X	X	X	X
Natasha Salis	X	X	X	X	X	X	X	X
Mabatho Seeiso					A	X	X	
Khehla Shandu	X	X	X	X	X	X	X	X
Sincedile Shweni	X	X	A	X	X	X	X	A
Barend Izak Steyn	X	X	X	X	X	X	X	X
Hasha Tlhotlhalemaje	X	X	X	X	X	A	X	X

Gallery of Board members

Board members began their terms variously in June or July 2020, and the Board's term of office will come to an end in May 2024.

Caroline Henry
Chairman of the Board
Employer-appointed

Qualifications
BCom, BAcc (Hons), CA(SA)

Experience and skills
Director of companies, strategy, investment management and treasury management

Committees
Nominations; Strategic Investment

Liza Brown
Employer-appointed

Qualifications
BProc, LLB, postgraduate diploma in contractual drafting and interpretation, certificate in project management

Experience and skills
Corporate legal and compliance. Admitted in High Court of SA

Committees
Legal and Governance (Chair); Audit and Risk; Social, Ethics and Communications

Helen Diatile
Member-elected – bargaining unit

Qualifications
Diploma in technology management and innovation, MBA

Experience and skills
Credit control, contact centre operation, treasury and education

Committees
Membership and Benefits; Legal and Governance

Izak du Plessis
Member-elected – pensioners

Qualifications
BCom (Hons), advanced certificates in taxation and management, MCom (Financial Management), CA(SA)

Experience and skills
Director of companies, strategy, risk management, financial management and management

Committees
Audit and Risk (Chair); Nominations

Deon Jenkins
Member-elected – bargaining unit

Qualifications
National Diploma: Human Resources Management

Experience and skills
Human capital

Committees
Legal and Governance; Membership and Benefits

Anah Makgopa
Member-elected – bargaining unit

Qualifications
BCom, BCom (Hons), MBA

Experience and skills
Occupational health and safety, human capital and finance

Committees
Membership and Benefits; Nominations; Social, Ethics and Communication; Strategic Investment

Peter Mashatola
Employer-appointed

Qualifications
BA, BA (Psychology), MA (Psychology), Master of Management (HR)

Experience and skills
Human capital management

Committees
Human Resources and Remuneration; Membership and Benefits

Lufuno Ratsiku*
Member-elected – non-bargaining unit

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

Experience and skills
Project management, engineering and integration management

Committees
Human Resources and Remuneration (Chair); Nominations; Strategic Investment

* *Resigned 31 October 2023*

Gallery of Board members *continued*

Khehla Shandu
Member-elected – non-bargaining unit

Qualifications
BTech (Electrical Engineering), MBA, certificates in equities and governance, and Certificate: Registered Persons Exam Equity Markets

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

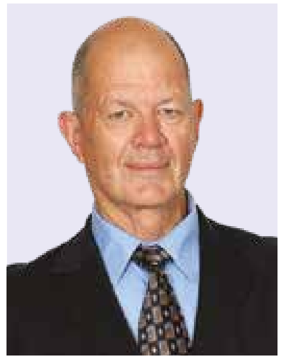
Committees
Membership and Benefits (Chair); Strategic Investment

Sincedile Shweni
Employer-appointed

Qualifications
BCom, postgraduate diploma in accounting, CA(SA)

Experience and skills
Treasury and management

Committees
Audit and Risk; Nominations; Strategic Investment (Chair)



Barend Steyn
Member-elected – pensioners

Qualifications
BAdmin (Hons), MBA, postgraduate diploma in financial planning, advanced certificate in leadership, online trustee training

Experience and skills
Retirement fund industry, administration, audit, treasury, human resource management in public and private sectors, and membership of diverse boards

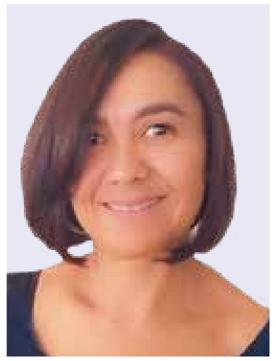
Committees
Social, Ethics and Communications (Chair); Legal and Governance

Nazley Sallie
Independent employer-appointed

Qualifications
Master's in law, MBA, Postgraduate diploma in financial planning and pensions law

Experience and skills
Compliance, governance, administration, risk services, financial planning

Committees
Social, Ethics and Communications, Human Resources and Remuneration, Legal and Governance



Hasha Tlhotlhalemaje
Employer-appointed

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

Experience and skills
Regulatory affairs and management

Committees
Human Resources and Remuneration; Legal and Governance

Natasha Salis
Employer-appointed

Qualifications
BCompt, BCompt (Hons), CA(SA)

Experience and skills
Corporate finance and accounting

Committees
Audit and Risk; Strategic Investment

05

FINANCIAL REPORTS

Chief Financial Officer's Report

As we reflect on the achievements and challenges of the past year, we remain focused on protecting and advancing the interests of our members, while continuing to create sustainable value to secure their future. Over the past year, we have navigated a dynamic landscape marked by persistently challenging economic conditions, regulatory changes, and geopolitical events affecting local and global markets.

This report provides a comprehensive overview of financial performance of the Fund for the year ended 30 June 2023 under the following themes:

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

Membership trends

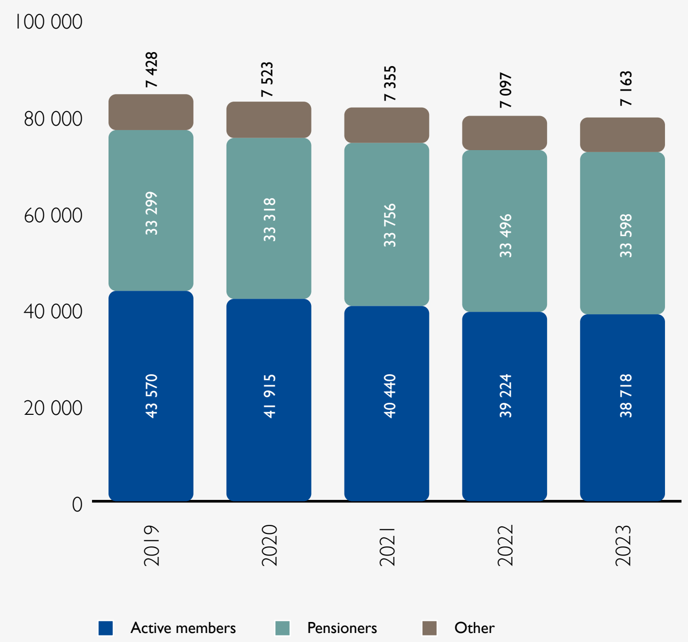
Active members

In 2023, our in-service membership base declined by a further 1% (2022: 3.1% decline) and on average, the Fund's in-service, contributing members have reduced by 2.2% a year over the past five years. The continued drop in in-service members is due to headcount reduction by the main employer, Eskom.

Pensioners and other beneficiaries

Year-on-year pensioner numbers increased by 0.3% in the 2023 financial year, whereas the 2022 financial year saw a decline of 0.78%. Over the past five years, pensioner numbers have grown marginally by an annual average of 0.9%. The total number of deferred pensioners, trusts and unclaimed benefits increased by 3% from the previous year (2022: declined 4%).

Five-year trend in total number of members of the Fund

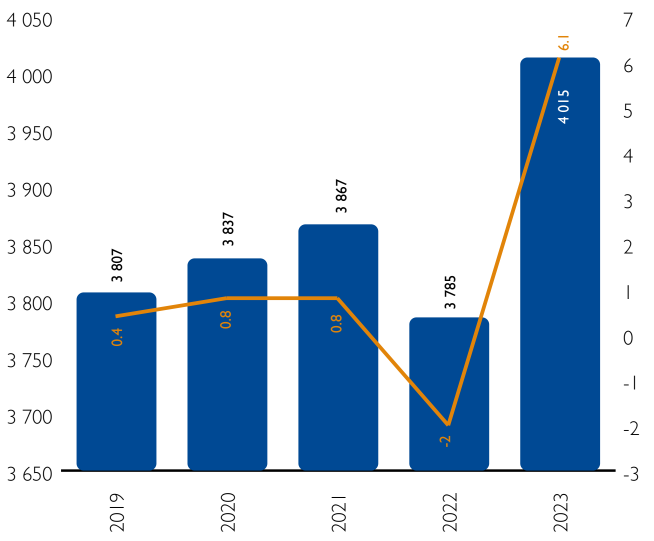


Contributions received and accrued

Contributions received and accrued for the year ended 30 June 2023 amounted to R4 015m (2022: R3 785m), representing a year-on-year increase of 6.1% (2022: 2% decrease). This notable year-on-year increase is largely due to a 7% increase in the average contribution per member, notwithstanding the 1% decline in the number of in-service members.

Chief Financial Officer's Report *continued*

Five-year trend in total contributions to the Fund (Rm) and annual percentage change

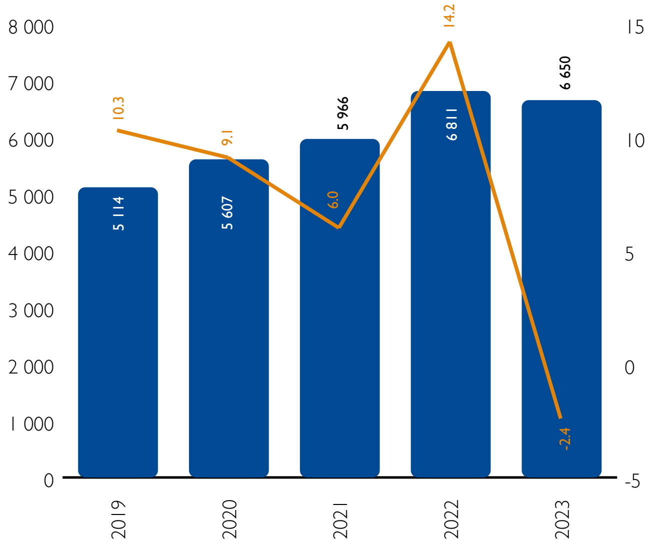


Benefits paid and accrued

Benefits paid and accrued for the current year decreased by 2.4% to R6 650m (2022: increased 14.2% to R6 811m). Benefits paid to pensioners increased by 12%, due to the increased number of pensioners and an increase in the average pension payout of 10%.

The value of lump sums commuted decreased by 15% (2022: increased 13.5%) and withdrawals decreased by 2% (2022: increased 78%). Divorce benefits decreased by 7% (2022: decreased 25%).

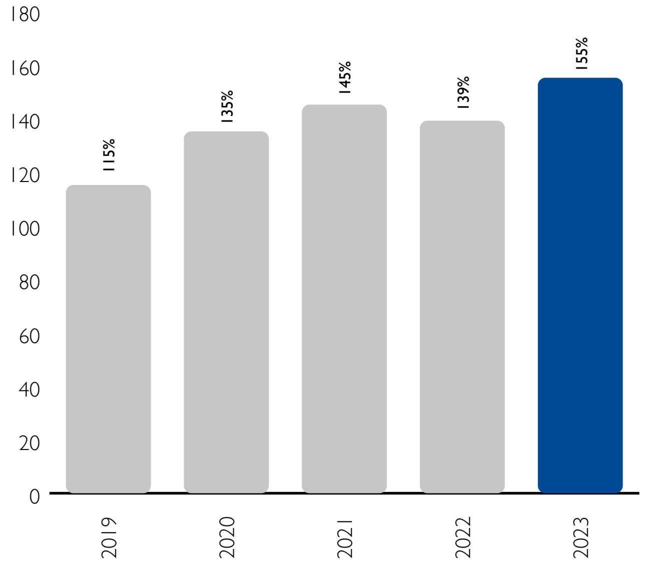
Five-year trend in total value of benefits paid (Rm) and annual percentage change



Actuarial liabilities, funding level and solvency position

In 2023, the Fund continued to maintain a healthy solvency position, supported by an improved and solid actuarial surplus of R66.7bn (2022: R47.5bn) after providing for contingency reserves. The funding level returned to an upward trend to reach 155%, (2022: 139%).

Trend in funding level after provision for contingency reserves 2019 to 2023 (%)



Actuarial liabilities decreased from R99.0bn in 2022 to R95.8bn in 2023, while contingency reserves rose by 19% from R21.8bn in 2022 to R26.0bn. This was due to an increase of R6.5bn in the pension increase affordability reserve from a zero base in the prior year.

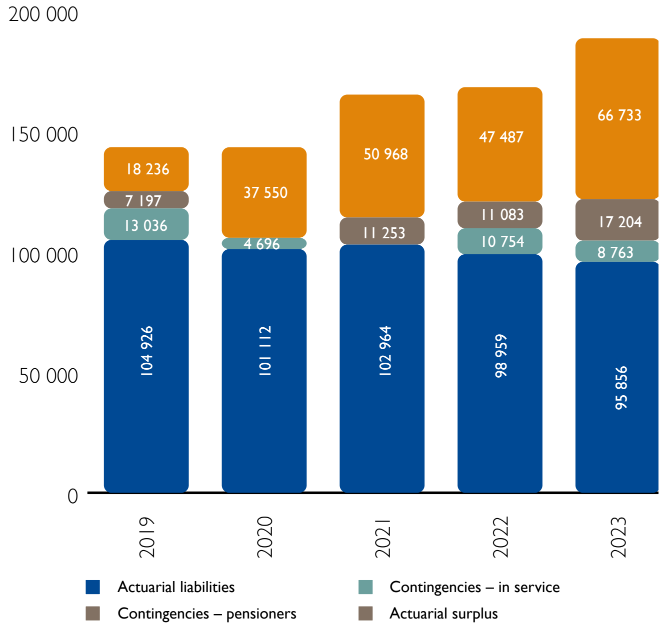
Key factors contributing to a rise in the funding level were:

- Improved investment performance resulting in an increase in actuarial assets.
- Reduction in actuarial liabilities due to a higher discount rate.

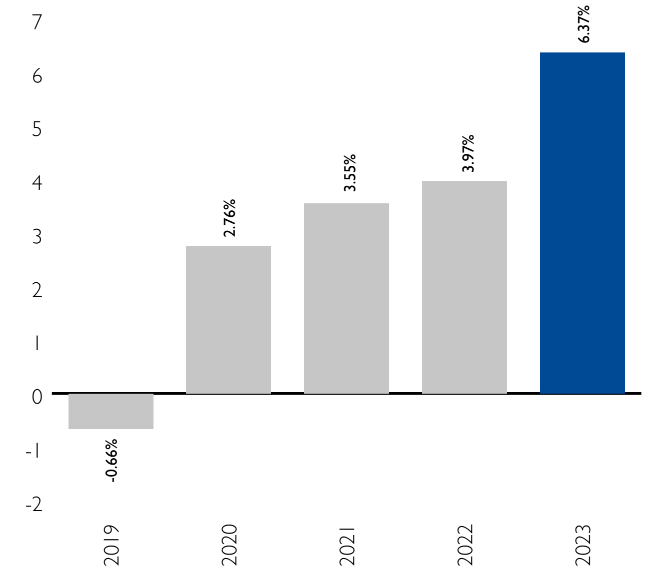
The net pre- and post-retirement return, which is the discount rate used to value in-service member and pensioner liabilities, was 7.0% in 2023 (compared to 5.9% in 2022) and therefore resulted in a reduction in the present value of actuarial liabilities. The net return is the long-term expected return on the Fund's assets, based on market conditions at valuation date, net of the salary increase assumption for in-service members and net of the pension increase assumption for in-service members and net of the pension increase assumption for pensioners.

The Valuator's Report is included on page 93.

Trend in actuarial liabilities, contingencies and surplus 2019 – 2023 (Rm)



Effective contribution shortfalls/surpluses 2019–2023 (%)

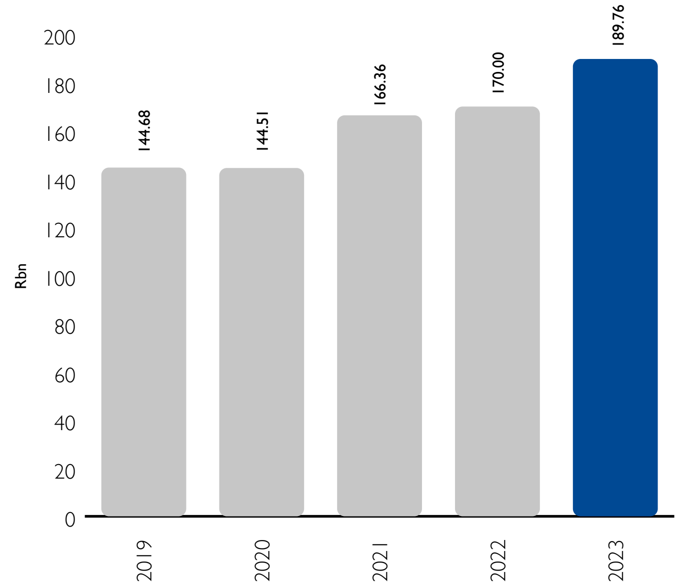


The Fund reported a contribution surplus of 6.37% for the 30 June 2023 (2022: 3.97%). The contribution surplus measures the extent to which contribution rates – totalling 20.8% – can cover the cost of future service benefits. The increase in the contribution surplus was largely due to the increase in the net pre- and post-retirement return.

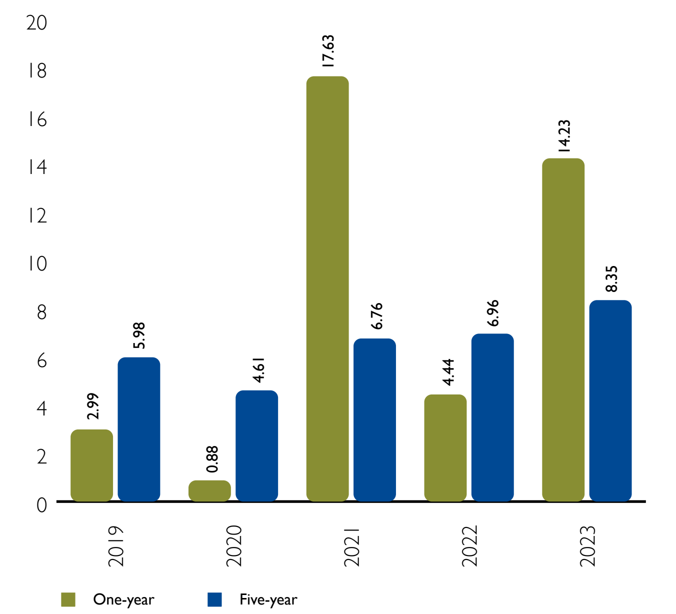
Investment performance

Market volatility has persisted in the short term, impacted by various local and global factors, including energy constraints that continue to weigh negatively on the South African economy, the ongoing conflict in Eastern Europe, the high cost of living, monetary policy tightening and growing concerns of a slowdown in global growth. Despite the challenges, there has been a positive momentum in local and global equity markets in recent months, which led to a strong recovery of our investment portfolio from a lower base in the prior year. Assets under management (AuM) closed at R189.76bn (2022: R170.0bn), delivering a one-year investment return of 14.23% (2022: 4.2%). As a long-term investor, the Fund focuses on generating attractive and sustainable long-term risk-adjusted returns.

Five-year trend in Fund assets under management (Rbn)



Fund's trend in one-year and five-year investment rate of return (%)



Net investment income

Net investment income for the year, after deducting expenses of managing investments, increased by 241% and amounted to R23 180m (2022: R6 801m). The substantial increase in net investment is largely attributable to fair value gains on financial assets driven by strong market performance. Included in the fair value gain/loss are foreign exchange gains/losses on translation of the foreign denominated assets at financial reporting date. In the short term, the unrealised fair value gains and losses are volatile as shown in the five-year trend table below. The Fund continues to generate healthy and stable dividend and interest income from the portfolio.

Securities lending income for 2023 amounted to R19.7m (2022: R19.7m) and this is reported separately in the statement of changes in net assets and funds.

Trend in net investment income of Fund

	2023 Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm
Dividends	**4 662**	4 616	3 127	3 327	3 343
Interest and rentals	**2 258**	1 840	2 574	1 363	1 552
Profit on sale/redemption	**2 184**	6 887	7 784	5 664	3 195
Fair-value gains/(losses)	**14 970**	(5 771)	11 652	(7 555)	(1 545
Total investment income	**24 074**	7 572	25 136	2 799	6 545
Less investment management costs	**(894)**	(771)	(677)	(573)	(521)
Net investment income	**23 180**	6 801	24 459	2 226	6 024

Investment management expenses

The Fund aims to disclose to members transparently and comprehensibly all costs directly or indirectly incurred by the Fund.

Total expenses incurred in managing investments amounted to R894m (2022: R771m), up by 16% from the prior year (2022: 13.88%). The increase in investment management fees is due to high AuM reported for the financial year under review, which were 12% higher than in the prior year. Investment fees are levied as a percentage of AuM and charged monthly or quarterly. In accordance with the Fund's strategy to enhance returns by increasing exposure to private markets and alternatives, there has been an increased allocation to private markets which attract higher fees compared to listed portfolios. The allocation to private markets increased to R13.5bn from R9.7bn in the prior year, with a proportionate increase in private market investment costs, from R210m to R241m.

Inhouse investment management fees

The Fund has an inhouse investment management capability, which cost R120.3m in the year under review (2022: R99m). The increase in inhouse investment management fees is in line with capacity building plans.

Cost management

To ensure effective management of its financial resources, the Fund adopts a prudent cost management approach. Through the Audit and Risk Committee (ARC) and the Board, costs are strictly monitored against the delivery of strategic and operational plans on a periodic basis.

The increase in inhouse investment management costs is in line with our ongoing strategy to bolster capacity and critical skills so that we can migrate more assets inhouse. This led to a review of the organisational structure, resulting in additional human resources to be phased over several years. Enhancing internal capability across multiple core areas is a key strategy to unlock long-term value, as it will enable us to execute successfully on our investment strategy while remaining cost competitive.

In previous years, we also invested in technological platforms and infrastructure aimed at enhancing member experience and improving service levels and turn-around. We are cognisant that our diverse membership base has different service needs and we will continue to walk the digital migration journey with our members while ensuring continuity and uninterrupted member service.

We are seeing the benefits of our IT investment, with increased penetration and usage of digital self-service and other channels and a reduction in certain expense line items. This enables us to redirect resources to the Fund's other strategic initiatives. Benefits from increased in-sourcing and other strategic initiatives will come over the years through better investment performance, efficient cost metrics and enhanced member satisfaction.

To maintain the Fund's prudent approach to cost management, we benchmark our costs against our peers in the market. We are mindful that the Fund is unique in that it is self-administered and provides investment management services.

The inhouse investment team includes a multi-management team that selects and allocates investment mandates to internal and external managers, monitors performance of all managers, and ensures that there is alignment with the overall investment strategy. This, together with other unique offerings and a risk and governance oversight structure suited to the size and nature of operations, limits our ability to compare costs with other external providers on a like-for-like basis. Nonetheless, on an overall total expense ratio (TER), the Fund remains cost competitive and, in all instances, its TER came in lower than profit-driven private players in the market.

Administration expenses

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

Administration expenditure 1 July 2022 to 30 June 2023 with previous year comparison

Expenditure Category	2023 R'000	2023 % of total	2022 R'000	2022 % of total	Annual change (%)
Staff costs	**194 435**	**57**	145 609	49	34
Principal Officer costs	**2 980**	**1**	2 223	1	34
Governance costs	**7 902**	**2**	7 854	3	1
IT costs	**61 785**	**18**	65 098	22	(5)
Member interaction and related cost	**2 926**	**1**	1 851	1	58
Office rental	**9 936**	**3**	13 014	4	(24)
Consultancy and legal costs	**21 350**	**6**	13 309	5	60
Other	**36 192**	**11**	29 887	10	21
Core Fund operating costs	**337 506**	**98**	278 845	95	21
Project expenditure	**6 464**	**2**	15 656	5	(59)
Total administration expenses	**343 970**	**100**	294 501	100	17
Investment services	**(120 332)**		(98 961)		22
Total Fund administration expenses	**223 638**		**195 540**		**14%**

In 2023, the Fund's total administration costs increased by 14% (2022: 9% decrease). When once-off project costs of R6.5m are excluded, the increase in the core administration cost amounted to 21% (2022: 4%). The following should be noted:

- In the previous year, we had a muted 2% increase in staff costs due to staff attrition and delays in replacing some roles, notably at senior management and executive level. In addition, performance bonus provisions were lower in the prior year due to lower investment performance. In the year under review, staff costs increased by 34% and were impacted by the annualisation effect on roles that were vacant for part of 2022, increase in performance bonus provisions on the back of improved investment performance, increase in headcount to support the insourcing strategy, and a CPI salary adjustment.
- Principal Officer costs increased by 34% due to adjustment in CPI (6%) and variable pay provision (on the back of improved investment performance).
- Governance expenses included costs related to remuneration of Board members, support for the functioning of governance structures, and remuneration of experts serving on Board committees.
- The 5% decrease in IT costs was due to favourable renegotiation of certain IT systems contracts.
- The notable 58% increase in member interaction costs was due to the increase in face-to-face and other member interactions, which are intended to enhance member relations and service. This cost normalised to our pre-COVID cost for these activities. In addition, we embarked on a member awareness drive to promote adoption and increased usage of digital communication channels and self-service platforms. This is a journey, and we expect further benefits to be derived as we see increased penetration and usage.
- Reduction of 24% in office rental costs were due to office lease renegotiation due to reduction in rental yields across the market and reduction in repairs and maintenance due to the hybrid working model adopted by the fund.
- In the previous year, we had a notable 41% decrease in consultancy and legal fees due to a decrease in investment-related due diligence and legal costs as well as the recovery from Eskom amounts relating to the membership eligibility exercise. In the year under review additional private markets due diligence costs and legal costs were incurred, as well as costs related to the strategy project. Collectively these resulted in a 60% increase in consultancy and legal fees.
- Special projects comprise non-recurring costs incurred to enhance our IT infrastructure and capabilities, legal costs for the eligibility review, and other strategic initiatives.

Chief Financial Officer's Report *continued*

Shared cost allocation

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

Cost item	2023 R'000	2022 R'000
Inhouse direct asset management costs	**120 332**	98 961
All costs in managing assets*	**164 270**	132 805
Pension administration costs*	**179 700**	161 696
Total costs	**343 970**	294 501

* *Makes up total costs*

Total net expense ratio

The Fund's total net expense ratio – the ratio of total costs to AuM – amounted to 0.59% for the year under review.

Calculation of net expense ratio and three-year trend

Total expenditure	2023 Actual	2022 Actual	Difference 2022 to 2023
Assets under management (AuM) (R'000)	**189 760**	169 977	21 031
Net investment management costs/AuM (%)	**0.47**	0.46	0.01
Pension administration costs/AuM (%)	**0.12**	0.11	0.01
	0.59	0.57	0.02
Project expenditure/AuM (%)	**0.00**	0.01	(0.01)
Total expenditure/AuM = Net expense ratio (%)	**0.59**	0.58	0.01

For the year under review, the internal investment team managed 40.3% (2022: 40.8%) of AuM. The increase in internal management costs was due to performance-linked bonus provisions and the full-year impact of roles, after savings due to some attrition in the prior year. The internal cost of managing assets, inclusive of all direct costs, increased from 0.16% to 20%. Internal investment costs remain, on average, substantially lower than the average cost of 0.59% of AuM (2022: 0.63%) paid to external managers, including private equity managers.

Cashflow

Net operating cashflow

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

The Fund's cashflows from contributions and investment income were sufficient to cover all benefits, transfers and expenses paid. The Fund generated a positive net operating cash flow for 2023, although there was a 44% decline in cash flow compared to prior year.

The Fund's liquidity requirements are managed dynamically to ensure that, where required, investment assets are liquidated efficiently, timeously and responsibly.

Summary of annual net inflows

	2023 Rm	2022 Rm
Contributions and transfers received	**4 029**	3 785
Investment income	**9 104**	13 596
Less benefits and transferred paid and expenses	**(7 337)**	(7 087)
Net cash inflow	**5 795**	10 315

Outlook

Despite persistently challenging economic conditions during the year under review, the Fund has managed to maintain robust and resilient financial results and solvency, supported by sound funding levels and improved investment returns.

We acknowledge the challenges faced by our members stemming from the ongoing electricity supply crisis, heightened inflationary projections, global political uncertainty, and sustained macro-economic fluctuations in our markets. We remain confident that our commitment to effective governance, risk management and investment practices, and the cultivation of a cost-efficient culture will continue to support our strategic and tactical objectives through these challenging times, thereby ensuring sustainability of the Fund and delivery on our promises to members.

As indicated in the report, the ongoing implementation of the insourcing strategy will require building capacity over multiple years and this will impact on costs. However, we will approach this carefully to ensure we boost strategic execution whilst remaining cost effective.

Thandie Mashego
Chief Financial Officer

Listening, learning, **securing your future**

We grew our assets under management despite volatile markets to R189.76bn and registered a one-year return of 14.23% and 8.35% over five years

Chief Investment Officer's Report

Introduction

As the Chief Investment Officer of the EPPF, I am pleased to provide you with an overview of our investment performance for the year ending 30 June 2023. In a dynamic global and domestic macro-economic environment, characterised by challenges and opportunities, we have diligently managed our investments to deliver results we are proud of. This report outlines the market conditions that influenced our performance, highlights our achievements, and provides insights into our future investment strategy.

Global macro-economic overview

Over the past year, the global economy encountered various challenges. The conflict in Ukraine led to energy and food price increases, contributing to rising inflation worldwide. Central banks responded by raising interest rates to curb inflation and global GDP growth decelerated because of the above factors. The International Monetary Fund (IMF) revised its 2023 global GDP growth forecast down to 3% and cautioned that the global economy was teering on the edge of a downturn.

South African economic environment

Within South Africa, the market environment was turbulent. The war in Ukraine contributed to rising energy and food prices which affected households and businesses adversely. Inflation surged, reaching 7.8% in July 2022 (StatsSA), prompting the South African Reserve Bank (SARB) to raise interest rates multiple times. The SARB projected in May that GDP growth for 2023 would be 0.3%. Political uncertainty further affected market sentiment.

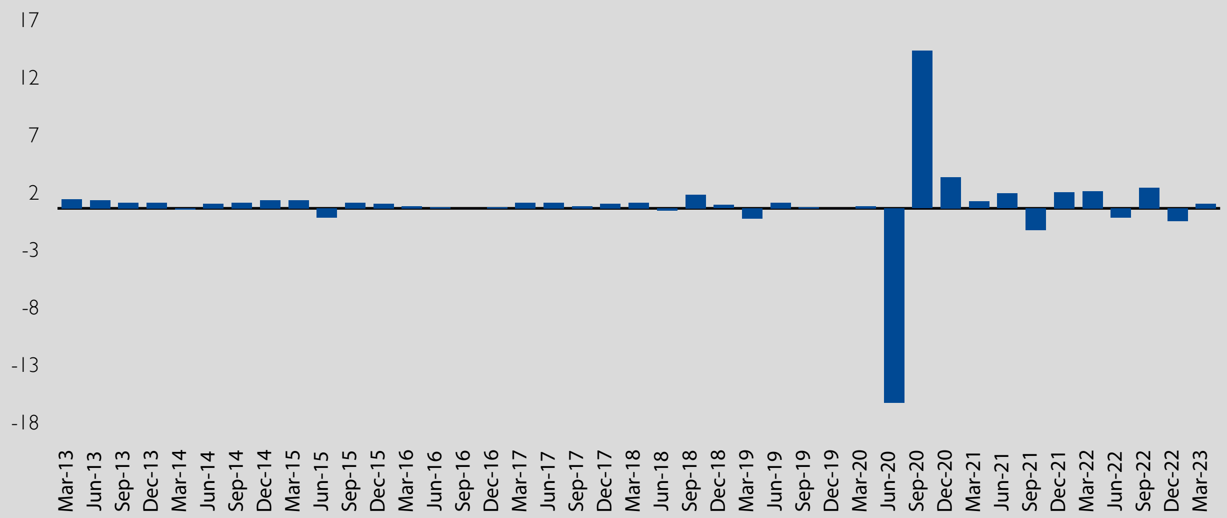
Although challenges persist, there were some positive indicators. Inflation was trending downward by December and fell to within the SARB's target range by mid-2023. The unemployment rate declined slightly in the second quarter of 2023 to a level last seen at the start of 2021.

Uncertain growth, slow decline in inflation

The financial year was characterised by a flipflop in gross domestic product (GDP) which vacillated between contraction and expansion in accordance with power cuts. The third quarter of 2022 recorded a 1.6% expansion in real GDP, following a 0.7% contraction the previous quarter. The fourth quarter then registered a 1.1% contraction, the sharpest since the third quarter of 2021, followed by a 0.4% expansion in the first quarter of 2023 which averted a technical recession.

In the StatsSA GDP release for quarter one of 2023, eight of 10 industries recorded positive growth. Manufacturing, finance, real estate and business services were the largest positive contributors. Manufacturing output alone increased by 1.5%, driven by production of food and beverages. Notable declines were in electricity, gas and water (down 1%) and agriculture (down 12.3%). Household consumption increased by 0.4%, government consumption increased by 1.2%, and imports and exports increased by 4.4% and 4.1%, respectively.

South Africa quarterly annual GDP Growth Rate (%)

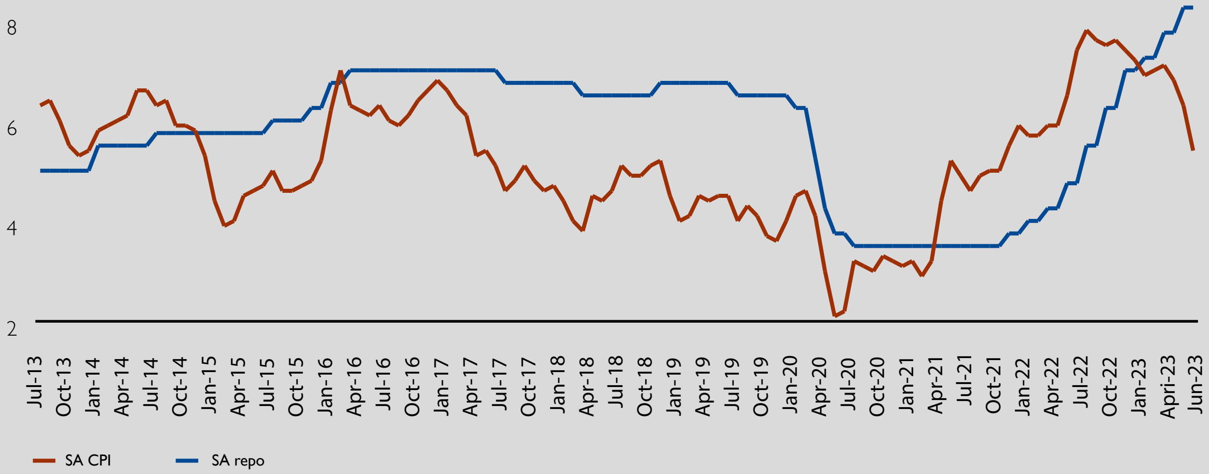


Inflation and interest rates

Inflation remained stubbornly high in the financial year, recording a year-on-year high of 7.8% in July 2022, moderating in the following months and then surprising with 7.6% in October. By December, the market began to suggest that inflation had peaked as it moderated to 7.2%.

In 2023, the SARB continued the fight against inflation by raising rates, although not as steeply as previously. By June 2023, year-on-year headline inflation had cooled to 5.4%, within the SARB target range of 3% – 6%. Consequently, the SARB held the repo rate at 8.25% in July 2023. This may be a pause rather than an end to the cycle of interest rate increases, depending on inflation forecasts.

SA CPI vs SA repo



Chief Investment Officer's Report *continued*

Investment strategy

The investment strategy of the Fund is framed within the provisions of Regulation 28 to the Pensions Fund Act, which stipulates that the primary role of the Board and management is to understand the liabilities of the Fund and to consider all risks involved in meeting these funding obligations. The investment strategy of the Fund must represent the highest probability of achieving this objective within the established risk parameters.

Annually the Fund formally investigates investment strategies appropriate to its cash flow liabilities. This process is undertaken by the Fund's asset liability management (ALM) actuary. Concurrently a capital markets assumption workshop is conducted during which members of the Board, relevant managers, the ALM actuary and the valuation actuary set long-term return assumptions for the various asset classes in which the Fund invests. The outcomes of these exercises inform the Fund's strategic asset allocation – that is, the composition of the Fund's portfolio – which is submitted to the Board for approval.

Strategic asset allocation for 2023 and related benchmarks

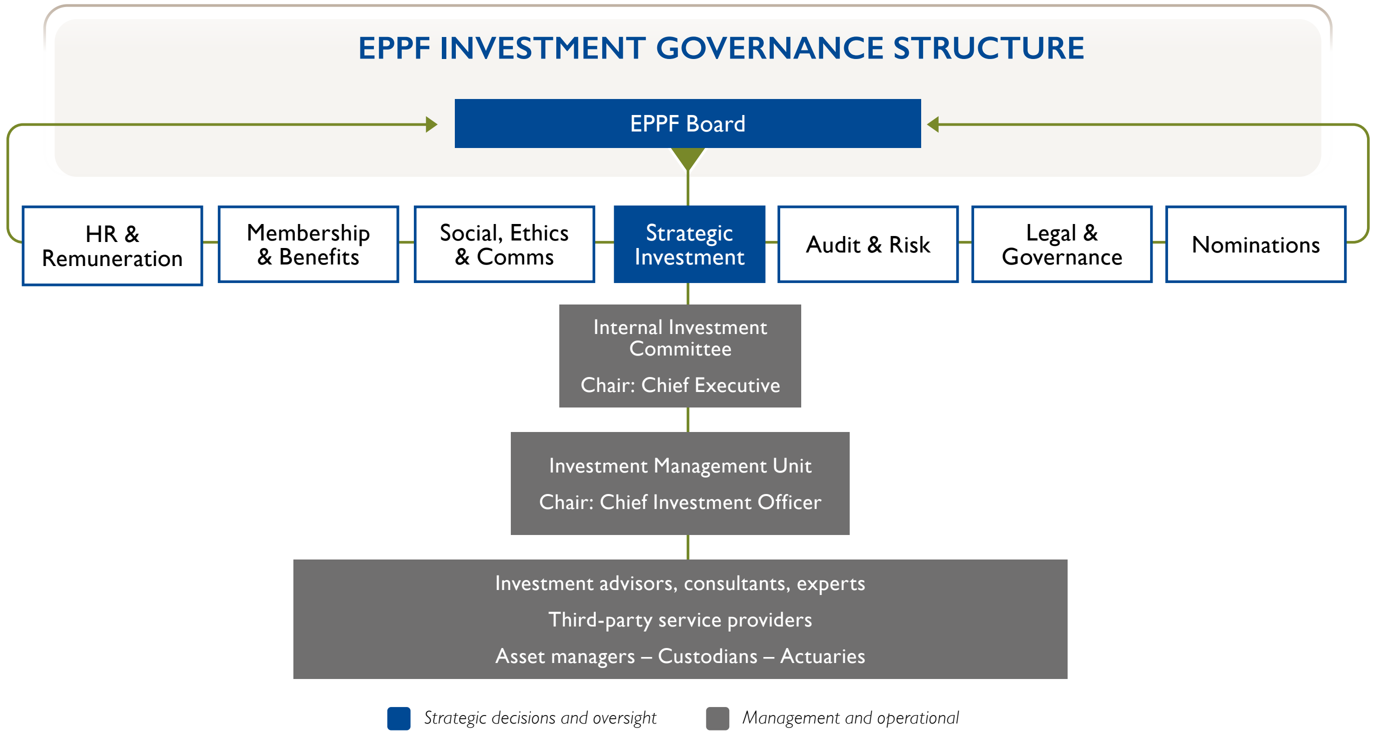
Asset class	Allocation (%)	Benchmarks
Domestic assets		
Equities	37	Capped Shareholder Weighted All Share Index (Capped SWIX) less All Property Index (ALPI)
Nominal bonds	5	All Bond Index (ALBi)
Inflation-linked bonds	15.5	Liability-driven investment (LDI) benchmark
Cash	2	Short-term Fixed Income Composite (SteFi)
Property	6.5	All Property Index (ALPI)
Total domestic	**66**	**Weighted average of the above benchmarks**
International assets		
International equities	19	MSCI World All Countries Index
Emerging market equities	6	MSCI EM Index
Africa ex-SA equities	4	MSCI EM Africa ex-South Africa Index
International property	2	FTSE EPRA/NAREIT Developed Rental Index
International cash	0	One-month USD Euro deposit rate (Citigroup)
China A	3	MSCI China A Onshore Index
Total international	**34**	**Weighted average of the above benchmarks**
Total Fund	**100**	**Weighted average of all the above benchmarks**

Governance of investment

The Board of Fund is responsible for oversight of investment planning and management. It has delegated certain governance responsibilities to the Strategic Investment Committee which, in turn, delegates to the Internal Investment Committee. At an operational level, the Investment Management Unit (IMU) executes the approved investment strategy. In recent years, the proportion of assets that are managed inhouse by the IMU has increased and this trend is expected to continue. The unit also manages a range of external asset managers in accordance with their respective mandates.

The risk budget and return objectives of the Fund, together with governance principles and processes, are set out in the investment policy statement which is reviewed annually. The policy indicates that the Fund's primary objective is to achieve a net real return on investment of at least 4.5% a year over periods of three years and longer.

The most significant measure of risk is the funding ratio – that is, an indicator of the ability of Fund's assets to cover liabilities as they fall due. The Fund has sustained a favourable investment ratio over many years.



Strategic priorities of the IMU

Our investment strategy remains focused on creating peace of mind for our members through performance excellence. We are also committed to driving innovation and leading the market in investment practices.

From a strategic asset allocation perspective, we plan to broaden our investment scope by venturing into frontier markets. While these markets will constitute a relatively small portion of our portfolios, we consider that seeking uncorrelated sources of returns on a global scale will significantly bolster risk-adjusted performance over the long haul.

In light of the evolving landscape governed by Regulation 28, we will be undertaking a comprehensive review of our global approach, exploring value-added investment prospects and mutually beneficial partnerships.

In terms of our listed portfolios, we've embarked on a journey to fortify our portfolio construction for resilience across market cycles. Central to this process is capturing the optimal blend of risk premiums in South African and global equity markets. We aspire to replicate risk premiums methodically in a cost-effective manner, a responsibility that will be assumed by our dedicated listed equity team. This undertaking involves rigorous market research and portfolio construction strategies tailored to identify, create and seamlessly blend factors across diverse markets within our portfolios.

Our private market strategy is poised to evolve beyond its existing core. We have confidence in the transformative potential of infrastructure investments, with their ability to catalyse immediate and sustained economic growth. In accordance with this assessment, our team will diligently seek to fund direct and co-investment opportunities within the market. We are actively targeting other private market avenues, encompassing venture capital, private equity and real assets, both locally and globally.

Our commitment to transforming the landscape of South African fund management remains unwavering. This is complemented by our broader sustainability strategy, which is anchored in principles of social justice, economic parity and environmental sustainability. On the social front, we are steadfast in our support for social and economic transformation through initiatives such as broad-based black economic empowerment. We will continue to promote greater representation of black professionals, particularly black women, and to advocate for equitable pay, safeguarding human rights, promoting fair labour conditions, and ensuring the well-being of workers.

The Fund's evolving environmental, social and governance (ESG) commitments have been described more fully earlier in this report (see pages 36 to 39), including our participation in the United Nations-convened Net Zero Asset Owners Alliance and our collaboration with the Asset Owner Forum to establish an innovative listed infrastructure vehicle.

These endeavours not only address key economic and social challenges faced by our country but respond to the clarion call for retirement fund fiduciaries to cater holistically to the investment needs of our members.

Return on investment

From an investment standpoint, the past year presented unique challenges and opportunities. The unreliable energy supply impacted various sectors, resulting in reduced sales and profitability. However, we maintained optimism in the light of China's economic reopening in the wake of Covid-19, anticipating a positive impact on global equity markets.

The past year showed improved performance and the Fund managed to beat its inflation target for the three years ending June 2023. The Fund benefited from exposure to higher growth assets like local and global equity and local listed property. We are also proud that our funding ratio remained healthy and ended the year at 155% as noted in the Chief Financial Officer's Report.

Annualised Fund returns relative to targets at 30 June 2023

	1 year %	3 years %	5 years %	7 years %	10 years %	15 years %	20 years %
Fund return	**14.23**	**11.93**	**8.35**	**7.34**	**9.26**	**10.13**	**12.62**
CPI + 4.5%	**5.37**	**10.38**	**9.36**	**9.35**	**9.66**	**9.69**	**9.78**
Return relative to target*	**8.40**	**1.40**	**(0.92)**	**(1.84)**	**(0.36)**	**0.40**	**2.58**

** The one-year target is the CPI rate*

Asset class performance

Asset class performance in 2023 (%)

		Investment period in years								
Asset class	**Benchmark**	**1**	**3**	**5**	**7**	**10**	**15**	**17**	**18**	**20**
ZAR										
SA cash	SteFi	6.8	5	5.8	6.3	6.3	6.6	6.9	6.9	7.1
Nominal bonds	ALBi	8.2	7.6	7.4	7.9	7.4	9	8.2	7.9	8.4
Inflation-linked bonds	CILI	1.2	8.7	5.4	4.1	5.3	6.8	–	–	–
EPPF inflation-linked		(2.5)	8.8	5.4	4.1	5.8	–	–	–	–
SA equity	SWIX	14	12.6	6.3	6.2	8.2	9.2	10.4	12.2	14.4
SA capped SWIX equity	Capped SWIX	13.5	15.7	6.9	6	8.5	0	0	0	0
SA listed property	SAPY	10	11.3	(3.5)	(3.6)	1.5	9.1	9	9.9	12.5
All property	ALPI	8.9	11	(5)	(4.8)	0.6	7.3	–	–	–
EPPF equity benchmark		13.6	16.1	7.7	7	9.4	10	11.	12.8	14.9
Global equity	MSI ACWI	34.4	14.1	15.3	14	15.9	13	12.8	13.5	13.4
Emerging equity	MSCI EM	17.3	5.2	7.6	8.8	9.8	7.9	10.3	11.9	13.4
China A	MSCI China A	(7.4)	1.7	9.5	5.4	11.5	9	14.2	17.2	12.9
Africa equity	MSCI EFM Africa ex ZA	9.8	3	2.4	3.6	4.4	1.7	6.9	7.7	11.5
International property	FTSE EPRA/ NAREIT	11.1	7.5	7.8	5.3	11.3	11	10.2	–	–
International cash	Citi 1 Month USD Eurode	20	4.3	8.4	5.2	–	–	–	–	–
Absolute target	CPI + 4.5%	5.4	10.4	9.4	9.4	9.7	9.7	10.2	10.2	9.8
Strategic benchmark	SAA	13.9	12.4	7.6	7.6	9.6	10.9	–	–	–
USD										
USDZAR	USDZAR	15.3	2.8	6.6	3.7	6.6	6	5.9	6	4.7
MSCI ACWI (USD)	MSCI ACWI	16.5	11	8.1	9.9	8.8	6.6	6.6	7.2	8.2
MSCI EM (USD)	MSCI EM	1.7	2.3	0.9	4.9	3	1.8	4.1	5.7	8.2
MSCI China A (USD)	MSCI China A	(19.7)	(1.1)	2.7	1.6	4.6	2.8	7.9	10.6	7.7
MSCI EFM Africa ex ZA (USD)	MSCI EFM Africa ex ZA	(4.8)	0.2	(4)	(0.1)	(2.1)	(4.1)	1	1.6	6.4

Loadshedding was a running theme in the markets, affecting most sectors. It increased operating costs and reduced sales and its effects were reflected both in the topline and profitability of companies. Coupled with high inflation and resultant high interest rates, this translated to a stretched consumer base.

The Fund's optimism about a strong post-COVID reopening of the China economy was ultimately not justified. The trade played itself out in the consumer market but high inventory levels and a lack of infrastructure spend meant that non-consumer facing industries did not benefit from the reopening to the same extent as the luxury goods and hospitality industries.

In the 12 months to June 2023, Capped SWIX gained 13.48% on a total return basis, outperforming most asset classes including listed property (up 8.94%) nominal bonds (up 8.23%), cash (up 6.76%) and inflation-linked bonds (up 1.16%). Over the same period, the SWIX40 Equities Index returned 15.59%, showing the basis risk benefit. However, over a rolling 36-month window, the annualised return difference was 3.92% in favour of the Capped SWIX.

The underlying equity sector performance reflected a perception that a turning point had been reached in the inflation and monetary policy cycle, in improved energy availability, and lower geopolitical risk, as the South African government initiated damage-control concerning its relationship with Russia.

The bulk of the FY23 performance came from consumer discretionary, financials and consumer staples which contributed 5.97%, 3.82% and 1.03% respectively. Commodity prices were weaker and energy (-0.0%) and utilities (-0.01%) were the detractors in the market.

Encouragingly, South African stock valuations remain cheap relative to long-term trends and from an emerging and developed market perspective. The value unlocked should be realised as inflation stabilises and interest rates begin to drop from the middle of 2024.

South African rand against the US dollar

During the 2023 financial year, the rand kept up its reputation as the most volatile currency in the world. It lost ground against the US dollar due to cyclical headwinds in asset prices amplified by loadshedding and political uncertainty. In the fourth quarter of 2022, the Phala Phala scandal involving President Cyril Ramaphosa – and potentially threatening his tenure – saw the USD/ZAR exchange rate rise to 18.41 before retracing to 16.96 by quarter end. The rand experienced relentless downward pressure in the first half of 2023 due to chronic weak growth exacerbated by our worsening energy crisis, grey listing by the Financial Action Task Force, and the country's credit rating downgrade by S&P Global. The rand underperformed most of its emerging market peers in the second quarter and blew out to 19.80 amid suspicion of a Russian arms deal. By the end of the Fund's financial year, the rand was on firmer ground at 18.84.

Global markets

The Fund's financial year started on a positive note with a rebound in equities amid hopes of a dovish pivot from the US Federal Reserve. The Fed then hiked rates aggressively in the second half of 2022 and a US recession was predicted due to the inverted US yield curve. However, the US economy has proven resilient, producing reasonable labour, manufacturing and services numbers despite the rate hikes. US inflation moderated to 3% in June 2023, its lowest point since March 2021 although still above the target of 2%.

The Fed decided against an interest rate hike in June but commented that two rate hikes were on the cards before the end of the year. But some strength in the labour market and interest rate-sensitive housing market, prompted expectations of only one 25-basis points hike. Benchmark borrowing costs reached their highest in rate in 22 years as the Fed approved a 25-basis points hike, bringing the Fed funds rate to a target range of 5.25% – 5.5%. The Fed indicated it would continue to reduce bond holdings in its balance sheet.

Strong actions to reduce turbulence in the US and the resolution of the US debt ceiling standoff significantly reduced the immediate risk of financial sector turmoil. The balance of risks to global growth remained tilted on the downside as inflation could remain high or even rise.

Tightening global financial conditions have hampered global economic recovery, increasing the likelihood that many national economies will experience slower growth and rising joblessness in 2023. European and Asian growth prospects have improved but remain negatively affected by the ongoing Russia-Ukraine war and heightened geopolitical tensions. China's growth performance is expected to remain relatively modest, with some benefit to commodity prices. Ongoing inflation concerns, rising rates and slowing growth have dampened the outlook for UK growth. Following a surprise 50-basis points interest rate hike in June, the Bank of England joined other banks in warning of the necessity of future rate hikes.

International Monetary Fund outlook

The IMF expects global growth to fall from an estimated 3.5% in 2022 to 3.0% in 2023 and 2024 as the imperative of fighting inflation continues to weigh on economic activity. US growth is projected to slow to 1.8% and 1.0% in 2023 and 2024 respectively. China is expected to grow 5.2% and 4.25% in 2023 and 2024 respectively. Emerging and developing markets growth is expected to stabilise at 4.0% in 2023 and 4.1% in 2024. Global headline inflation is expected to fall to 6.8% in 2023 and 5.2% in 2024 while core inflation is expected to decline more gradually.

Chief Investment Officer's Report *continued*

Fund performance

On a three-year rolling basis, the Fund outperformed its target of CPI + 4.5% from June 2011 to October 2016. However, from November 2016 to September 2021, we underperformed against this target mainly because most asset classes yielded returns below CPI. From September 2021 to March 2022, the three-year rolling return again outperformed CPI + 4.5%.

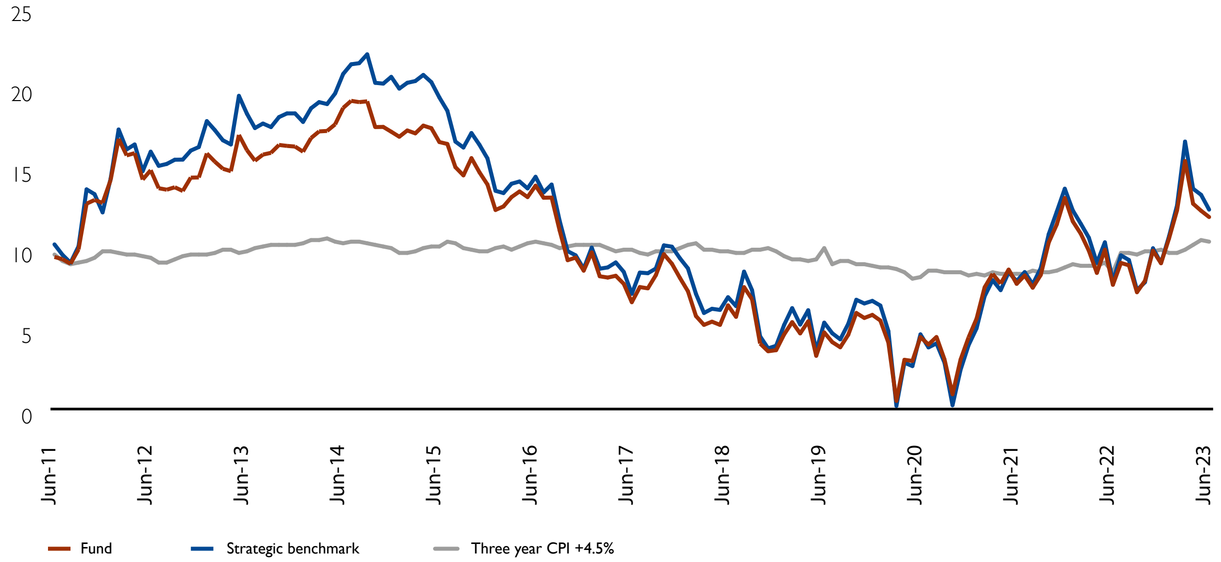
The sustained Russia-Ukraine war contributed to underperformance in both global and local markets between April and September 2022. Together with global inflation and rising interest rates, this made it increasingly difficult for asset classes to beat the CPI + 4.5% target. From November 2022, Fund performance recovered and remained above this target from that point.

Underperformance relative to the strategic benchmark was most pronounced in the period June 2012 to December 2015. In the following period the Fund recovered and outperformed the strategic benchmark until May 2020 when it began delivering returns closer to the benchmark with marginal underperformance.

Performance against one-year and three-year benchmarks by asset class

		One year to 30/6/23 (%)			Three years to 30/6/23 (%)		
Asset class	Strategic weight (%)	Fund return	Benchmark	Over/ under	Fund return	Benchmark	Over/ under
SA equities	37	**13.32**	**13.59**	**(0.24)**	15.70	14.68	0.73
SA nominal bonds	5	**9.01**	**8.23**	**0.72**	8.72	7.60	1.04
SA inflation-linked bonds	15.5	**(2.31)**	**(2.45)**	**0.14**	8.89	8.76	0.12
SA hedge fund	0	**18.73**	**6.76**	**11.21**	7.55	4.98	2.45
SA property	6.5	**8.53**	**8.94**	**(0.38)**	11.71	10.98	0.66
SA cash	2	**6.94**	**6.76**	**0.17**	5.09	4.98	0.11
Global equity & property	21	**33.40**	**34.82**	**(1.05)**	13.58	14.36	(0.68)
Emerging market equity	6	**24.72**	**17.33**	**6.30**	6.77	5.21	1.48
China A equity	3	**(3.70)**	**(7.42)**	**4.01**	2.55	1.72	0.82
Offshore cash	0	**13.74**	**19.96**	**(5.19)**	0.93	4.31	(3.24)
Africa ex ZA	4	**16.30**	**14.40**	**1.66**	6.14	3.04	3.01
Total	**100**	**14.23**	**13.91**	**0.28**	**11.93**	**12.39**	**(0.41)**

Fund performance against target of CPI + 4.5%



EPPF's top 10 listed equity holdings

Equity holdings	Weight %
Naspers Limited-N SHS	**3.20**
Prosus	**2.18**
Firstrand Limited	**1.89**
MTN Group	**1.79**
Standard Bank Group Ltd	**1.67**
Anglo American PLC	**1.40**
British American Tobacco PLC	**1.37**
Compagnie Financiere Richmont	**1.31**
Absa Group Ltd	**1.03**
Nepi Rockcastle PLC	**0.95**
Total	**16.78**

EPPF's top 10 fixed income holdings

Bond holdings	Asset class	Weight %
I2050 2.5% 311250	Inflation-linked bond	**4.77**
I2046 2.5% 310346	Inflation-linked bond	**3.77**
I2038 2.25% 310138	Inflation-linked bond	**1.69**
R2048 8.75% 280248	Nominal bond	**0.83**
R210 2.60% 310328	Inflation-linked bond	**0.56**
R2037 8.50% 310137	Nominal bond	**0.50**
R2030 8.00% 310130	Nominal bond	**0.44**
R2035 8.875% 280235	Nominal bond	**0.41**
R2044 8.75% 310144	Nominal bond	**0.41**
R202 3.45% 071233	Inflation-linked bond	**0.39**
Total		**13.76**

Performance risk measures

An important measure of risk, in addition to the funding ratio, is the risk of loss indicator. This is tracked using a simulated conditional value at risk (CVaR) with a target range of between 15% and 25%.

The Fund's risk of loss on 30 June 2023 was 28.2%, which is higher than the upper bound of 25%. However, the risk of loss declined steadily over the course of the year.

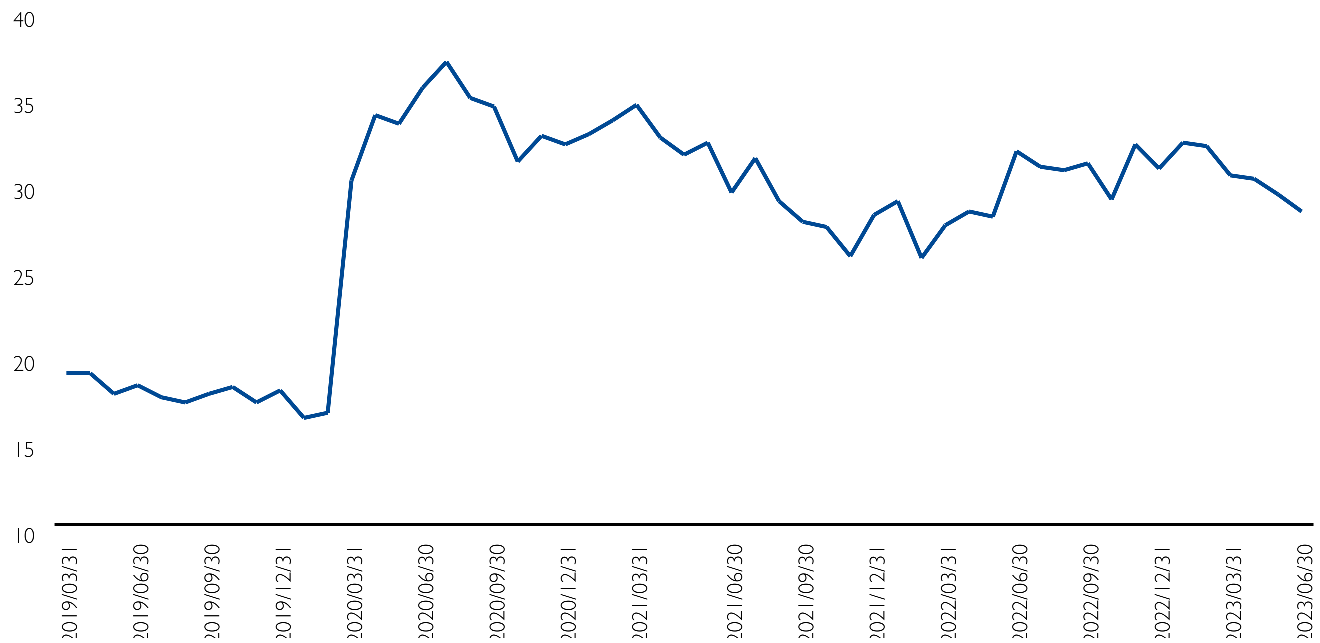
Taking a longer perspective, risk of loss was well within the desired range, at 16.5%, in February 2020. The market slump triggered by Covid-19 in March 2020 led to a sharp increase in the risk of loss as volatility spiked. The CVaR peaked at 36.9% in July 2020 and has shown a downward trend since then.

Risk of loss review

	Expected shortfall – CVaR (%)		
Asset class	**30 June 2023**	**31 May 2023**	**30 June 2022**
Total	**28.2**	**29.2**	31.7
Local cash	**0.9**	**0.5**	1.1
Local equity[1]	**52.4**	**56.2**	58.0
Local hedge funds	**0.7**	**0.7**	0.6
Local ILB	**37.7**	**36.4**	34.4
Local nominal bonds	**29.5**	**30.0**	29.5
Local multi-asset class	**16.9**	**16.7**	11.6
Local property	**67.7**	**68.8**	71.0
International cash	**33.0**	**34.0**	34.3
Africa ex South Africa[2]	**29.8**	**31.9**	25.2
Emerging market equity	**38.3**	**40.6**	47.4
International equity	**37.3**	**37.7**	41.7
China A	**55.9**	**55.2**	50.1
International property	**0**	**0**	0

1 Includes private equity
2 Excludes South African equities

Five-year trend in the Fund's risk of loss indicator



Elevated CVaR presents some discomfort but preliminary analysis indicates that the Fund would need to deviate substantially from its strategic asset allocation – and consequently be unable to meet its long-term investment return target – to reduce CVaR to below 25%. Management is therefore comfortable with allowing a gradual CVaR decline over time, especially as other risk measures – including the funding ratio and the tracking error (see below) – are within acceptable range.

In addition, our forthcoming tender for the appointment of a new ALM actuary will include the conduct of a risk budgeting review which will consider (among other things) whether the current CvaR target range of 15% to 25% is appropriate.

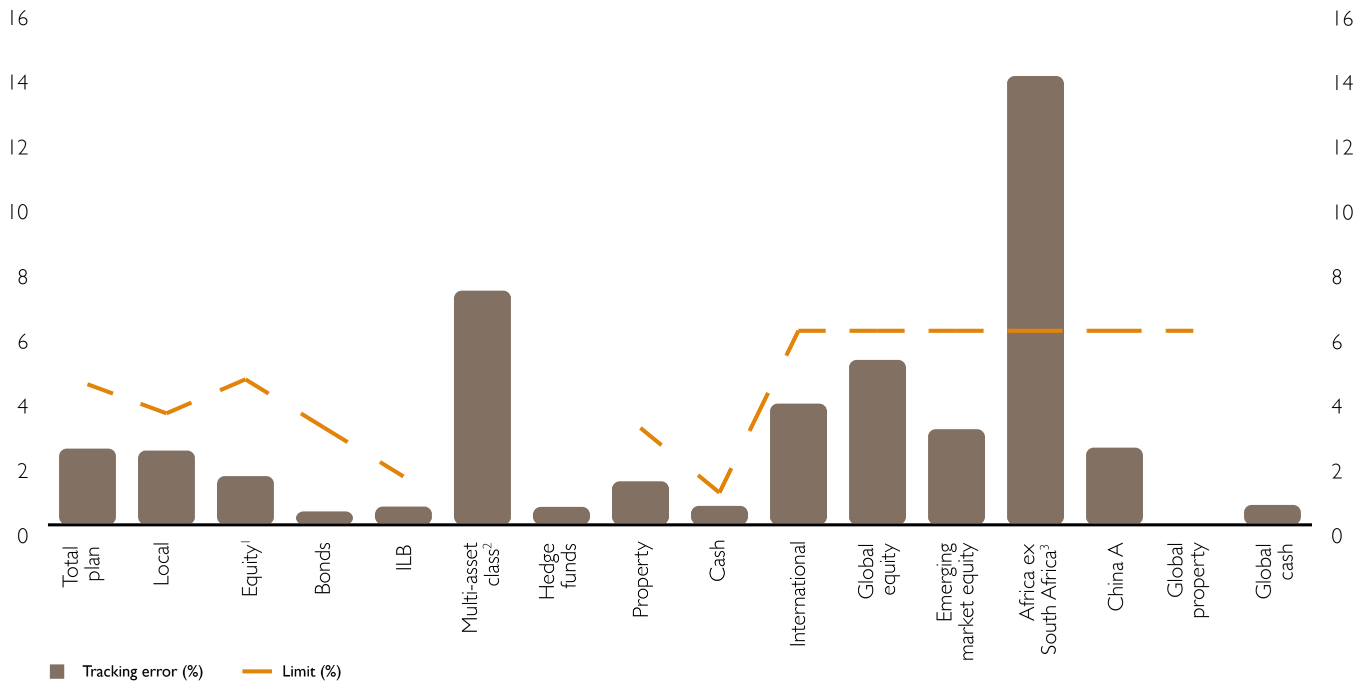
The tracking error indicates the expected volatility of active returns – that is, the difference between the portfolio return and the benchmark return. It is a forward-looking risk number that is generated by MSCI BarraOne, a multi-class investment risk system adopted by the Fund in 2014. The Africa ex South Africa asset class was once again the only one to breach its limit. In this instance, the breach was due to our addition of an African euro bond portfolio to this asset class which changed the asset mix and resulted in a mismatch with the benchmark.

Tracking error by asset class

	Tracking error (%)				
Asset class	**30 June 2023**	**31 May 2023**	**30 June 2022**	**Limit (%)**	**Status***
Total plan	**2.35**	**2.41**	1.61	4.35	
Local	**2.29**	**2.34**	1.64	3.45	
Equity[1]	**1.50**	**1.68**	1.20	4.5	
Bonds	**0.41**	**0.51**	0.50	3.0	
ILB	**0.56**	**0.49**	0.57	1.5	
Multi-asset class[2]	**7.23**	**6.98**	4.71		
Hedge funds	**0.55**	**0.56**	0.55		
Property	**1.34**	**1.07**	0.89	3.0	
Cash	**0.58**	**0.64**	0.76	1.0	
International	**3.74**	**3.51**	3.17	6.0	
Global equity	**5.09**	**5.05**	5.07	6.0	
Emerging market equity	**2.95**	**2.94**	3.12	6.0	
Africa ex South Africa[3]	**13.86**	**13.64**	12.11	6.0	
China A	**2.38**	**2.63**	5.95	6.0	
Global property	**0.00**	**0.00**	0.00	6.0	
Global cash	**0.61**	**0.52**	0.21		

1. Includes private equity
2. Mainly asset allocation overlay (AAO); development impact fund (DIF)
3. Excludes South African equities
** Red means tracking error limit was exceeded*

Asset class tracking error as at 30 June 2023 (%)



Private market investments

The Fund's private markets mandate is to invest through its three portfolios:

- Private equity, within which we allocate to buyout, growth and venture capital.
- Real assets, which comprise core, core-plus and value-add.
- Developmental impact portfolios, where we prioritise investments that address South Africa's priority development needs, including healthcare, education and the growth of rural and township economies.

The Fund's allocation to private markets as at 30 June 2023 was 6% of total AuM. Our allocation to private markets, within the limits prescribed by Regulation 28 of the Pensions Fund Act, is determined by their ability to meet specified return targets, generate steady cashflows and positively impact the communities we live in.

Our investments in **real estate and infrastructure** generate stable cashflows that keep up with inflation, while our **developmental impact investments** in healthcare, education and the rural economy contribute to eradicating the legacy of racially based spatial planning.

The EPPF has billions of rands in exposure to **renewable energy**, with scope to do significantly more in solar, wind and hydrogen. The Renewable Independent Power Producer Programme (REIPPP) is perhaps South Africa's best partnership between state and private investors, attracting significant local and international investment, contributing to economic growth, and creating jobs. As a member of the Asset Owner Net Zero Alliance, it is the Fund's duty to encourage partners to de-carbonise and to invest in sectors that actively support the race to net zero emissions by 2050.

While the EPPF is fully behind the need to reach net zero as well ensuring social justice through targeted infrastructure development, it is important to re-emphasise that investing in private markets, like every asset class, is first and foremost about generating the appropriate level of returns to allow the Fund to pay competitive benefits to its 80 000 members, now and into the future.

On occasion, results have been sub-optimal and management continuously learns from past decisions. For example, it is common cause that our Africa ex SA allocation has been below expectations, while **South African private equity** has experienced a few difficult years. The local private equity industry has matured and time has separated the good from the rest, allowing asset owners to reduce our selection risk.

Important features of our private markets programme, covered earlier in this integrated report, are:

- Our current endeavours to create a listed **infrastructure vehicle**, in partnership with the Asset Owners Forum, to provide finance for public and private infrastructure developments.

See page 36.

- The continued success of our R2bn **Private Markets Manager Development Programme**, which supports the growth and sustainability of black-owned and -managed private markets fund managers.

See page 37.

- The adoption of an **environmental, social and governance (ESG) investing framework** to support our more profound appreciation of what sustainable investing entails.

See page 36.

Over the last two years, the EPPF has ramped up its exposure to **real assets and private equity outside Africa** with positive early signs. We have made significant allocations via a mix of primaries, secondaries and co-investments. The denominator effect, pervasive in developed markets, has increased the number of investors looking for exits to right-size their private markets exposure. While this makes the exit environment more challenging, it also presents substantial secondaries opportunities.

Our **developed markets** portfolio will be expanded in future to include opportunities in **private credit and venture capital**.

- The current interest rate environment is fertile ground for private credit, yielding equity-like returns with comparatively low risk.
- The EPPF is finally rolling out its venture capital, starting in the mature North American market and in the near-to-medium term expanding to South Africa and possibly other emerging markets.

The IMU is launching an **online proposal platform** through which external partners can submit proposals for investment opportunities. This will enable our private markets team to process these proposals with greater speed and transparency.

The EPPF's mission is to manage the investment portfolio in an efficient and risk aware manner to generate returns for the benefit of EPPF's stakeholders and beneficiaries. The Fund's investment strategy and processes reflect Fund investment beliefs, and governance and sustainability strategy.

Markets are inefficient and active management at an efficient cost, add value to portfolios.

Opportunities to earn excess returns arise out of the markets' mispricing. We understand risk is multi-faceted, and that our investment decision-making processes must consider different risk profiles. Thus, the Fund is intentional in where and how we assume investment risk. To this end, the EPPF Private Markets Portfolio has historically been sub-divided into Private Equity, Development Impact and Real Assets Portfolios. These offer investors varying degree of expected risk and return profile.

The focus of the EPPF's management is to construct a portfolio and ensure manager selection that will deliver superior risk adjusted returns with the intention of consistently outperforming listed equities and reducing volatility. The Private Markets Portfolios are long-term in nature.

The 2020 COVID pandemic has impacted non-technology related vintages from emerging markets, including South Africa, severely*. The current performance numbers reflect this status. There has been some recovery in these markets over the past three years, however this recover has been at a slow pace. As a result the SA Private Equity programme which has outperformed benchmarks over a 20 period prior to COVID, is currently underperforming its benchmarks. This is a result of high allocations to vintages prior to COVID and limited allocations to high performance strategies that were able to withstand COVID such as technology and digital strategies.

Initiatives the team has undertaken to improve the performance of the portfolio include diversification of the portfolio geographically and strategically and a targeted co-investment and secondary programmes to efficiently improve investment costs. Additional initiatives the Fund is undertaking include integration of sustainability goals and ESG in the investment processes in addition to a deeper integration of data in decision-making process.

The Real Assets Portfolio has recently had a positive start as the strategy has been to invest in high-quality, essential core assets in defined target markets with stable cash flows held through business cycle.

* *The vintage year of a private equity (PE) fund effectively launches the clock of the 10-year typical lifespan of most term PE funds.*

Returns on EPPF private market investments (%)

	1 Year			3 Years			5 Years		
	Fund	Target	Relative	Fund	Target	Relative	Fund	Target	Relative
Private equity	15.42	5.4	10.0	9.80	5.8	4.0	5.24	5.0	0.3
Private equity – South Africa	2.74	5.4	(2.6)	8.76	5.8	2.9	2.41	5.0	(2.5)
Private equity – rest of Africa	25.22	5.4	19.8	7.08	5.8	1.2	4.93	5.0	0.0
Private equity – developed markets	33.33	5.4	28.0						
Venture capital – developed markets									
Private equity – emerging markets	(11.10)	5.4	(16.5)						
Development impact investing	(6.36)	5.4	(11.7)	(1.44)	5.8	(7.3)	0.25	5.0	(4.7)
Real assets	12.53	5.4	7.2	9.11	5.8	3.3			
Real assets – South Africa	8.40	5.4	3.0	10.82	5.8	5.0			
Real assets – rest of Africa	15.00	5.4	9.6	3.52	0.0	3.5			
Real assets – developed markets	18.16	5.4	12.8						
Thuso incubation	10.25	5.4	4.9	2.15	5.8	(3.7)			
Total private markets	10.01	5.4	4.6	7.07	5.8	1.2	4.96	5.0	0.0

	7 Years			10 Years			Since inception		
	Fund	Target	Target	Fund	Target	Relative	Fund	Target	Relative
Private equity	5.30	4.9	0.4	6.5	12.2	(5.6)	11.27	11.7	(0.4)
Private equity – South Africa	3.20	4.9	(1.7)	5.4	12.2	(6.7)	15.18	11.7	3.5
Private equity – rest of Africa	5.05	4.9	0.1	5.8	12.2	(6.3)	5.72	3.1	2.6
Private equity – developed markets							47.12	5.1	42.0
Venture capital – developed markets							(12.26)	2.5	(14.8)
Private equity – emerging markets							(9.44)	7.4	(16.8)
Development impact investing	2.27	4.9	(2.7)	5.0	8.2	(3.1)	9.55	8.7	0.8
Real assets							10.54	3.9	6.6
Real assets – South Africa							10.74	2.5	8.2
Real assets – rest of Africa							7.94	3.9	4.0
Real assets – developed markets							15.23	3.8	11.4
Thuso incubation							0.86	2.8	(2.0)
Total private markets	5.23	4.9	0.3	6.48	10.2	(3.7)	10.30	8.2	2.1

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

** *The target for Thuso is 60% RA (CPI + 4.5%) and 40% PE (CPI + 7%)*

** *The target for total private markets is the weighted sum of the underlying*

Asset managers

Asset managers – listed markets

Domestic

- Aeon Investment Management Proprietary Limited
- Aluwani Capital Partners Proprietary Limited
- Benguela Global Fund Managers Proprietary Limited
- Catalyst fund Managers Proprietary Limited
- Coronation Fund Managers Proprietary Limited
- Excelsia capital Proprietary Limited
- Sanlam Investment Management Proprietary Limited
- Ninety-One Management Proprietary Limited
- Camissa Asset Management
- Matrix Fund Managers Proprietary Limited
- Mazi Capital Proprietary Limited
- Meago Trading Proprietary Limited
- Mergence Investment Managers Proprietary Limited
- Mianzo Asset Management Proprietary Limited
- Old Mutual Investment Group Proprietary Limited
- Perpetua Investment Management Proprietary Limited
- Stanlib Asset Management Proprietary Limited
- Value Capital Partners
- Lima Mbeu Investment Managers

International

- Allianz Global Investors GMBH
- Ashmore Group (PLC)
- Black Rock Investment Management (UK) Limited
- Emerging Markets Investment Management
- Morgan Stanley Investment Management Limited
- Robeco Institutional Asset Management
- Sanlam-Centre Asset Management LLC
- SEI investments (Europe) Limited
- State Street Global Advisors Limited
- UBS AG
- Veritas Asset Management LLP

Asset managers – private markets

Private equity programme

Local

- Crossfin Ventures Pty Ltd
- Gamatek
- Pape Fund 3 General Partn
- Brait IV
- Capitalworks Privtae Equity
- Capitalworks Private Equity
- Capitalworks Private Equity
- Ethos Private Equity Fund V
- Ethos Private Equity Fund VI
- Ethos Mid-Market Fund I
- Kleoss Fund I
- Medu III Capital Fund
- Ompe Fund IV Partnership
- Sphere Hld Pty Ltd
- Trinitas Private Equity Fund
- Vantage Capital Fund I TR
- Vantage Mezzanine Fund I
- Vantage Mezzanine Fund 2
- Vantage Mezzanine Fund 3
- Vantage Mez IV SA SF Part
- Thuso Private Markets Fund I Part

International

- Pantheon Asia Slp Sicav S
- Africa Dev Partners 3
- Alpinvest AAf CI-B
- Alpinvest Afof
- Alpinvest Sec Fund VII
- Alpinvest Co-I Fund of VIII
- Capital Alliance P E III
- Capital Alliance Private Equity 4
- Carlyle Property Investor
- Helios Private Equity
- Helios Private Equity Fnd 3
- Ninety One Africa Private Eqty 2 LP
- Neoma Africa Fund
- Neoma Africa Fund 3
- Novare Africa Property Fund 2
- Pan Africa Infrst Dev Fund
- Truebridge EPPF I Trucaym
- Truebridge Direct Fund III LP
- Truebridge Direct Fund I LP
- Top Tier Feeder Management
- Vantage Mezz 3 Pan Africa Fund

Development impact portfolio

Local

- Busamed Pty Ltd
- Capital Harvest Pty Ltd
- Housing Impact Fund SA
- IHS Social Housing SA
- IHS Social Housing SA P
- Intuthuko Equity Fund
- Nova Pioneer Property SPV
- Old Mutual Life Ass Fg Pl
- Reimagine Soc Imp Ret Fi
- South African SME Debt Fund
- Transflow RF Proprietary
- TUHF Ltd
- Van Schaick Book Stores
- IHS Fund II SA Feeder LP
- Nova Pioneer Sch for Inv
- SA Student Accomd Imp Inv
- Sch Edu Inv Imp Fund Sa
- Stanlib Infrst Private Eqty Fund I
- Vantage Green X Fund Ad II

Chief Investment Officer's Report *continued*

Real assets portfolio programme	
Local	**International**
• Plumbago Inv-DSV Campus • Revego Africa Energy Ltd • The Stanlib Inf Fof Partn • Mpande Property Fund • BGO Real Estate Opport Fund	• Eaglecrest Infrastructure • Lango Real Estate Ltd • Futgrowth Infra Dev Bd Fund

Investments managed by internal team

The internal management team managed local listed equities, local listed property and fixed income mandates.

Local	Sector
EPPF Asset Overlay	Fixed income
EPPF Call I	Local cash
EPPF Core Equity A	Listed equity
EPPF Core Equity B	Listed equity
EPPF Government Bond	Government bond
EPPF Inflation-Linked	Inflation-linked bond
EPPF Listed Property	Listed property
OM_ESKOM Pens and Prov Fund	Surplus equities
EPPF Money Market 2	Money market
EPPF Office Park	Property
EPPF Private Equity 3 and 3A	Private equity
RMB Morgan Stanley Ltd	Cash
SWIX Top 40 Index Tracker Fund	Listed equity
EPPF Internal Transition Portfolio	Cash
EPPF Equity-Linked	Equity
Private Equity Incubation	Private equity
Northern Trust	Cash
EPPF Real Assets	Private equity
EPPF Equity Share I	Equity
MSCI Emerging ELN	Equity
MSCI China A ELN	China equity
Africa Bonds	Africa bond

Listening, learning, **securing your future**

Our five-year-plan includes participation of multiple employers and the introduction of a defined contribution option that includes a money purchase component on the Fund's financial position

Investment management fees

Investment management fees by asset class July 2022 to June 2023

	MV as at 30 June 2023 R '000	Transaction fees (12 months) R '000	Management fees incl. transaction fees (12 months) R '000	Percentage of total Aum R '000	Effective management and performance fees (12 months) R '000	Portfolio return (rolling 12 months) (%)	Benchmark return (rolling 12 months) (%)	Over/under performance (%)
Domestic	**127 408 745**	**33 271**	650 404	73.24	0.52	9.16	7.94	1.13
Equity	**81 666 110**	**32 051**	584 011	45.77	0.74	13.32	13.59	(0.24)
Bonds	**32 662 659**	**882**	27 230	19.90	0.08	10.53	10.25	0.25
Nominal bonds	**7 850 772**	**600**	19 453	5.06	0.24	9.01	8.23	0.72
Inflation linked bonds	**24 811 887**	**282**	7 778	14.80	0.03	(2.31)	(2.45)	0.14
Hedge funds	**1 587 802**	**277**	10 681	0.79	0.73	18.73	6.76	11.21
Listed property	**10 413 949**	**61**	27 542	5.94	0.28	8.53	8.94	(0.38)
Unlisted property	**112 000**		–	0.07	–	7.00	6.76	0.22
Internal cash	**966 225**		940	0.82	0.08	6.94	6.76	0.17
International ex Africa	**57 396 344**	**11 343**	210 566	24.21	0.41	27.28	27.74	(0.36)
Equity	**56 812 131**	**11 343**	210 566	24.00	0.41	27.50	27.82	(0.25)
Cash	**584 213**		–	0.21	–	19.88	19.96	(0.07)
Africa ex SA	**4 955 089**		33 160	2.56	0.71	16.30	14.40	1.66
Total	**189 760 178**	**44 614**	894 129	100	0.47%			

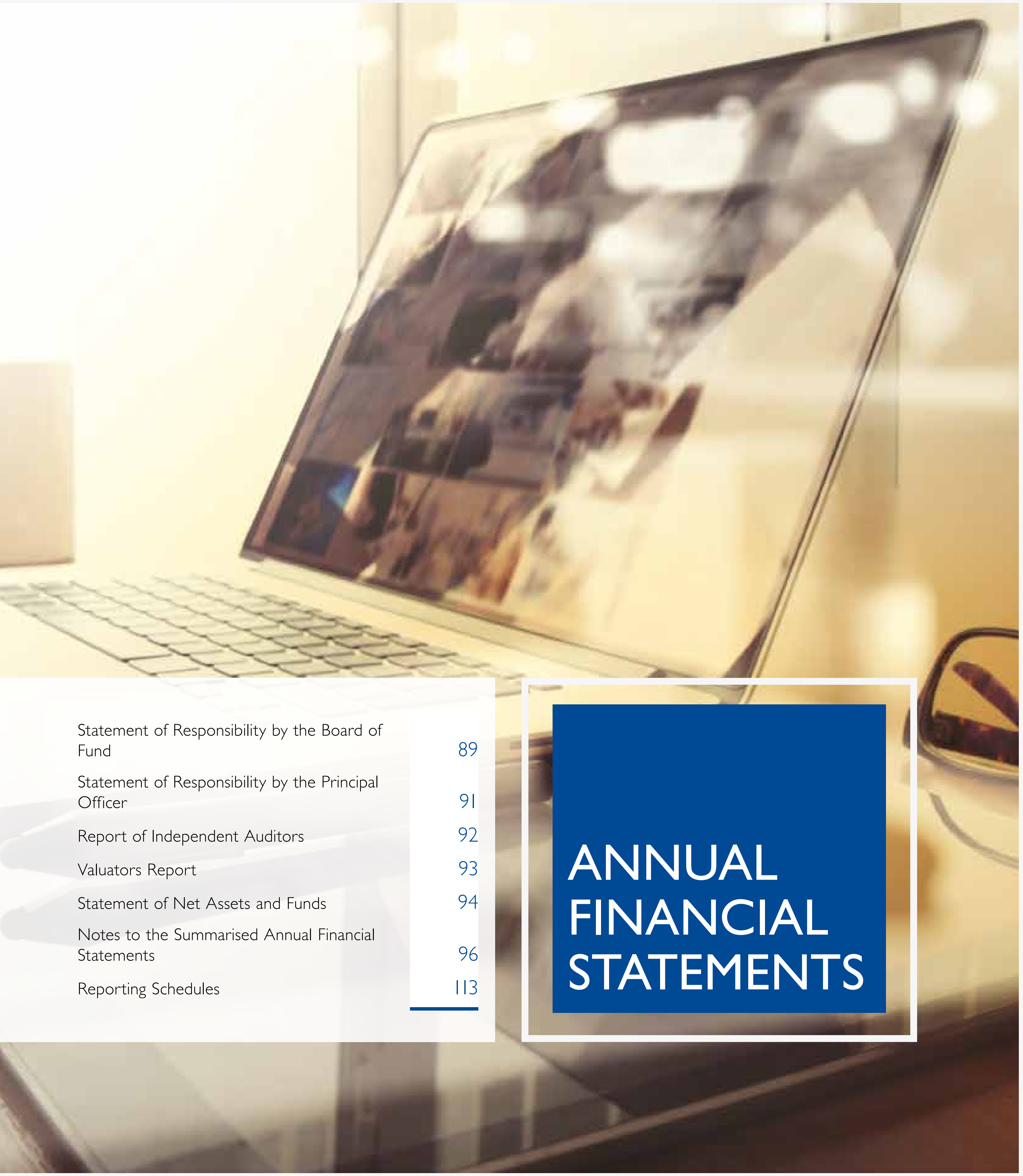
Analysis of fees

	30 June 2023 R'000	30 June 2022 R'000
Total AuM	**189 760 178**	169 977 886
External management fees	**714 337**	640 862
Internal management fees	**120 332**	98 961
Transaction costs	**44 614**	30 696
Total	**894 129**	770 520

Leading with conviction

In closing, our identity as investment fiduciaries compels us to find inventive solutions that align with the dynamic changes in the investment landscape. This commitment, combined with our innovative mindset, ensures that we are well-equipped to navigate the ever-evolving financial terrain with dedication to the financial well-being of those we serve. As we continue this exciting journey, we remain resolute about delivering excellence, shaping the future of investment, and ensuring a secure retirement for our valued members.

Sonja Saunderson
Chief Investment Officer



ANNUAL FINANCIAL STATEMENTS

Statement of Responsibility by the Board of Fund

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, operation and administration of the Fund complied with the Pension Funds Act and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The annual financial statements of 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 annual financial statements set out on pages 94 to 112 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the Pension Funds Act. Except for instances of non-compliance as reported below, the Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These annual financial statements have been reported on by the independent auditors, BDO South Africa Incorporated, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on page 92.

Instances of non-compliance

The following instances of non-compliance with acts, legislation, regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were rectified before the Board of Fund's approval of the financial statements:

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
1. The participating employer Eskom Holdings SOC Limited was unable to fill an employer appointed Board of Fund vacancy within the required 90 days.	None.	The position was filled on 16 August 2023.

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. There was no Recognition of Transfer (ROT) documentation received/processed for a member who joined Eskom in the year 2012.	The Fund's investigations revealed that an ROT was completed by the transferor fund. Therefore, to resolve the query and not prejudice the member, the member's record was updated accordingly to reflect the transfer in value with the applicable investment return over the period from receipt of the benefit from the transferor fund.	Member records have been updated

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:

3. As previously reported, the Fund identified individuals who are ineligible to participate in the Fund. This matter is disclosed and will continue to be disclosed as a matter of non-compliance in the Statement of Responsibility by the Board of Fund section in the financial statements of the Fund until it is resolved.	Individuals who are ineligible for membership due to their employment contracts being of a non-permanent nature.	The Fund has conducted an assurance exercise on membership records to determine and affirm membership. Discussions are ongoing with the participating employers and legal processes are underway to resolve the matter.
4. In the prior year, the Fund disclosed a matter of non-compliance relating to incorrect deduction of PAYE on staff bonuses that was due to the incorrect setup of the payroll system. The payroll function is outsourced to a third party. The matter relating to the November 2021 incorrect bonus tax deduction was corrected within the 2022 tax year as part of the annual SARS reconciliation process. In the prior year, it was also indicated that investigations were being conducted to assess impact, if any, of the incorrect payroll setup on prior years. The investigation has been concluded and it was found that the error also impacted the 2019 and 2020 bonus payments, resulting in an under-deduction of tax from the affected employees.	Incorrect PAYE deducted and paid over to SARS may result in additional interest and penalties.	The 2021 bonus tax matter was corrected during the 2022 tax reconciliation period. Following conclusion of the detailed investigation to assess impact on prior years, the Fund has commenced with a remediation process and has also taken measures to recover the under-deducted amounts from affected employees.

These annual financial statements:

- were approved by the Board of Fund on 1 November 2023;
- 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 2023, 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
Chairman

Mr Izak David Du Plessis
Board Member

Ms Molibudi Anah Makgopa
Board Member

1 November 2023

Statement of Responsibility by the Principal Officer

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
Ineligible member participation.	The Fund conducted an independent assurance exercise on membership records and is currently in discussions with the participating employers and embarking on legal processes to resolve the issues.
There was no Recognition of Transfer (ROT) documentation received/processed for a member who joined Eskom in the year 2012.	The members retirement records were updated.
Incorrect tax deductions (PAYE) on staff bonus payments in tax years 2019 to 2021.	The Fund has conducted an investigation into the matter to determine the appropriate action to be taken. A remediation process is underway.
The participating employer Eskom Holdings SOC Limited was unable to fill an employer appointed Board of Fund vacancy within the required 90 days.	The position was filled on 16 August 2023.

Mogomoet Shafeeq Abrahams
Principal Officer

1 November 2023

Independent Auditor's Report on the Summarised Annual Financial Statements

For the year ended 30 June 2023

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 94 to 112 of the Integrated Report, which comprise the summarised statement of net asset and funds as at 30 June 2023, 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 2023.

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 2 November 2023.

Board of Fund Responsibility for the Summarised Annual Financial Statements

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

Auditor's Responsibility

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

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

Terri Weston
Director
Registered Auditor

16 November 2023

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

Valuator's Report

Particulars of financial condition of the Fund as at 30 June 2023

An annual actuarial valuation was carried out as at 30 June 2023. 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 – R188 556 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R188 556 million.
3. The actuarial present value of promised retirement benefits – R95 856 million vested, and R0 non-vested.
4. Contingency reserve account balances total – R25 967 million.

   At 30 June 2023 the individual contingency reserve balances are as follows:
   - Solvency Reserve – Active members: R8 763 million
   - Solvency Reserve – Pensioners: R10 681 million
   - Contribution Reserve: nil
   - Pension Increase Affordability Reserve: R6 523 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 (if any) for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve. No additional provision was made to fund in advance for the annual pensioner bonus in respect of current pensioners.
6. The key financial assumptions are that investment returns will exceed salary inflation by 7.0% per annum (5.9% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 8.4% per annum (8.2% at the previous valuation). The yield used to calculate the solvency reserve was equal to the assumed yield on index-linked bonds at the valuation date, adjusted for real salary increases and asset management fees. The approach is unchanged from the previous valuation.
7. Members contribute at 7.3% of pensionable salaries and the employers contribute 13.5%. There is an excess relative to the fixed contribution rate payable in terms of the rules. At the valuation date this excess amounted to 6.37% of pensionable salaries (compared with an excess of 3.97% at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2023 for the purposes of the Pension Funds Act, 1956.

Prepared by me:

Liesel V Ryan
Valuator

Fellow of the Actuarial Society of South Africa

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

2 November 2023

Summarised Statement of Net Assets and Funds

As at 30 June 2023

	Note	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**191 030 380**	169 998 383
Plant and equipment	2	**20 617**	20 497
Investments	3	**191 009 763**	169 977 886
Current assets		**1 030 666**	677 634
Accounts receivable	4	**720 353**	397 477
Arrear contributions	10	**291 373**	268 205
Cash at bank		**18 940**	11 952
Total assets		**192 061 046**	170 676 017
FUNDS, SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		**162 616 926**	146 776 448
Normal retirement		**156 658 352**	140 832 543
Additional voluntary contribution scheme		**541 826**	528 769
Performance bonus scheme		**5 416 748**	5 415 136
Total reserves			
Reserve accounts	19	**25 967 000**	21 837 000
Total funds and reserves		**188 583 926**	168 613 448
Non-current liabilities			
Unclaimed benefits	8	**245 586**	274 987
Current liabilities		**3 231 534**	1 787 582
Transfers payable	6	**42 666**	45 224
Benefits payable	7	**1 346 850**	1 498 093
Accounts payable	9	**1 770 509**	198 150
Accruals	15	**71 509**	46 115
Total funds and liabilities		**192 061 046**	170 676 017

	Note	**Normal retirement R'000**	**Additional voluntary contribution scheme R'000**	**Performance bonus scheme R'000**	**A Members' individual accounts and accumulated funds R'000**	**B Reserve accounts Refer note 19 R'000**	**A+B Total 2023 R'000**	**Total 2022 R'000**
Contributions received and accrued	10	3 889 061	44 963	80 941	4 014 965	–	**4 014 965**	3 784 805
Net investment income	11	22 851 654	30 700	297 430	23 179 784	–	**23 179 784**	6 801 030
Allocated to unclaimed benefits	8	(30 795)	–	–	(30 795)	–	**(30 795)**	(37 499)
Other income	12	19 741	–	–	19 741	–	**19 741**	20 504
Less: Administration expenses	13	(223 638)	–	–	(223 638)	–	**(223 638)**	(195 540)
Net income before transfers and benefits		26 506 023	75 663	378 371	26 960 057	–	**26 960 057**	10 373 300
Transfers and benefits		(6 589 490)	(62 574)	(376 759)	(7 028 823)	–	**(7 028 823)**	(7 104 219)
Transfer from other funds	5	13 663	–	–	13 663	–	**13 663**	4 317
Transfer to other funds	6	(392 267)	–	–	(392 267)	–	**(392 267)**	(296 797)
Benefits	7	(6 210 886)	(62 574)	(376 759)	(6 650 219)	–	**(6 650 219)**	(6 811 739)
Net income/(loss) after transfers and benefits		19 916 533	13 089	1 612	19 931 234	–	**19 931 234**	3 269 081
Funds and reserves								
Balance at the beginning of the year	19	140 832 543	528 769	5 415 136	146 776 448	21 837 000	**168 613 448**	165 328 634
Prior period adjustment	14	39 276	(32)	–	39 244	–	**39 244**	16 848
Transfers between reserve accounts	19	(4 130 000)	–	–	(4 130 000)	4 130 000	**–**	–
Former members		–	–	–	–	–	**–**	(1 115)
Balance at the end of the year		156 658 352	541 826	5 416 748	162 616 926	25 967 000	**188 583 926**	168 613 448

Notes to the Summarised Annual Financial Statements

For the year ended 30 June 2023

1. Principal accounting policies

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

1.1 Purpose and basis of preparation of annual financial statements

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

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

1.2 Plant and equipment

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

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

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

The periods of depreciation used are as follows:

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

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

1.3 Intangible assets

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

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

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

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

Impairment of non-financial assets

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

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

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

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

1.4 Financial instruments

Recognition and measurement

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

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

Unsettled trades are buys and sells within the investment portfolio where the buy or sell has not yet settled i.e. cash is still being transferred. Unsettled trade receivables are financial assets measured initially at fair value and subsequently measured at amortised cost. Unsettled trade payables 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. Unsettled trades are disclosed under Trade receivables (Schedule HA note 4) and Trade payables (Schedule HA note 9) on the Statement of Net Assets and Funds.

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

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

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

1.4.1 Investments

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

Bills and bonds

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

Listed bills and bonds

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

Unlisted bills and bonds

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

1. Principal accounting policies *continued*

1.4 Financial instruments *continued*

1.4.1 Investments *continued*

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 valuators.

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 Johannesburg Stock Exchange (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.

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 remeasured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when 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.

1.4.2 Accounts receivable

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

1.4.3 Cash and cash equivalents

Cash and equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of 12 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.

1.4.4 Accounts payable

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

1.5 Reserves

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

1.6 Provisions, contingent liabilities, contingent assets and accruals

Provisions

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

Contingent liabilities

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

1. Principal accounting policies *continued*

1.6 Provisions, contingent liabilities, contingent assets and accruals *continued*

Contingent assets

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

Accruals

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

1.7 Contributions

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

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

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

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

1.8 Net investment income

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

Dividends

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

Interest

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

Rentals

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

Collective investment schemes' distribution

Distributions from collective investment schemes are 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.

Adjustments to fair value

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

Expenses incurred in managing investments

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

1.9 Benefits

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

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

1.10 Unclaimed benefits

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

1.11 Transfers to and from the Fund

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

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

All the above transfers are measured at the values as per the Section 14 application or the value of the transfer at 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.

1.12 Administration expenses

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

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

1.13 Related parties

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

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

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

1.14 Accounting policies, change in accounting estimates and errors

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

1.15 Impairment

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

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

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

1. Principal accounting policies *continued*

1.16 Returns allocated to schemes

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

1.17 Leases

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

2. Plant and equipment

2.1. Current year

Gross carrying amount	Capitalised development costs R'000	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Cost at beginning of year	**13 245**	**14 870**	**1 512**	**7 377**	**305**	**37 309**
Additions	**1 891**	**2 692**	**–**	**–**	**–**	**4 583**
At end of year						
Accumulated depreciation and impairment	**15 136**	**17 562**	**1 512**	**7 377**	**305**	**41 892**
At beginning of year	**–**	**(10 204)**	**(884)**	**(5 648)**	**(76)**	**(16 812)**
Depreciation charges	**(690)**	**(2 647)**	**(279)**	**(870)**	**(61)**	**(4 547)**
Accumulated depreciation on disposals	**–**	**84**	**–**	**–**	**–**	**84**
At end of year	**(690)**	**(12 767)**	**(1 163)**	**(6 518)**	**(137)**	**(21 275)**
Net carrying amount at end of year	**14 446**	**4 795**	**349**	**859**	**168**	**20 617**

The capitalised development costs were brought into use during the year under review resulting in amortisation charges.

Note 1

Capitalised development costs

	Net carrying amount at end of period
Description	
Application testing tool	**5 502**
Cloud transformation	**1 677**
Member administration system	**5 982**
Website development	**1 285**
Total	**14 446**

2.2. Prior year

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

3. Investments

3.1. Investment summary

	Note	Local R'000	A Foreign R'000	B Total 2023 R'000	A+B Total 2022 R'000	Fair value current year R'000	Categorised per reporting framework
Cash		3 808 382	1 059 693	**4 868 075**	3 871 531	4 868 075	
Commodities		16 095	–	**16 095**	–	16 095	
Debt instruments including Islamic debt instruments		31 992 557	6 303 804	**38 296 361**	35 339 624	38 296 361	
Investment properties and owner occupied properties*	3.3.	112 000	–	**112 000**	113 000	112 000	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		75 470 157	36 130 307	**111 600 464**	102 464 111	111 600 464	
Collective investment schemes		–	18 761 013	**18 761 013**	14 527 218	18 761 013	
Hedge funds		1 587 802	–	**1 587 802**	1 337 361	1 587 802	
Private equity funds		6 994 332	6 600 307	**13 594 639**	9 874 310	13 594 639	
Investment in participating employer(s)	3.2.	2 173 314	–	**2 173 314**	2 450 731	2 173 314	
Total		122 154 639	68 855 124	**191 009 763**	169 977 886	191 009 763	

* *Property consists of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator, Mwangala Shamaila (professional valuer). The valuation was performed as at 30 June 2023. The valuator used the following assumptions in determining the fair value of the land and buildings: competent property management is in place, reasonably stable economic conditions, and stable interest rates which influence real estate values. Assumptions are made on expiry of leases for vacancies. During the void revenue period (property vacancy period) the property may be relet and fitted out for the new tenant. These capital costs as well as agency commission fees are calculated into the cash flow. The fair value was determined by reference to s13 of the JSE regulations regulating listed company property transactions as effective March 2013. If the land and buildings had been carried at the cost model, the value of the land and buildings would have been R63 413 133.*

Bank and cash

Included in the Fund's cash at bank is a facility of Financial Guarantee of R10 500, Debt Financing of R23 000 000, Exchange Traded Futures of R1 000, Derivatives of R200 000 000 and Derivative Settlement of R500 000 000.

3. Investments *continued*

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	2 450 731	13 630	(291 047)	**2 173 314**
Total	2 450 731	13 630	(291 047)	**2 173 314**

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**	**2023/06/30**	**No**	**113 000**	**(1 000)**	**112 000**
Total of properties					**113 000**	**(1 000)**	**112 000**

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 cash flow	2022/06/30	No	109 000	4 000	113 000
Total of properties					109 000	4 000	113 000

4. Accounts receivable

	2023 R'000	2022 R'000
Accrued investment income	**36 727**	96 171
Pensioner payroll (prepaid)	**318 065**	287 914
Eskom Holdings SOC Limited	**5 209**	–
Prepaid expenses	**3 185**	1 598
Other receivables	**39**	575
Recovery of ineligible member pay-out: Mr BM Molefe*	**11 961**	11 219
Unsettled trades**	**345 167**	–
Total	**720 353**	397 477

* *Recovery of ineligible member pay-out: Refer to Schedule E, Significant Matters point 8.2. Interest calculated at the Fund's rate of return to the value of R687 000 (2022: R750 000) was added to the outstanding amount.*

** *In the previous years, the unsettled trades (securities brought and/or sold but not yet settled at reporting date) were classified differently. In the current year, due to materiality of the amount, these have been reclassified and included in Total investments, Accounts receivable and Accounts payable. The reclassification is not a change in accounting policy nor an accounting error, therefore prior years have not been restated. Also refer to schedule HA notes 9 (Accounts payable).*

5. Transfers from other funds

	Effective date	Number of members	A At beginning of year R'000	B Transfers approved R'000	C Return on transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
Individual transfers in*	Various	15	–	13 663	–	(13 663)	**–**
Total		15	–	13 663	–	(13 663)	**–**
Transfers approved (B)							**13 663**
Return on transfers (C)							**–**
Statement of changes in net assets and funds							**13 663**

Included in the transfer in is an amount of a member who was reinstated after the CCMA case. This reversal includes the previous benefit transferred out, plus growth within the other fund during the break in membership.

6. Transfers to other funds

	Effective date	Number of members	A At beginning of year R'000	B Transfers approved R'000	C Return on transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
Individual transfers out	Various	166	45 224	392 267	–	(394 825)	**42 666**
Total		166	45 224	392 267	–	(394 825)	**42 666**
Transfers approved (B)							**392 267**
Return on transfers (C)							**–**
Statement of changes in net assets and funds							**392 267**

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	123 264	4 789 416	–	(4 790 588)	–	**122 092**
Lumpsums on retirements						
– Pensions commuted	150 244	858 872	–	(883 729)	(106)	**125 281**
Lumpsums before retirement						
– Death and disability benefits	287 374	106 864	1 799	(172 249)	(2 399)	**221 389**
– Withdrawal benefits	274 954	603 039	143	(735 767)	–	**142 369**
Divorce payments	8 671	162 079	848	(153 027)	–	**18 571**
Other						
Instalment lumpsums*	653 586	85 110	42 049	(63 597)	–	**717 148**
Total	1 498 093	6 605 380	44 839	(6 798 957)	(2 505)	**1 346 850**
Benefits for current year (B)						**6 605 380**
Return allocated (C)						**44 839**
Statement of changes in net assets and funds						**6 650 219**

* *Instalment lumpsums relates to benefits due to minor beneficiaries in relation to death and disability benefits of members. In terms of the rules of the Fund these benefits remain part of the Fund's assets and earn return until such time as the beneficiaries are paid the final benefits.*

8. Unclaimed benefits

	2023 R'000	2022 R'000
Balance at the beginning of the year	**274 987**	244 519
Transferred from benefits payable	**2 505**	3 496
Adjustment – opening balance correction*	**(34 270)**	-
Investment income allocated	**30 795**	37 499
Less:		
Benefits paid	**(28 431)**	(10 527)
Balance at the end of the year	**245 586**	274 987

* *The unclaimed benefit adjustment relates to a correction of prior period misstatements that were processed.*

9. Accounts payable

	2023 R'000	2022 R'000
Contributions refundable to Eskom Holdings SOC Limited*	**13 178**	44 272
PAYE	**48 723**	66 102
Unsettled trades payable*	**1 594 752**	–
Investment expenses payable	**68 151**	40 729
Operational suppliers	**40 704**	42 362
Amounts refundable to Mr BM Molefe**	**5 001**	4 685
Total	**1 770 509**	198 150

* *In the previous years, the unsettled trades (securities bought and/or sold but not yet settled at reporting date) were classified differently. In the current year, due to materiality of the amount, these have been reclassified and included in Total investments, Accounts receivable and Accounts payable. The reclassification is a change in accounting policy. Prior years have not been restated. Also refer to schedule HA notes 4 (Accounts Receivable) for the gross effect.*

** *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 R316 000 (2022: R508 000) was added to the contributions refundable to Eskom SOC Limited and ineligible members.*

10. Contributions

	A At beginning of year R'000	B Towards retirement R'000	D Contributions received R'000	A+B-D At end of year R'000
Member contributions received and accrued	93 560	1 364 852	(1 357 793)	**100 619**
Employer contributions received and accrued	169 968	2 524 209	(2 508 100)	**186 077**
Additional voluntary contributions – members	4 677	44 963	(44 963)	**4 677**
Performance bonus scheme member contributions	–	27 158	(27 158)	**–**
Performance bonus scheme employer contributions	–	39 139	(39 139)	**–**
Performance bonus scheme employer contribution: Above maximum payment	–	14 644	(14 644)	**–**
Total	268 205	4 014 965	(3 991 797)	**291 373**
Towards retirement				**4 014 965**
Towards reinsurance and expenses				**–**
Statement of changes in net assets and funds				**4 014 965**

11. Net investment income

	2023 R'000	2022 R'000
Income from investments	**6 920 058**	6 456 010
Dividends	**4 662 110**	4 616 217
Interest	**2 126 547**	1 788 017
Rentals	**8 457**	11 494
Collective investment schemes distribution	**122 944**	40 282
Net profit on sale/redemption of investments	**2 183 823**	6 886 987
Fair value adjustment on investments*	**14 970 032**	(5 771 447)
	24 073 913	7 571 550
Less: Expenses incurred in managing investments**	**(894 129)**	(770 520)
Total	**23 179 784**	6 801 030

* *The substantial increase in net investment income is largely attributable to fair value gains on financial assets driven by strong market performance. Included in the fair value gain/loss are foreign exchange gains/losses on translation of the foreign denominated assets at financial reporting date. In the short-term, the unrealised fair value gains and losses are volatile..*

** *The Fund has an inhouse investment management capability and during the current and previous years direct management expenses relating to this capability of R120.3m (2022: R98.9m) have been allocated to expenses incurred in managing investments (refer note 13).*

12. Other income

	2023 R'000	2022 R'000
Net securities lending fees	**19 741**	19 754
Interest on ineligibility member pay-out	**–**	750
Total	**19 741**	20 504

13. Administration expenses

		2023 R'000	2022 R'000
Actuarial fees		**2 274**	3 177
Audit services		**5 735**	4 697
Audit fees – external		**2 961**	2 403
Audit fees – consulting		**–**	147
Audit fees – internal		**2 774**	2 147
Consultancy fees and legal fees		**21 350**	13 309
Depreciation		**4 547**	3 968
Fidelity insurance		**1 135**	1 382
FSCA levies		**1 870**	1 814
Other expenses		**101 742**	110 468
Bank charges		**2 862**	3 196
Member interaction and related costs		**2 926**	1 851
Office rental		**9 936**	13 014
IT services and rental		**61 785**	65 098
Membership, development and other expenses		**8 626**	4 888
Travel expenses		**5 155**	2 310
Telephone, postage, printing and stationery		**3 988**	4 455
Project costs		**6 464**	15 656
Governance expenses	13.1	**7 902**	7 854
Staff expenses	13.2	**194 435**	145 609
Principal Officer expenses	13.3	**2 980**	2 223
Inhouse investment management expenses*		**(120 332)**	(98 961)
Total		**223 638**	195 540

* *To improve the comparability of investment expenses, the Fund reallocates the direct costs of inhouse investment management to expenses incurred in managing investments (see note 11). Accordingly applicable expenses amounting R120.3m (2022: R98.9m) was reallocated to the costs of managing investments.*

13. Administration expenses *continued*

13.1 Governance expenses

	2023 R'000	2022 R'000
Board of Fund remuneration	**4 896**	4 849
External expert fees	**2 660**	2 098
Travel, training and other expenses	**346**	907
Total	**7 902**	7 854

External experts are appointed to support the Board of Fund in fulfilling its fiduciary responsibilities and serve on the following committees: Audit and Risk Committee, Human Resource and Remuneration Committee, Strategic Investment Committee and the Medical Panel. The increase in external expert fees is due to an increase in the number of experts to support the Board of Fund.

13.2 Staff expenses

	2023 R'000	2022 R'000
Remuneration	**104 344**	93 177
Contributions to retirement fund	**16 485**	12 644
Training expenses	**3 713**	4 035
Provision for bonuses	**52 938**	16 908
Long-term incentive provision	**12 984**	11 882
Levies and insurance	**1 442**	1 403
Recruitment costs	**2 529**	5 560
Total	**194 435**	145 609

The increase in variable pay provision is driven by increases in eligible participants and improved performance. In the prior year, the Fund benefited from staff attrition, primarily at senior and executive level due to vacancies. The current financial year includes full impact of roles.

13.3 Principal Officer expenses

	2023 R'000	2022 R'000
Principal Officer expenses – remuneration	**1 140**	1 097
Principal Officer expenses – allowances	**7**	–
Principal Officer expenses – contributions to retirement fund	**119**	238
Principal Officer expenses – incentive remuneration	**1 714**	888
Total	**2 980**	2 223

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

14. Prior period transactions

	2023 R'000	2022 R'000
Unclaimed benefit adjustments*	**34 270**	16 848
Capitalised computer expenses**	**650**	–
Correction to Eskom Holding and ineligible members Accounts payable balances***	**165**	–
Transfer in adjustments****	**3 576**	–
Accumulated fund adjustments	**583**	–
Total	**39 244**	16 848

* *The unclaimed benefits adjustment relates to a correction of prior period misstatements that were processed.*
** *The prior year intangible costs were incorrectly expensed in 2022, this is to correct the capitalised intangible asset.*
*** *The Accounts payable balances relating to ineligible members have been restated to correct for interest raised on these balances.*
**** *During the current financial year there were back dated adjustments required to member records. This is a prior year transfer in adjustments in relation to data corrections made in the current year.*

15. Accruals

	2023 R'000	2022 R'000
Leave pay accruals	**7 901**	7 225
Incentive bonus accrual (Note a)	**63 608**	38 890
	71 509	46 115

Note a: Includes a long-term incentive accrual of R18.6m (2022: R18.2m).

Incentive bonus accrual increased due to improved investment performance and an increase in number of eligible participants, in line with the growth in the inhouse investment management team.

16. Risk management policies

Risk management framework

The Board of Fund has overall responsibility for the establishment and oversight of the Fund's risk management policies. The Board of Fund 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 incorporates the Fund's risk budget which takes cognisance of the Fund's liabilities and provides the framework within which investment risk is managed. The risk budget provides the Board with indicators of how the assets are performing relative to liabilities and therefore would enable the Board to make appropriate decisions should there be signs of possible solvency concerns. This is in addition to the independent actuary's valuation of the Fund which provides the Board with the funding status of the Fund on an annual basis. The Fund conducts a detailed asset liability modelling study (ALM) every three years and annual interim mini ALMs in order to assess whether the long term investment strategy and asset allocation remains adequate for the Fund's liabilities. The results of this exercise are taken into account when the investment policy statement is reviewed annually to ensure that it remains relevant. The Board obtains written assurance on an annual basis from the Fund Actuary as well as an independent peer review actuary that certifies whether the Fund's investment strategy is adequate taking into account the Fund's liabilities.

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

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

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

- **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.

16. Risk management policies *continued*

Risk management framework *continued*

- **Currency risk**

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

- **Market risk/Price risk**

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

  Where required, and in order to address market volatility, the fund implements hedging strategy to protect the assets of the Fund.

- **Interest rate risk**

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

- **Asset manager risk**

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

17. Related party transactions

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

During the financial year, Board members' and external experts' remuneration amounting to R7.9m (2022: R7.8m) 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 R2.6bn (2022: R2.4bn) and refunded R744m (2022: R697m) medical aid contributions for pensioners.
- The Fund has investments in the participating employer to the value of R2.2bn (2022: R2.4bn).
- The participating employers had outstanding contributions of R277m at year end (2022: R268m).

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

Related party	Relationship	Description	Transactions 2023 R'000	Transactions 2022 R'000
Eskom Holdings SOC Limited	Participating employer	Contributions for employer appointed Board members	**1 147**	1 284
Eskom Holdings SOC Limited	Participating employer	Member contributions for employer appointed Board members	**702**	829
Board of Fund	Board members	Pension payments	**1 849**	1 755
Board of Fund	Board members	Board members remuneration paid to individuals	**4 896**	4 849
Outside experts	Outside experts appointed by Board of Fund	Outside experts' fees paid to individuals	**2 660**	2 098
Total			**11 254**	10 815

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

Participating employers	Contributions	Fund expenses
Eskom Holding SOC Limited	**2 297 388**	**8 640**
Eskom Roteck Industries SOC Limited	**255 360**	**–**
Eskom Pension and Provident Fund	**10 600**	**–**
Total	**2 563 348**	**8 640**

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 the total amount to Eskom.

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

	2023 R'000
Remuneration	**17 250**
Contribution to retirement fund	**1 779**
Incentive remuneration	**11 804**
Total amount contributed	**30 833**

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

Executive management remuneration has increased by 46% (2022: R21.1m) due to vacancies filled during the financial year.

18. Operating lease commitments

	2023 R'000	2022 R'000
Within one year	**39 577**	32 796
Between one and five years	**109 050**	89 245
Total	**148 627**	122 041

The Fund has the following operating leases:

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

18. Operating lease commitments *continued*

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

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

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

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

An annual lease with TreasuryOne CTS (Pty) Limited for a treasury system which will expire in 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

					B+D	A	B	C	D	E	F
	Normal retire-ment R'000	**Addi-tional voluntary contri-butions R'000**	**Perfor-mance bonus scheme R'000**	**Accum-ulated funds R'000**	**Reserve accounts total R'000**	**Employer prote-ction reserve R'000**	**In-service solvency reserve R'000**	**In-service contri-bution reserve R'000**	**Pen-sioner solvency reserve R'000**	**Pen-sioner increase afford-ability reserve R'000**	**Pen-sioner solvency reserve R'000**
At beginning of year	140 832 543	528 769	5 415 136	146 776 448	21 837 000	–	10 754 000	–	11 083 000	–	–
Prior year adjustments	39 276	(32)	–	39 244	–	–	–	–	–	–	–
Contributions received and accrued	3 889 061	44 963	80 941	4 014 965	–	–	–	–	–	–	–
Net investment income	22 851 654	30 700	297 430	23 179 784							
Allocated to unclaimed benefits	(30 795)	–	–	(30 795)	–	–	–	–	–	–	–
Other income:	19 741	–	–	19 741	–	–	–	–	–	–	–
– Net securities lending fees	19 741	–	–	19 741	–	–	–	–	–	–	–
Less:	(223 638)	–	–	(223 638)	–	–	–	–	–	–	–
– Administration costs	(223 638)	–	–	(223 638)	–	–	–	–	–	–	–
Net income before transfers and benefits	167 377 842	604 400	5 793 507	173 775 749	21 837 000	–	10 754 000	–	11 083 000	–	–
Transfers and benefits	(6 589 490)	(62 574)	(376 759)	(7 028 823)	–	–	–	–	–	–	–
Transfers from other funds	13 663	–	–	13 663	–	–	–	–	–	–	–
Transfers to other funds	(392 267)	–	–	(392 267)	–	–	–	–	–	–	–
Benefits	(6 210 886)	(62 574)	(376 759)	(6 650 219)	–	–	–	–	–	–	–
Net income after transfers and benefits	160 788 352	541 826	5 416 748	166 746 926	21 837 000	–	10 754 000	–	11 083 000	–	–
Transfer between reserve accounts	(4 130 000)	–	–	(4 130 000)	4 130 000	–	(1 991 000)	–	6 121 000	–	–
At end of year	156 658 352	541 826	5 416 748	162 616 926	25 967 000	–	8 763 000	–	17 204 000	–	–

Reporting Schedules

Internally managed assets

	Region	**Type of mandate**	**Type of economy**	**Performance benchmark**	**AuM R**	**AuM %**
LISTED EQUITIES:						
EPPF CORE EQUITY A	Domestic	Core	Emerging	Capped SWIX	7 267 594	3.83
EPPF CORE EQUITY B	Domestic	Core	Emerging	Capped SWIX	7 059 047	3.72
EPPF SWIX TOP 40 INDEX TRACKER FUND	Domestic	Tracker	Emerging	JSE SWIX TOP 40	7 937 572	4.18
					22 264 213	**11.73**
LISTED PROPERTIES:						
EPPF LISTED PROPERTY	Domestic	Core	Emerging	SA Listed Property Index	5 400 141	2.85
X STANLIB**	Domestic	Satellite	Emerging	SA Listed Property Index	159 902	0.08
					5 560 043	**2.93**
INFLATION LINKERS:						
EPPF INFLATION LINKED BONDS	Domestic	Core	Emerging	Composite Inflation-Linked Index/ LDI?	24 811 887	13.08
					24 811 887	**13.08**
NOMINAL BONDS:						
EPPF GOVERMENT BOND	Domestic	Core	Emerging	BEASSA GOVI	227 412	0.12
					227 412	**0.12**
MONEY MARKET:						
EPPF CALL 1	Domestic	Core	Emerging	STEFI Composite Index	765 870	0.40
EPPF MONEY MARKET 2	Domestic	Core	Emerging	STEFI Composite Index	203 275	0.11
					969 145	**0.51**
PRIVATE EQUITIES:						
EPPF PRIVATE EQUITY	Domestic	Core	Emerging	CPI	8 794 533	4.63
EPPF PRIVATE EQUITY INCUBATION	Domestic	Core	Emerging	CPI	853 979	0.45
NORTHERN TRUST	Global	Passive	Developed	Citi 1 Month USD Eurodeposit	100 327	
					9 748 839	**5.14**
REAL ASSETS:						
EPPF REAL ASSETS	Domestic	Core	Emerging	CPI	4 112 444	2.17
					4 112 444	**2.17**
UNLISTED PROPERTY:						
EPPF INVESTMENT PROPERTY	Domestic	Passive	Emerging	STEFI Composite Index	112 258	0.06
					112 258	**0.06**
STRATEGIC ASSET ALLOCATION:						
EPPF ASSET OVERLAY	Domestic	Core	Emerging	SAA	2 340 035	1.23
					2 340 035	**1.23**
EQUITY LINKED NOTES:						
EPPF SWIX NOTE	Domestic	Passive	Emerging	MSCI The World	186	0.00
MSCI CHINA NOTE	Domestic	Passive	Emerging	MSCI A China Onshore Net	1 280 812	0.67
MSCI WORLD NOTE	Domestic	Passive	Emerging	MSCI/EM Emerging Markets Net	3 394 688	1.79
					4 675 686	**2.46**
OTHER*:						
OTHER	Domestic	Passive	Emerging	CPI	1 653 370	0.87
					1 653 370	**0.87**
TOTAL INTERNALLY MANAGED					**76 475 333**	**40.30**

Reporting Schedules *continued*

Externally managed assets

	Region	Type of mandate	Type of economy	Performance benchmark	AuM R	AuM %
LISTED EQUITIES:						
OLD MUTUAL QUANTS	Domestic	Core	Emerging	Capped SWIX	1 214 922	0.64
OLD MUTUAL CORE	Domestic	Core	Emerging	Capped SWIX	1 598 818	0.84
MERGENCE	Domestic	Core	Emerging	Capped SWIX	1 627 743	0.86
MIANZO	Domestic	Core	Emerging	Capped SWIX	2 122 348	1.12
EXCELSIA	Domestic	Core	Emerging	Capped SWIX	1 083 162	0.57
LIMA MBEU	Domestic	Core	Emerging	Capped SWIX	261 179	0.14
CORONATION	Domestic	Satellite	Emerging	Capped SWIX	7 802 393	4.11
MAZI CAPITAL	Domestic	Satellite	Emerging	Capped SWIX	5 587 412	2.94
PERPERTUA	Domestic	Satellite	Emerging	Capped SWIX	3 422 749	1.80
BENGUELA	Domestic	Satellite	Emerging	Capped SWIX	1 191 749	0.63
AEON	Domestic	Satellite	Emerging	Capped SWIX	1 105 983	0.58
NINETY ONE GENERAL EQUITY	Domestic	Satellite	Emerging	Capped SWIX	3 806 912	2.01
NINETY ONE ACTIVE QUANTS	Domestic	Satellite	Emerging	Capped SWIX	1 844 338	0.97
CAMISSA ASSET MANAGEMENT	Domestic	Satellite	Emerging	Capped SWIX	2 177 052	1.15
VALUE CAPITAL PARTNERS	Domestic	Satellite	Emerging	Capped SWIX	1 363 537	0.72
OLD MUTUAL TRACKER	Domestic	Passive	Emerging	Shareholder Weighted (SWIX)	2 354 913	1.24
SANLAM SATRIX	Domestic	Passive	Emerging	Shareholder Weighted (SWIX)	4 730 465	2.49
					43 295 676	**22.82**
SEI	Global	Core	Developed	MSCI AC World Index Net	7 541 814	3.97
BLACKROCK – INDEX FUND	Global	Tracker	Developed	MSCI AC World Index Net	7 519 320	3.96
MORGAN STANLEY	Global	Satellite	Developed	MSCI ACWI ex SA Net	8 166 952	4.30
STATE STREET GLOBAL ADV	Global	Satellite	Developed	MSCI ACWI ex SA Net	4 507 180	2.38
ALLIANZ	Global	Satellite	Developed	MSCI ACWI ex SA Net	7 442 130	3.92
VERITAS	Global	Satellite	Developed	MSCI ACWI ex SA Net	6 011 463	3.17
UBS	Global	Satellite	Emerging	MSCI/EM Emerging Markets Net	–	–
UBS ACTIVE	Global	Satellite	Emerging	MSCI/EM Emerging Markets Net	3 349 787	1.77
ROBECO	Global	Satellite	Emerging	MSCI/EM Emerging Markets Net	3 830 436	2.02
UBS(CHINA)	Global	Satellite	Emerging	MSCI A China Onshore Net	1 669 238	0.88
BLACKROCK (CHINA)	Global	Satellite	Emerging	MSCI A China Onshore Net	2 098 310	1.11
					52 136 631	**27.48**
AFRICA ex SA EQUITIES						
EMERG MARK INV MAN LTD	Global	Satellite	Emerging	MSCI/EFM Africa ex ZA Net	1 877 263	0.99
ASHMORE	Global	Satellite	Emerging	MSCI/EFM Africa ex ZA Net	570 127	0.30
SANLAM CENTRE SUB SAHARAN AFRICA FUND	Global	Satellite	Emerging	MSCI/EFM Africa ex ZA Net	856 193	0.45
X DRAKENS CAPITAL	Global	Satellite	Emerging	MSCI/EFM Africa ex ZA Net	2	0.00
					3 303 584	**1.74**

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

** *Stanlib property mandate was terminated and remainder assets were moved internally*

	Region	Type of mandate	Type of economy	Performance benchmark	AuM R	AuM %
HEDGE FUNDS:						
MATRIX	Domestic	Satellite	Emerging	STEFI Composite Index	1 587 802	0.84
					1 587 802	**0.84**
LISTED PROPERTIES:						
CATALYST	Domestic	Satellite	Emerging	SA Listed Property Index	2 762 647	1.46
MEAGO	Domestic	Satellite	Emerging	SA Listed Property Index	2 091 259	1.10
					4 853 907	**2.56**
NOMINAL BONDS:						
ALUWANI	Domestic	Satellite	Emerging	BEASSA All Bond Index	4 694 197	2.47
NINETY ONE BONDS	Domestic	Satellite	Emerging	BEASSA All Bond Index	1 618 835	0.85
STANLIB FIXED INCOME	Domestic	Satellite	Emerging	BEASSA All Bond Index	1 310 328	0.69
VUNANI FIXED INCOME	Domestic	Satellite	Emerging	BEASSA All Bond Index	–	–
					7 623 360	**4.02**
MONEY MARKET:						
BLACKROCK USD	Global	Passive	Developed	Citi 1 Month USD Eurodeposit	396 297	0.21
STATESTREET USD	Global	Passive	Developed	Citi 1 Month USD Eurodeposit	87 588	0.05
					483 886	**0.25**
TOTAL EXTERNALLY MANAGED					**113 284 845**	**59.70**
TOTAL AUM					**189 760 178**	**100.00**

Assets under management

	30 June 2023 Market value R'000	30 June 2022 Market value R'000
External Asset managers		
AEON Investment Management (Pty) Ltd	**1 105 983**	995 009
Allianz Global Investments Europe GMBH	**7 442 130**	5 290 019
Aluwani Capital Partners (Pty) Ltd	**4 694 197**	4 306 459
Ashmore The Africa Emerging Markets Fund	**570 127**	515 210
Benguela Global Fund Managers (Pty) Ltd	**1 191 749**	1 180 685
Black Rock Investment Management (UK) Ltd – China	**10 013 928**	8 063 557
Catalyst Fund Managers SA (Pty) Ltd	**2 762 647**	2 393 466
Coronation Fund Managers (Pty) Ltd	**7 802 393**	7 929 830
X-Drakens Capital (Pty) Ltd	**2**	61 595
Excelcia Capital (Pty) Ltd	**1 083 162**	278 112
In House Managed Assets	**76 475 333**	70 877 922
Camissa Asset Manager (Pty) Ltd	**2 177 052**	2 067 536
Lima Mbeu Investment Managers (Pty) Ltd	**261 179**	233 830
Matrix Fund Managers (Pty) Ltd	**1 587 802**	1 337 361
Mazi Capital (Pty) Ltd	**5 587 412**	5 919 692
Meago Trading (Pty) Ltd	**2 091 259**	1 924 897
Mergence Investment Managers (Pty) Ltd	**1 627 743**	1 428 930
Mianzo Asset Management (Pty) Ltd	**2 122 348**	1 870 638
Morgan Stanley Investment Management Ltd	**8 166 952**	6 245 298
Ninety One (Pty)Ltd	**7 270 085**	7 293 969
Old Mutual Investment Group (Pty)Ltd	**5 168 653**	4 625 322
Perpetua Investment Managers (Pty) Ltd	**3 422 749**	2 986 632
Robeco Institutional Asset Management B.V	**3 830 436**	2 908 516
Sanlam Centre Sub Saharan Africa Equity Fund	**856 193**	769 924
Sanlam Satrix	**4 730 465**	4 173 534
SEI Investments (Europe) Ltd	**7 541 814**	5 710 351
Stanlib Asset Management (Pty) Ltd	**1 310 328**	1 211 838
Stratestreet Global Asset Managers	**4 594 769**	3 587 680
UBS Asset Management (Pty)Ltd	**5 019 025**	4 679 331
Value Capital Partners (Pty)Ltd	**1 363 537**	1 367 776
Veritas Asset Management LLP	**6 011 463**	4 655 361
Emerging Markets Investment Management Ltd	**1 877 263**	1 690 963
Vunani Fund Managers (Pty) Ltd		1 384 690
	189 760 178	169 965 934

Assets under management *continued*

	30 June 2023 Market value R'000	30 June 2022 Market value R'000
Internal Asset managers		
EPPF Asset Overlay (AAOV)	**2 340 035**	2 663 704
EPPF Call 1	**765 870**	437 459
EPPF Core Equity A	**7 267 594**	6 799 923
EPPF Core Equity B	**7 059 047**	6 611 590
EPPF Government Bond	**227 412**	210 259
EPPF Inflation Linked	**24 811 887**	25 157 801
EPPF Listed Property	**5 400 141**	4 977 138
OM_ESKOM PENS AND PROV FD	**1 879**	
X-Stanlib	**159 902**	801 093
EPPF Money Market 2	**203 275**	611 322
EPPF Office park	**112 000**	113 000
EPPF Private Equity 3 and 3A	**8 779 935**	6 495 335
RMB Morgan Stanley Ltd	**483**	350
SWIX Top 40 Index Tracker Fund	**7 937 572**	6 868 849
EPPF Internal Transition portfolio	**1 382**	3 186
EPPF Equity Linked	**186**	952 048
Private Equity Incubation	**853 978**	663 311
Northern Trust	**100 327**	333 782
EPPF Real Assets	**4 112 444**	2 854 153
EPPF Equity Share 1	**11 114**	4 958
MSCI Emerging ELN	**3 394 688**	1 748 798
MSCI China A ELN	**1 280 812**	1 287 574
Africa Bonds	**1 653 370**	1 282 289
	76 475 333	**70 877 922**

Schedule of investments

Security name	Fair value R'000	% of AuM
Top 15 Holdings as at 30 June 2023		
I2050 2.5% 311250	9 046 814	4.77
I2046 2.5% 310346	7 145 478	3.77
Naspers	6 074 282	3.20
Prosus	4 127 563	2.18
Firstrand Limited	3 581 587	1.89
MTN Group	3 405 443	1.79
I2038 2.25% 310138	3 200 086	1.67
Standard Bank Group	3 175 880	1.69
Anglo American	2 648 146	1.40
Compagnie Financiere Richemont	2 599 529	1.37
British American Tobacco PLC	2 478 621	1.31
NEPI Rockcastle N.V.	1 949 027	1.03
Gold Fields	1 795 086	0.95
Absa Group Limited	1 728 827	0.91
Sasol	1 717 154	0.91

Reporting Schedules *continued*

Security name	Fair value R'000	% of AuM
Top 10 Equity Holdings as at 30 June 2023		
Naspers Limited-N SHS	6 074 282	3.20
Prosus	4 127 563	2.18
Firstrand Limited	3 581 587	1.89
MTN Group	3 405 443	1.79
Standard Bank Group Ltd	3 175 880	1.67
Anglo American PLC	2 648 146	1.40
Compagnie Financiere Richmont	2 599 529	1.37
British American Tobacco PLC	2 478 621	1.31
Nepi Rockcastle PLC	1 949 027	1.03
Gold Fields	1 795 086	0.95
Top 10 Bond Holdings as at 30 June 2023		
I2050 2.5% 311250	9 046 814	4.77
I2046 2.5% 310346	7 145 478	3.77
I2038 2.25% 310138	3 200 086	1.69
R2048 8.75% 280248	1 577 024	0.83
R210 2.60% 310328	1 068 484	0.56
R2037 8.50% 310137	947 315	0.50
R2030 8.00% 310130	829 614	0.44
R2035 8.875% 280235	779 968	0.41
R2044 8.75% 310144	779 769	0.41
R202 3.45% 071233	736 241	0.39

Financial assumptions for the 30 June 2023 and 30 June 2022 actuarial valuation

Item	2023 %	2022 %
Normal bond yield (15 to 20 years)	**14.23**	13.11
Index-linked bond yield (15 to 20 years)	**5.11**	4.15
Inflation risk premium	**0.75**	0.75
Inflation assumption	**8.4**	8.2
Discount rate (investment return assumption)	**16.0**	14.6
Long term salary inflation	**8.4**	8.2
Net pre-retirement return (in-service members)	**7.0**	5.9
Pension increase assumption	**8.4**	8.2
Net post-retirement return (pensioners)	**7.0**	5.9

Summary of direct investments

In thousands of rands	Total value of commitment 2023	Capital deployed	Fair value	% of direct investments 2023	% of AuM 2023
Sphere Holding Propriety Ltd	**249 966**	249 576	267 623	**23.42**	**0.13**
Gammatek K2018225611 SA	**44 496**	44 496	62 368	**9.00**	**0.02**
Van Schaick Book Store	**100 000**	33 350	4 888	**18.13**	**0.05**
Busamed Pty Ltd	**540 681**	540 681	358 190	**19.00**	**0.28**
TUHF (senior debt instrument)	**200 000**	187 303	189 378	**N\A**	**0.11**
SA Taxi (senior debt instrument)	**175 000**	156 080	156 056	**N\A**	**0.09**
SASAII (equity)	**350 000**	158 861	172 424	**40.46**	**0.18**
Plumbago Investment – DSV Campus	**703 150**	703 150	640 336	**49.00**	**0.37**
Lango	**666 376**	576 007	729 620	**9.08**	**0.35**
IHS Social Housing SA	**300 000**	2 775	209	**51.00**	**0.16**
Crossfin Ventures Pty Ltd	**115 731**	129 201	139 565	**15.00**	**0.06**
Nova Pioneer Sch For Inv	**300 000**	125 969	105 541	**9.05**	**0.16**
	3 745 400	2 907 449	2 826 197	**2**	**1.97**

Five-year asset mix trend

	2023 Fair value R'000	%	2022 Fair value R'000	%	2021 Fair value R'000	%	2020 Fair value R'000	%	2019 Fair value R'000	%
Cash	**3 618 489**	**1.9**	3 871 531	2.3	11 902 187	7.2	7 092 005	4.9	8 488 151	5.9
Commodities	**16 095**	**0.0**	–	0.0	–	0.0	19 525	0.0	–	0.0
Debt instruments	**38 296 361**	**20.2**	35 339 624	20.8	29 715 779	17.9	27 364 692	18.9	25 310 694	17.5
Investment properties	**112 000**	**0.1**	113 000	0.1	109 000	0.1	117 000	0.1	119 000	0.1
Insurance policies		**0.0**	–	0.0	–	0.0	–	0.0		0.0
Equities	**111 600 465**	**58.8**	102 464 111	60.3	101 407 404	61.0	87 649 477	60.7	89 557 089	61.9
Collective investment schemes	**18 761 013**	**9.9**	14 527 218	8.5	13 887 985	8.3	13 341 466	9.2	13 106 091	9.1
Hedge funds	**1 587 802**	**0.8**	1 337 361	0.8	1 430 709	0.9	1 276 282	0.9	971 409	0.7
Private equity funds	**13 594 639**	**7.2**	9 874 310	5.8	5 334 105	3.2	5 359 777	3.7	4 698 959	3.2
Derivative market instruments		**0.0**	–	0.0	–	0.0	–	0.0	6 236	0.0
Investment in participating employer(s)	**2 173 314**	**1.1**	2 450 731	1.4	2 571 078	1.5	2 286 196	1.6	2 398 714	1.7
	189 760 178	**100**	169 977 886	100	166 358 248	100	144 506 420	100	144 656 343	100

06 GENERAL

Fund administration

Eskom pension and provident fund
Fund registration number 12/8/564

Registered office of the fund
Isivuno House
EPPF Office Park
24 Georgian Crescent East
Bryanston East
2191

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South Africa

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International callers to the Fund during SAST: +27(0) 10 013 3366
Share Call/Toll-free: 0800 114 548

Website
www.eppf.co.za

Benefit administrator
Self-administered

External auditor
BDO South Africa Incorporated
6th Floor, 123 Hertzog Boulevard
Foreshore
Cape Town
7925

Co-sourced internal auditors
Nexia SAB&T
119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0157

Actuaries
Towers Watson Proprietary Limited
Private Bag X30
Rondebosch
7701

Acronyms and abbreviations

ALM	Asset liability management
ARC	Audit and Risk Committee
AuM	Assets under management
Batseta	Alternative name for Council of Retirement Funds of South Africa
B-BBEE	Broad-based black economic empowerment
Board	Board of Trustees of the EPPF
bn	Billion
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CoFI Bill	Conduct of Financial Institutions Bill
CPI	Consumer price index
CRISA	Code for Responsible Investing in South Africa
CVaR	Conditional value at risk
EPPF	Eskom Pension and Provident Fund (the Fund)
ESG	Environmental, social and governance
Eskom	Eskom Holding SOC Ltd
ERM	Enterprise-wide risk management
FATF	Financial Action Task Force
FSCA	Financial Sector Conduct Authority
GDP	Gross domestic product
IMF	International Monetary Fund
IMU	Investment Management Unit
IT	Information technology
m	Million
NZAOA	Net-Zero Asset Owner Alliance
OECD	Organisation for Economic Cooperation and Development
PFA	Pension Funds Adjudicator
PRI	Principles for responsible reporting
SARB	South African Reserve Bank
SWIX	Shareholder-weighted all-share index
TCF	Treating customers fairly
TER	Total expense ratio
USD	United States dollar
USSD	Unstructured supplementary service data
ZAR	South African rand