

PLANNING GROWTH SECURE
EXPERIENCE TEAMWORK

MOTIVATED
RELIABLE
MEMBER-CENTRICITY
LEGACY
FUTURE
INSIGHT



Eskom

Pension and Provident Fund

RELIABLE

2020 INTEGRATED REPORT



70 Years of caring | value | investment

RELIABLE SAVINGS

MEMBER-CENTRICITY

LEADERSHIP PERFORMANCE

IMPACT

Invested in our
members



GOVERNANCE

MEMBER-CENTRICITY

LEGACY

MEMBER-CENTRICITY

SAVINGS

RELIABLE

MEMBER-CENTRICITY

IMPACT

LEADERSHIP PERFORMANCE

GOVERNANCE

MEMBER-CENTRICITY

LEGACY

SAVINGS

RELIABLE

2020 INTEGRATED REPORT

ABOUT THIS REPORT

The Eskom Pension and Provident Fund (the Fund or the EPPF) is a registered defined benefit fund which administers post-employment benefits on behalf of Eskom Holdings SOC Ltd.

This 70th anniversary integrated report of the EPPF outlines its performance for the financial year 1 July 2019 to 30 June 2020 (referred to 2020 throughout). The aim is to provide the Fund's stakeholders with a concise description of significant developments and outcomes, and afford insight into the management and governance of the Fund.

The report discloses material matters arising during the year – that is, issues that have the potential to affect the Fund's ability to create and sustain value over the short, medium and long term.

The selection and presentation of information has further been guided by best practice and statutory requirements contained in:

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

The narrative of the report embraces the six capitals defined by the International Integrated Reporting Council (IIRC), as indicated below.

NAVIGATING THE REPORT

The EPPF exists for the purpose of providing a secure income for its members from the point of retirement for the rest of their lives. The social and relationship capital vested in this role defines the organisation. But fulfilling this social responsibility depends critically on our ability to accumulate, safeguard and grow financial capital and to administer our funds in an efficient and responsive manner. These responsibilities demand that the EPPF develop the full range of capitals in the IIRC framework. The significance of these forms of capital within our organisation is indicated in various sections of the report by displaying the relevant icon.

RECOGNISE THE VARIOUS FORMS OF VALUE CREATED BY THE EPPF - SIX CAPITALS



Financial capital

Contributions of our members and returns on investments which enable us to grow our financial capital



Intellectual capital

The Fund's institutional knowledge, reputation, understanding of the evolving retirement sector and acumen in investing considerable financial assets



Human capital

Our employees, who are critical to our success, and who are therefore carefully selected and given opportunities for development



Social and relationship capital

The reason for EPPF's existence: enabling members to save for the future and providing retired members a secure income. Extensive relationships that enable us to perform this role



Manufactured capital

Physical infrastructure – buildings and information technology hardware – and other “constructed” systems, for example, governance systems and business processes



Natural capital

Environmental conservation through value-based investment decisions

The entire report is available on our website – www.eppf.co.za – and an electronic copy may be requested by mailing eppfcommunications@eppf.co.za. Full financial statements of the Fund, in compliance with statutory requirements, are also available on our website.

FORWARD-LOOKING STATEMENTS

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

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

The Board, through the Audit and Risk Committee (ARC), is responsible for overseeing the integrity of this integrated report and acknowledges its responsibility in this regard. Board members have collectively applied their minds in the preparation and presentation of this report and believe it to be a fair representation of the performance of the Fund and its material matters. The Board accordingly approved this integrated report on 26 November 2020.

Ms Caroline Mary Henry
Chairman of the Board

Mr Jasper Martin Buys
Chairperson of the ARC

EXTERNAL AUDIT AND ASSURANCE

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

- Management of the Fund oversees the daily internal controls and implements the risk management strategy of the Board of Fund.
- The internal legal, risk and compliance functions ensure that the Fund adheres to the requirements of applicable legislative frameworks.
- Our internal auditor function assesses the effectiveness of the internal controls, governance and risk management. The Audit and Risk Committee (ARC) of the Fund applies a coordinated approach to the combined assurance provided. The Board of Fund, also known as the Board of Trustees (the Board), serves as the ultimate fiduciary control.
- Our external auditors, PricewaterhouseCoopers Inc., express an opinion on our regulatory annual financial statements. The Fund's valuator, Willis Towers Watson, provides assurance on the solvency and sustainability of the Fund. External legal counsel and consulting actuaries are used when it is deemed appropriate.
- The fifth line of assurance consists of regulatory inspectors and licensing authorities. In the context of the current regulatory landscape, regulator reviews provide a final overlay of external assurance which is entirely independent.



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OUR BUSINESS

For 70 years the EPPF has been an independent provider of retirement benefits to employees of the state-owned energy company, Eskom Holdings SOC Ltd, and more recently to its subsidiary, Eskom Rotek Industries SOC Ltd. The Fund is a defined benefit fund in an environment where defined contribution funds have become the norm. Our service to our members encompasses asset management and the administration of contributions and benefits.

We are the largest self-administered retirement fund in South Africa and the second largest fund in terms of asset value. As at 30 June 2020, the EPPF had assets valued at R144.5bn under management. Investments are managed by in-house asset managers and external service providers in an effort to optimise the benefits we deliver to members.

We strive for exemplary administration and member service in order to convey to members our appreciation of the reality that we have been entrusted with their life savings.

The Fund was established in 1950, registered under the Pension Funds Act as a self-administered defined-benefit fund in 1956 and as a privately administered pension fund in 1958. It is also recognised as a pension fund in term of the Income Tax Act of 1962.

THE BENEFITS WE OFFER

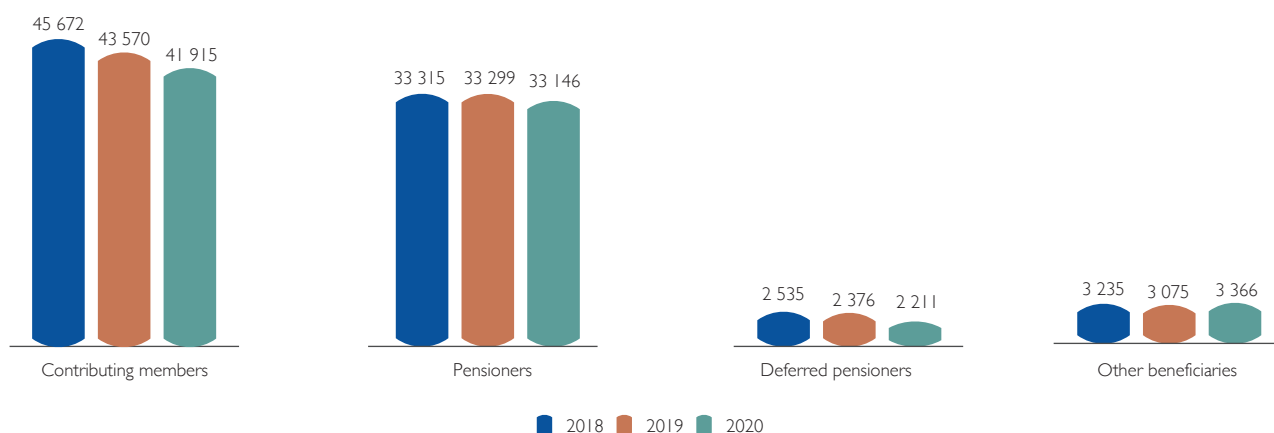
- Retirement benefits
- Ill-health or disability benefits
- Death benefits
- Withdrawal benefits.

OUR MEMBERS

As at 30 June 2020, our contributing members numbered 41 915 and our pensioners, deferred pensioners and other beneficiaries totalled 38 723. There has been a gradual decline in contributing members mostly due to Eskom's efforts to reduce staff numbers. The number of pensioners and other beneficiaries has remained stable.

Members of the Fund contribute 7.3% of their salaries to the Fund while the employer contributes 13.5%.

Three-year trend in contributing members and beneficiaries



FUNCTIONAL ORGANISATION

The core business of the Fund comprises retirement benefit administration services, operated by Retirement Fund Operations (RFO); investment management services, operated by the Investment Management Unit (IMU); and Fund governance operated by the Legal and Governance Unit. These functions are supported by shared administration services, comprising Finance, Information Technology, Human Capital, Risk and Compliance, and Facilities services.

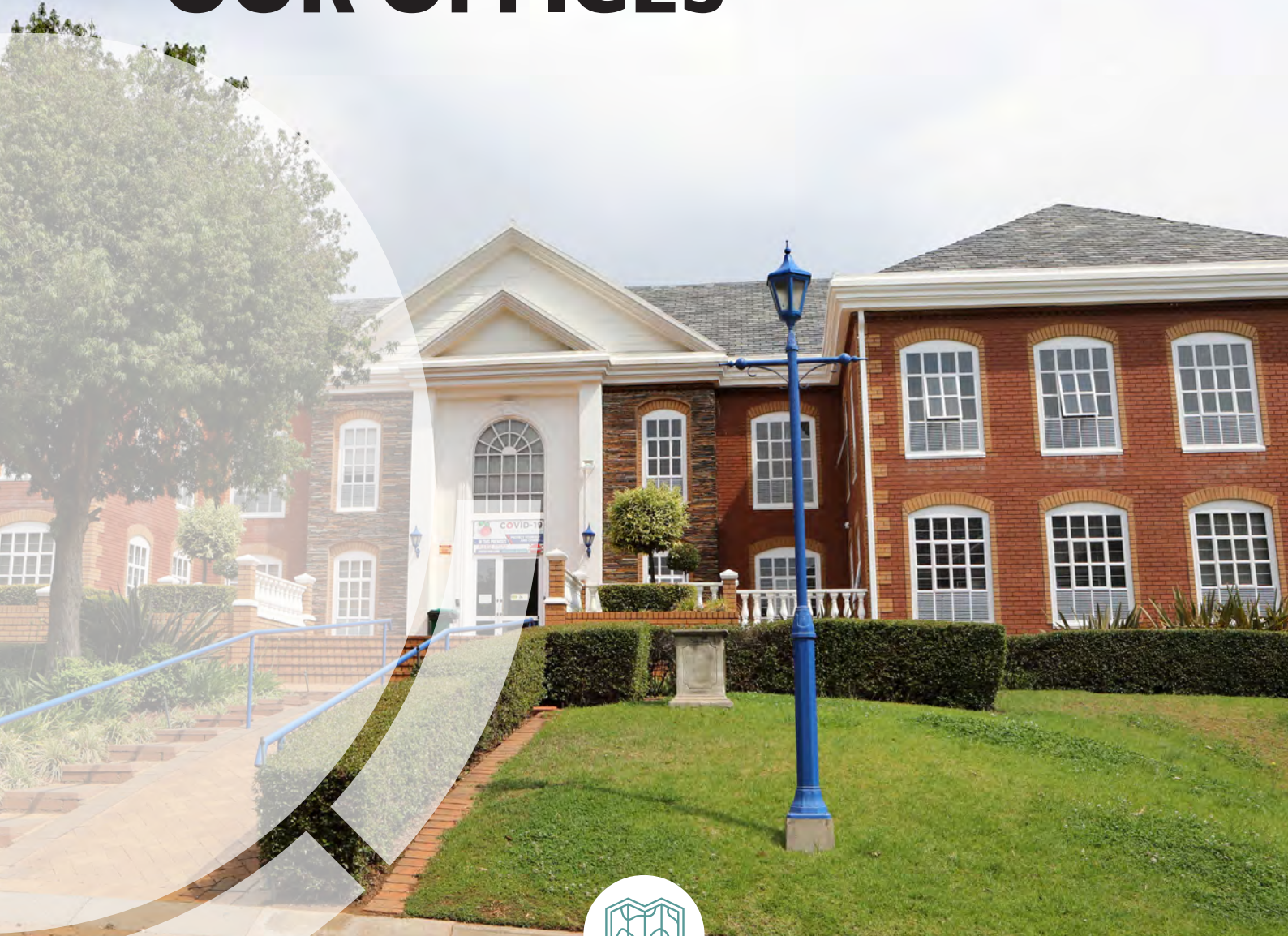


OUR VISION: To be the most admired pension fund, as rated by our members and industry peers.



OUR MISSION: To be a member-centric pension fund that is able to enter new markets by 2024.

OUR OFFICES



Eskom has a dispersed workforce and EPPF pensioners and beneficiaries are similarly distributed. To facilitate interaction with members, the Fund operates five offices – a head office in Gauteng, satellite offices in the Eastern Cape, Limpopo, KwaZulu-Natal and the Western Cape, and a walk-in centre in Mpumalanga.

- PLK** Polokwane satellite office
- GP** Gauteng head office
- MP** Mpumalanga walk-in centre
- KZN** KwaZulu-Natal satellite office
- EC** Eastern Cape satellite office
- WC** Western Cape satellite office



2020 HIGHLIGHTS

R3.84bn

Member contributions
(2019: R3.81bn)



R5.61bn

Benefits for the year
(2019: R5.14bn)



R210m

Pensioner bonuses paid
(2019: R178m)



2.76%

Contribution surplus/shortfall
2019: -0.66%



R144.5bn

Assets under management
(2019: R144.7 bn)



0.84%

One-year investment return
(2019: 2.99%)










135%

Funding level
(2019: 115%)





41 915	33 146	2 211	3 366	0.58%	R262m	R212m
Active members (2019: 43 570)	Pensioners (2019: 33 299)	Deferred pensioners (2019: 2 376)	Other beneficiaries (2019: 3 075)	Total expense ratio (2019: 0.52%)	Recurring admin expenses (2019: R259m)	B-BBEE spending (2019: R190m)
						

BOARD REPORT

LEGACY
FUTURE
INSIGHT

MEMBER-CENTRICITY

LEGACY

SERVICE
SAVINGS

LEADERSHIP

RELIABLE SAVINGS
MEMBER-CENTRICITY
PERFORMANCE

The EPPF marked its 70th anniversary during this reporting year. As members of the Board, we are conscious of the responsibility of steering an organisation that has served its members well for several generations through thoughtful investment and management of the retirement funds entrusted to it.

However, the events of 2020 have taught us that even a mature organisation can only plan up to a point, and that agility and flexibility remain valuable qualities. While many of our plans were brought to fruition, others had to be redesigned and reconfigured to respond to the curve ball thrown at the world by COVID-19.

It was imperative for the Board to continue meeting as the country struggled to adjust to life during lockdown. Board meetings were conducted using online platforms, and we sustained our role of oversight and strategic guidance, even as the global economy slowed and the investment environment became extremely challenging.

The regular election of new Trustees or Board members by Fund members and pensioners and the appointment of representatives by Eskom are central to maintaining the Fund's governance and accountability. The election process was overseen by an independent electoral officer to ensure that it was free and fair.

The Governance section of this report provides more detail about the functioning of the Board throughout the reporting period.

The significant turmoil in financial markets, combined with South Africa's depressed economic climate, placed all pension funds under severe pressure.

The Fund managed to safeguard its assets during this turbulent period. We would have been in a much worse position had we not had investments in international markets, where the Fund invested up to the maximum limit allowed. This demonstrates the value of a diversified portfolio. In addition, some hedging strategies were implemented in the local market, which buffered the Fund against market volatility.

The pandemic elevated the Board's focus on business resilience to ensure that appropriate long-term investment strategies remained in place and to ensure operational continuity in the services provided to members and pensioners.

Given the tough economic conditions and low investment returns that prevailed even before COVID-19, the Fund could not afford an annual pension increase for 2020,

in terms of its actuarial position. However, the Board, in consultation with the Fund Actuary, decided to grant the minimum 2% increase provided for in the Fund Rules. For more information about how the pensioner increase is determined, click here: https://www.eppf.co.za/uploads/eppf_resources/2020_Pensioner_Increase_explainer_28_November2019.pdf.

Recognising that the increase was lower than the annual inflation rate, the Fund attempted to compensate by paying a higher pensioner bonus in December 2019 which amounted to R210m in total compared to R178m in 2019. The minimum bonus received by individual pensioners was R7 000.

The Fund also awarded an extraordinary bonus to pensioners in July 2020. This second bonus was a response to the unprecedented financial hardship experienced by many of our pensioners and their families as a result of the national lockdown imposed to counter the pandemic. The decision to award this special bonus was underpinned by sound actuarial analysis.

In last year's integrated report, we mentioned the appointment of Ms Linda Mateza to the position of Chief Executive and Principal Officer. She took up the position in September 2019 and has been a steady hand on the tiller. We would like to extend our thanks to Mr Shafeeq Abrahams, our current CFO, who had capably performed the role of Acting Chief Executive before Ms Mateza's appointment.

Another key appointment was that of the Head of Information Technology, Ms Yolisa Skwintshi, in January 2020. This came at a crucial time as the Fund rolled out the new Pension Administration System, an ambitious project aimed at improving our service to all members. This initiative is described fully later in this report.

The year ahead will be another difficult one, as COVID-19 has still not run its course and many of the early economic and social ravages have still to be repaired. The crisis has provided a stern lesson about the interdependence of institutions, communities and people within a single nation and we move forward determined to serve our members and contribute to South Africa's economic recovery. It will require much of all of us to rebuild, claw back the losses and translate them into gains, but this is our resolve.

EXECUTIVE COMMITTEE

Ms Linda
Mateza



Chief Executive and Principal Officer

Masters in Management (Finance and Investments)

Ms Linda Mateza joined the EPPF on 1 September 2019.

Mr Shafeeq
Abrahams



Chief Financial Officer

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

Mr Shafeeq Abrahams joined the EPPF on 1 September 2018.

Mr Ndabezinhle
Mkhize



Chief Investment Officer

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

Mr Ndabezinhle Mkhize joined the EPPF on 1 May 2014.

Mr Kishore
Joey Sankar



Head of Retirement Fund Operations

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

Mr Joey Sankar joined the EPPF on 01 July 2014.

Ms Shyless
Nkuna



Head of Human Resources

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

Ms Shyless Nkuna joined EPPF on 1 April 2017.

Mr Ayanda
Gaga



Head Of Risk and Compliance

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

Mr Ayanda Gaga joined the EPPF on 1 July 2007.

Ms Yolisa
Skwintshi



Head of Information Technology

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

Ms Yolisa Skwintshi joined the EPPF on 6 January 2020.

Ms Thelma
Melk



Head of Legal and Corporate Secretariat

Bachelor of Law (National University of Lesotho), LLB degree (National University of Lesotho), Certificate in Municipal Finance (Wits Business School), Certificate in Corporate Governance (University of Johannesburg)

Ms Thelma Melk joined the EPPF on 1 April 2018.



CHIEF EXECUTIVE'S REPORT

The Fund appeared to be heading for a memorable 70th anniversary, with the value of our assets peaking at R150bn in February, until the COVID-19 pandemic stamped its damaging impression across the globe. The EPPF, along with the rest of the retirement fund industry and every economic sector, paid a price. But at the end of the year, we have emerged with a funding ratio above 135%. This means the Fund's assets exceed its liabilities by a healthy margin and the Fund can afford to pay all the retirement benefits promised to its members.

In March, soon after COVID-19 hit South Africa, our assets plunged to R114bn as financial markets around the world declined even more sharply than during the global financial crisis of 2008. We recovered some losses as markets reverted to positive returns and at financial year-end the Fund's assets stood at R144.5bn – more or less the same as at the start of the financial year.

The EPPF fared better than many other pension funds because we had a well-diversified portfolio of assets – with investments in South African equities, bonds and property and international equities spread across developed and emerging markets. This meant that, even as the rand depreciated against the US dollar, our assets were growing in rand terms. Our 39% allocation to offshore assets proved to be our saving grace. The Fund would have been worse off if it had only invested in the local markets.

Although the recovery towards the end of the financial year was welcome, the effect of these market movements is that the Fund's assets have not grown to meet our performance objectives, and this will have an impact on the increases that the Fund can afford to pay its pensioners.

“ALTHOUGH THE RECOVERY TOWARDS THE END OF THE FINANCIAL YEAR WAS WELCOME, THE EFFECT OF THESE MARKET MOVEMENTS IS THAT THE FUND’S ASSETS HAVE NOT GROWN TO MEET OUR PERFORMANCE OBJECTIVES”

As an organisation with many members in the high-risk category for severe COVID-19 disease, we have been concerned for the health and wellbeing of our pensioners since the pandemic emerged in this country. We were able to provide some financial relief to members through a COVID-19 special bonus, which recognised the impact of the lockdown not only on individuals but their extended households. We acted prudently, within the limits advised by our actuaries, but believe this was a meaningful intervention for many families. Details of the bonus are contained later in this report.

I joined the EPPF in September 2019 and just a few months later had the responsibility and pleasure of overseeing the replacement of the Fund’s Pension Administration System with a much more efficient and intelligent system. This is the backbone of our benefit processing capabilities, as it assists us to ensure that the right benefits are paid to the right person at the right time.

There was no margin for error in the implementation of this project and its installation went without a hitch and with minimal downtime. Working against all odds, during the strict early lockdown and in an atmosphere of negative publicity, our employees did everything in their power to ensure a successful transition – and we achieved it.

Other achievements in this 70th anniversary year were:

- Being recognised by the Association of Black Securities and Investment Professionals (ABSIP) as the most transformed pension fund. The EPPF takes transformation very seriously and considers itself a pioneer; as one of the first pension funds to apply a B-BBEE policy in its selection of asset managers and stockbrokers. This recognition gives us confidence that we are on the right track and setting an example to other pension funds in addressing the transformation imperative.
- Receiving an A+ rating from the international PRI Conference and being included in its founding Leaders Group in recognition of our efforts in integrating environmental, social and governance considerations in our investment processes and actively exercising our shareholder rights by engaging companies we invest in. The PRI has its roots in the United Nations Principles for Responsible Investment, to which the Fund was an early signatory.

These achievements are significant and they reflect the dedication and professionalism of the EPPF’s employees who put every effort into their work. As Chief Executive, however, I experience the greatest satisfaction when we receive positive feedback from our members and pensioners about our service and performance. It is very good to be admired by industry peers, but ultimately our reason for existence is to serve our members and pensioners.

It is because we value the trust of our members that the Fund takes steps to counter adverse media reporting when we consider it to be unjustified and misleading. We are not averse to criticism in general, but reporting based on misinterpretations has consequences in terms of our relationship with members. Generally, our response is to set the record straight when we engage directly with members. But in 2020, the Fund lodged a complaint with the Press Council about a series of reports in an online publication, Daily Maverick. The Press Council upheld our complaint on the grounds that the reporter should have given the Fund “right of reply” – that is, a chance to explain the matter in our terms – and Daily Maverick was ordered to publish a prominent apology.

CHIEF EXECUTIVE'S REPORT continued

Our employees have been able to work remotely and collaboratively during the COVID-19 pandemic thanks to the successful implementation of Microsoft Office 365 in the first quarter of 2020. Essentially the work of the Fund has continued uninterrupted, as employees have been able to access data and systems as usual, hold meetings and function both individually and in teams.

Before the lockdown, we had to act swiftly to ensure that our offices were safe for employees to work in, by observing safety protocols, including temperature screening, providing sanitisers and disinfecting the EPPF head offices in Bryanston.

“IT WILL TAKE MANY YEARS FOR THE SOUTH AFRICAN ECONOMY TO RECOVER, AND OUR INTENTION IS TO PLAY A MEANINGFUL ROLE IN THAT RECOVERY.”

The pandemic provoked reflection in many organisations about the extent and nature of their social responsibilities. The EPPF was no exception. One of our intentions is to grow the Fund's exposure to real assets – meaning infrastructure and physical property – and also look for investment opportunities that have a developmental impact on South Africa's economy. Without adequate infrastructure in place, the economy cannot grow. We believe that, through our investments, we can be an effective catalyst for economic growth. Of course, this depends on government establishing an investor-friendly framework and effective public-private sector partnerships. We take every opportunity to contribute to this discussion.

It will take many years for the South African economy to recover, and our intention is to play a meaningful role in that recovery. However, the Fund has to contend with some realities.

The first is that the EPPF has no control over decisions made by Eskom with regard to its workforce. As things stand, the Fund pays out more in pensions to pensioners than it receives in contributions from active members – that is, employees of Eskom. This means that costs of administering the pension fund could rise, simply because of a shift in the balance between active and retired members.

Another reality is that the Fund cannot rely on Eskom to provide a guarantee if the Fund's liabilities should one day exceed its assets. We therefore have to manage the Fund's assets with full cognisance of its liabilities and prevent, as far as possible, the potential for the Fund to incur a deficit.

Our focus therefore is on ensuring the sustainability of the Fund into the future, and also maintaining the confidence and trust of our members and pensioners by delivering excellent service to them, and raising the Fund's public profile.

Linda Mateza

Chief Executive and Principal Officer

OPERATING ENVIRONMENT



OPERATING ENVIRONMENT

Various factors in the economic, policy and social spheres impact on the Fund's operation and outcomes and on the wellbeing of our members. While these external developments are beyond the control of the Fund, our ability to foresee, understand and respond to the risks and opportunities they present is critical.

ECONOMIC ENVIRONMENT AND OUTLOOK

Persistently low growth has characterised the South African economy since the global financial crisis of 2008/9. Against this background, the second half of 2019 and first half of 2020 were extraordinarily bleak. Gross domestic product (GDP) declined year-on-year by 0.8% in quarter three of 2019, by 1.4% in quarter four; by 2% in the first quarter of 2020 and 16.4% in quarter 2 of 2020.

The economic impact of the COVID-19 pandemic was already evident internationally in the first quarter of 2020 and was felt powerfully in South Africa from April. This unprecedented global health crisis destroyed corporate value across all sectors, with a significant knock-on effect on retirement funds.

The weakness of the South African economy prior to the drastic measures taken to contain the pandemic within our borders has led many analysts to predict that the country's economic recovery from COVID-19 will be slower and harder than in more buoyant economies.

Unemployment was already at a peak at 30.1% before the COVID-19 lockdown was imposed, causing a further loss of 2.2 million jobs between quarters 1 and 2 of 2020 (StatsSA). The impact was felt hardest in the formal economy but also in the informal and domestic economies and affected less skilled workers more severely.

Government met the COVID-19 crisis with an unparalleled expansion of its social security system in order to compensate for the loss of livelihoods resulting from the severe lockdown on economic and social activity. The significance of these measures in preventing utter destitution and starvation is unquestionable. In just three months some R29bn was disbursed under the Temporary Employer/Employee Relief Scheme (TERS) and a social grant had been instituted for jobless people who qualified for no other state assistance.

However, the COVID-19 rescue package, combined with a massive loss in tax revenue, have placed South Africa in a precarious situation. In his Supplementary Budget speech in June, Finance Minister Tito Mboweni indicated the fiscal deficit – the gap between tax revenue and public sector spending – would amount to 14.6% of GDP while the ratio of government debt to GDP would rise to 81.8% in this period. The Minister stated bluntly that the only way that South Africa could avoid a sovereign debt crisis was

through stringent austerity in public spending. This is likely to impact on state-owned enterprises, including Eskom.

Mindful of the impact of the COVID-19 lockdown on consumers, the Reserve Bank relaxed its cautious track record in respect of interest rates, and effected lending rate cuts totalling 300 points between April and July. While the EPPF's active members benefited from these measures, pensioners found their personal investment income substantially reduced.

THE INVESTMENT CLIMATE

Investment spending in South Africa declined by 20.5% between January and March 2020, the biggest drop since the 2008/9 global financial crisis. All three major credit ratings agencies – Moody's, Standard & Poor's and Fitch – downgraded South Africa during the course of the Fund's reporting year.

The volatility in global and domestic capital markets was evident in the Fund's investment performance across the year, as reported on page 27 to 29.

REGULATORY DEVELOPMENTS

POPIA

The Protection of Personal Information Act of 2013, or POPIA, finally came into effect on 1 July 2020 and the Fund has a 12-month grace period to comply with all aspects of the Act. The Fund embarked on its journey towards compliance some time ago and is confident of meeting the deadline.

CARBON TAX

The Carbon Tax Act of 2019 came into effect on 1 June 2019 and carbon off-set regulations were gazetted in November 2019. The Fund expects that the cash flows of major resource-based companies will be negatively impacted by about 10% in perpetuity. As a significant investor, the EPPF has been engaging companies in which we hold equity on reducing their carbon emissions. We take a long-term investment perspective and recognise that environmental responsibility is critical to the sustainability of corporations.

SOCIO-POLITICAL CLIMATE

Political discourse during the year continued to be dominated by the issue of corruption in public-private sector transactions and the capture of state institutions by politically connected individuals' intent on perpetrating massive fraud. The Judicial Commission of Inquiry into Allegations of State Capture, also known as the Zondo Commission, continued its hearings throughout this period, and state-owned companies – including Eskom – featured prominently in testimony given.

The COVID-19 crisis exposed the deep social and economic divide that continues to undermine our country's development. It appears to have revived the determination of policy makers to address inequality in a more effective manner through its recovery strategy.

OUR STAKEHOLDERS

Various categories of stakeholder have an impact on the way the EPPF plans and performs its work. At the top of the list are our active members, pensioners and other beneficiaries, and Eskom, as the employer of our members and a major contributor to the Fund.

Developments at Eskom impact directly on the Fund which has experienced a sustained decline in its active membership, as employees leave Eskom and/or retire without being replaced. This, together with a reduction in pensionable salaries, as Eskom contains its salary bill, has restricted growth in member contributions to less than 1% per annum. During the latter part of the financial year, Eskom approved voluntary severance packages for 184 employees, who moved from active Fund members to pensioners and opted, in many cases, for a lumpsum benefit.

Other significant stakeholders include regulatory bodies, trade unions in the energy sector, government and political office bearers, communities where Eskom is a significant presence, industry bodies and our peers in the retirement sector.

The Fund also has a number of vital contractual stakeholder relationships – for example with asset managers, our internal and external auditors, and our actuary – whose skilled professional services are critical to our performance.

The overriding interests of our pensioners and other beneficiaries are the sound and ethical financial management of the Fund's assets, good investment performance and efficient, reliable administration of their pensions. Our business is driven – from long-range strategy development, through investment planning and the improvement of operating systems, to the monthly disbursement of pensions – by an intention to meet these expectations, which are largely shared by Eskom.

The Fund seeks ways to deliver increased value to contributing members by using funds to create "value add". We believe our Developmental Impact Investing policy which benefits communities (see page 27) is a vehicle for doing so.



EPPF STRATEGY 2019 – 2024

LEGACY
FUTURE
INSIGHT

MEMBER-CENTRICITY
LEGACY

SAVINGS

SERVICE

RELIABLE SAVINGS
MEMBER-CENTRICITY
LEADERSHIP PERFORMANCE

This financial year saw the adoption of a new five-year strategy for the EPPF, titled EPPF 2024, and the financial year ended 30 June 2020 represents the first year in this strategic roadmap. The strategy not only recognises the equal significance of social and relationship capital, financial capital and manufactured capital in building and sustaining the Fund, but appreciates how these forms of investment feed off and strengthen each other.

Its strategic thrust is aimed at building a member-centric pension fund that inspires trust and confidence amongst its stakeholders, while opening new opportunities for the Fund. At best, the financial year ended 2020 can be described as one of heightened volatility, caused by the COVID-19 pandemic. Nevertheless, during the period under review, the EPPF implemented its new Pension Administration System (PAS), albeit under challenging conditions. This is a significant milestone in its journey of improving service excellence to its members.

MATERIAL ISSUES

The external environment and the interests of key stakeholders informed the identification of material issues requiring a strategic response. The following material issues emanate from the external environment:

- The need to identify better investment returns in a depressed South African economy and uncertain global climate. The immediacy of this issue was highlighted in 2020 when, for the first time in many years, the Fund granted a below-inflation increase of 2% to pensioners.
- An increased public appetite for responsible investing that contributes to social cohesion and environmental sustainability.
- Heightened regulatory vigilance in the retirement industry, as part of a wider effort to institutionalise consumer protection.
- The opportunities and pressures of technological innovation with its potential to increase efficiencies and improve decision-making.

There are additional material issues that relate to our primary stakeholders and the internal operating environment.

- Trustee election;
- Implementation of the new PAS system;
- Managing the reputation of the EPPF and protecting its brand. This required taking action on matters that threaten the Fund's reputation – for example, pursuing legal action for the recovery of the pension payment made to former Eskom CEO Mr Brian Molefe (see page 34) – and communicating effectively to our stakeholders.
- Ensuring the sustainability of the Fund as Eskom effects job cuts and, in the longer term, undergoes fundamental restructuring. As indicated in the Chief Executive's Report, current reductions in Eskom employee numbers are already impacting adversely on the ratio of contributions to pension payments.

Addressing these will mean that the Fund is able to meet expectations of impeccable governance and compliance with statutory requirements.

Organisational resilience was highlighted as a material issue in the unique circumstances of the COVID-19 pandemic. This was reflected in the ability of the Fund to continue to serve members without interruption and to recover from the serious impact on our investments in domestic and global markets.

STRATEGIC OBJECTIVES

The central mission, which defines how we build value, is to become a truly member-centred pension fund that has the capability to enter new markets within this five-year period.

The achievement of this mission depends on a strong foundation of enhancing our offering to our current members and ensuring that the Fund is correctly structured and resourced for expansion.

The first strategic objective in Strategy 2024 is to grow the confidence of members by ensuring the sustainability of the Fund. We view sustainability as a function of:

- The performance of our investments.
- Our ability to identify and mitigate risk.

The second objective is to build our platforms in order to serve our members better. This means reviewing and upgrading various dimensions of our operating model: our processes, the information necessary to make decisions, the technology that enhances our efficiency and ability to manage, and the required human capacity.

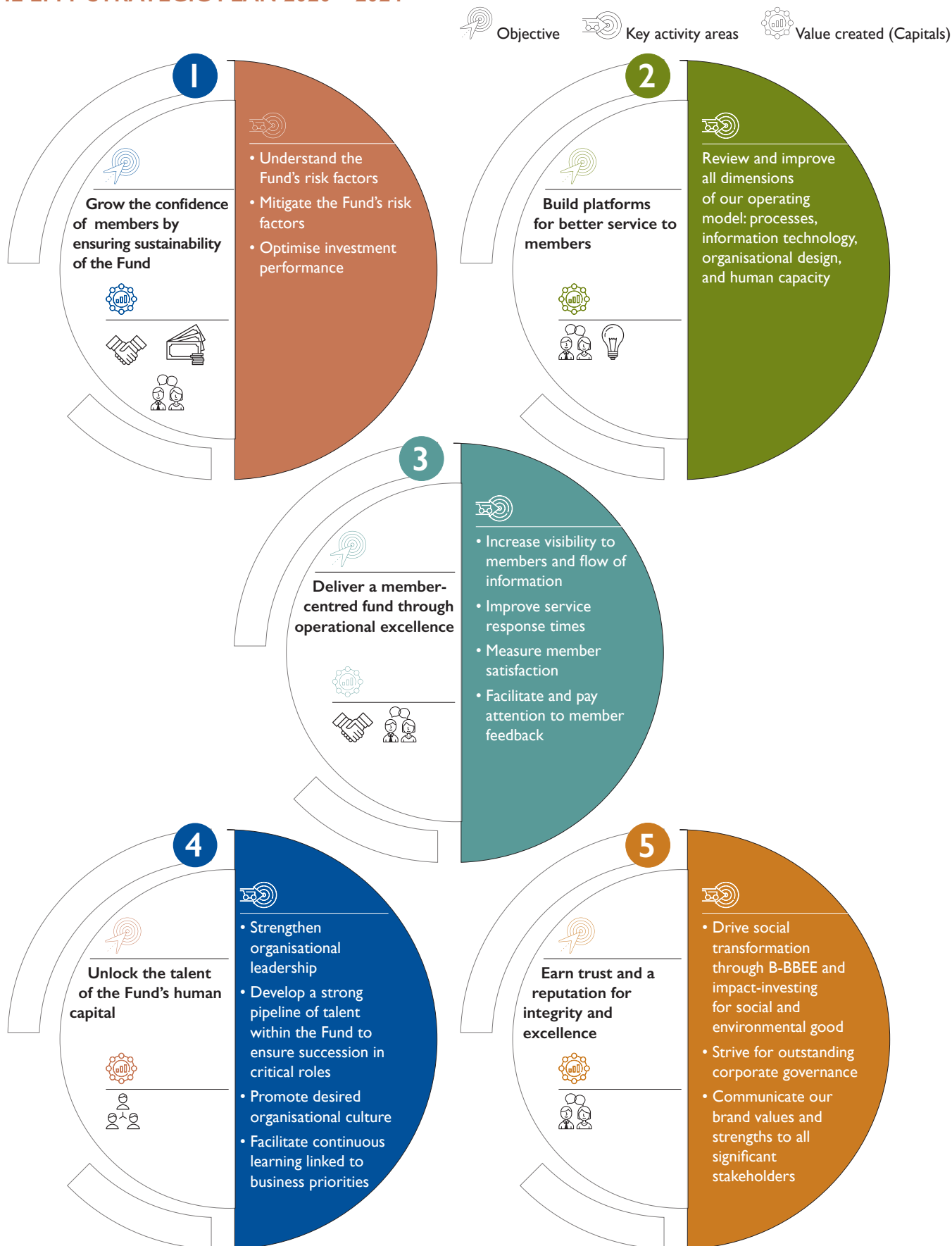
Our third objective is to achieve the kind of operational excellence that underpins member-centricity. This rests on efficient, responsive service to our members. It also involves talking and listening to them – being more visible, making essential information accessible, and systematically asking them how well we are meeting their needs and expectations.

We aspire to unlock the potential of our human capital by developing leadership that is prized for both skills and values, by embedding a strong organisational culture, and adopting a future-oriented skills development strategy.

The crowning objective of this strategic journey is earning trust in the EPPF brand and a reputation for integrity and excellence among our members and more broadly in society. This rests on exemplary corporate governance and on a strong commitment to social progress and environmental sustainability.

EPPF Strategy 2019 – 2024 continued

THE EPPF STRATEGIC PLAN 2020 – 2024



STRATEGIC PRIORITIES IN 2020

KEY MARKERS ON OUR STRATEGIC ROADMAP

Implementing our new Pension Administration System

FOCUSING ON IMPROVING INVESTMENT RETURNS AND BUILDING INTERNAL INVESTMENT CAPABILITIES

- Improving organisational effectiveness through talent management and training
- Proactive management of communication
- Addressing the legacy of ineligible members
- Containing operating costs to fund the strategic development projects

A number of strategically important developments occurred during the reporting year, and these are highlighted briefly below, as well as being explained in greater detail later in the report.

A NEW, MORE EFFICIENT PENSION ADMINISTRATION SYSTEM

A major achievement of 2020 was the installation of this system. Phase 1 of the project is running ahead of schedule and successfully passed a major test in July 2020 when it was used to pay a special COVID-19 bonus to more than 33 300 pensioners. Phase 2 commenced in August 2020 and will consist of two stages. The first stage is focused on stabilisation, completion of low priority processes, and reporting. The second stage will be a review process in order to identify opportunities for optimisation and automation. Phase 2 is estimated to take between 12 and 18 months as the Fund aims to optimise the entire system by 2024. More details appear on page 36.

A CONTINUED FOCUS ON INVESTMENT RETURNS AND BUILDING INTERNAL CAPABILITY

The Fund ended a uniquely difficult investment year with positive growth, aiming to recover the losses inflicted as the impact of the COVID-19 pandemic was felt, first in global markets and then domestically (see pages 52 to 56).

Our investment strategy is built on diversification – across domestic, other African and global markets, a wide range of asset classes, and private and listed entities – and a long-term approach. The Fund has a structural advantage in that much of its cash flow is deferred well into the future and this gives us the opportunity to invest in long-term asset classes other investors might find difficult.

In the reporting year, with the South African economy showing no signs of reviving, we slightly increased our investment in global markets with robust economic growth, notably China. However, nearly two-thirds of our investments remain in the domestic market and were not spared during this time of economic turmoil.

The Fund views private markets as an attractive means to achieve diversified, enhanced long-term returns and, in some instances, serve a developmental purpose. We have three private portfolios for unlisted assets: Private Equity, Real Assets, and Developmental Impact Investments. As of 30 June 2020, capital was deployed to funding local businesses and infrastructure projects.

During 2020 the Fund's investment policies and processes were evaluated according to the Principles for Responsible Investing (PRI). PRI is a United Nations-supported international network of investors working together to implement its six aspirational principles that relate to Environmental, Social and Governance factors. We achieved an A+ rating, as in the previous year; and also achieved the highest rating for our funding ratio.

At the 2019 PRI in Person Conference – an international event that focuses on responsible investing – the EPPF was announced as the only African member of the inaugural Leaders' Group. This was a tribute to the rigour of the Fund's investment practices.

RENEWAL AND A SMOOTH TRANSITION AT BOARD LEVEL

The term of office of some of the trustees who assumed office in 2016 ended in 2020. Another two members had resigned during the year and therefore several vacancies were to be filled. New voting procedures made it easier for members and pensioners to participate in the election of their representatives. The process ran smoothly and the member-elected trustees were announced in April. The employer-appointed representatives were announced in July.

MANAGING REPUTATIONAL RISK FROM NEGATIVE MEDIA COVERAGE

During the year, the Fund attracted a spate of negative and often inaccurate media coverage related to its administration and governance by an online publication (Daily Maverick). This might have created an impression that the Fund is not being managed prudently. EPPF management took a number of actions to address the situation:

- We continue to strive for various means of member communication which proactively explains concepts and performance in a user-friendly manner. To this end one response was to organise a roadshow to engage with members and pensioners across the country, to explain the Fund's investment strategy, governance and cost structures.
- The Risk and Compliance Department and Internal Audit team conducted an assessment with a view to strengthening assurance in relevant areas.
- We are reviewing our whistleblowing mechanism to ensure that members, staff and concerned members of the public can report irregularities with confidence and without fear of reprisal.

EPPF Strategy 2019 – 2024 continued

- We lodged a complaint with the Press Council in relation to six articles carried by the Daily Maverick and secured a ruling – delivered after the end of the financial year – that the publication publish a prominent apology to the Fund for unprofessional reporting.

The Council did not, however, rule on the validity of the allegations. We assure our stakeholders that the Fund is governed by strict policies, clear processes and the oversight offered by the Board of Trustees, which represents all stakeholder groupings.

ADDRESSING THE INELIGIBILITY OF SOME MEMBERS

Over previous years, some employees of participating employers became members of the Fund although they are not eligible to do so in terms of the rules of the EPPF. A process is underway to establish the eligibility of all historic, current and new members of the Fund. The vetting process with regard to historic membership is underway. In order to ensure that no individual is unfairly treated, the Fund will apply to the courts for a ruling to regularise any membership discrepancies that arise. This vetting process is being conducted by an independent external company to ensure its objectivity and transparency. Eskom is sharing the burden of this exercise.

CONTAINING OPERATING COSTS AND IMPROVING EFFICIENCIES

Eskom is a self-administered scheme and has direct responsibility for managing all significant operational costs.

In 2020, the year-on-year increase in operational costs, excluding projects costs such as the implementation of the new Pension Administration System, was contained at 1%.

While the EPPF utilises external asset managers to manage at least two-thirds of the Fund's assets, we have increased the capacity of our in-house investment team to manage some assets directly. With competent portfolio managers, working within risk limits, the internal team has managed to achieve good investment returns at a lower cost.

PROVIDING THE COVID-19 SPECIAL BONUS

An unanticipated priority during 2020 was providing immediate relief to our pensioners and their households to counteract some of economic fall-out from the COVID-19 pandemic. The Fund's Board of Trustees, with advice from the Fund actuary, resolved in June 2020 to grant a once-off special relief bonus. This special bonus was in addition to the discretionary bonus granted in December 2019 and ranged from R3 500 to R5 425 per household. It was paid in July 2020 and the total cost to the Fund was R105.3m.

Although the COVID-19 event had resulted in a sharp decline in investment returns, the actuarial assessment established that the bonus would not be detrimental to the Fund's long-term sustainability.



OUR BUSINESS MODEL

LEGACY
FUTURE
INSIGHT

MEMBER-CENTRICITY

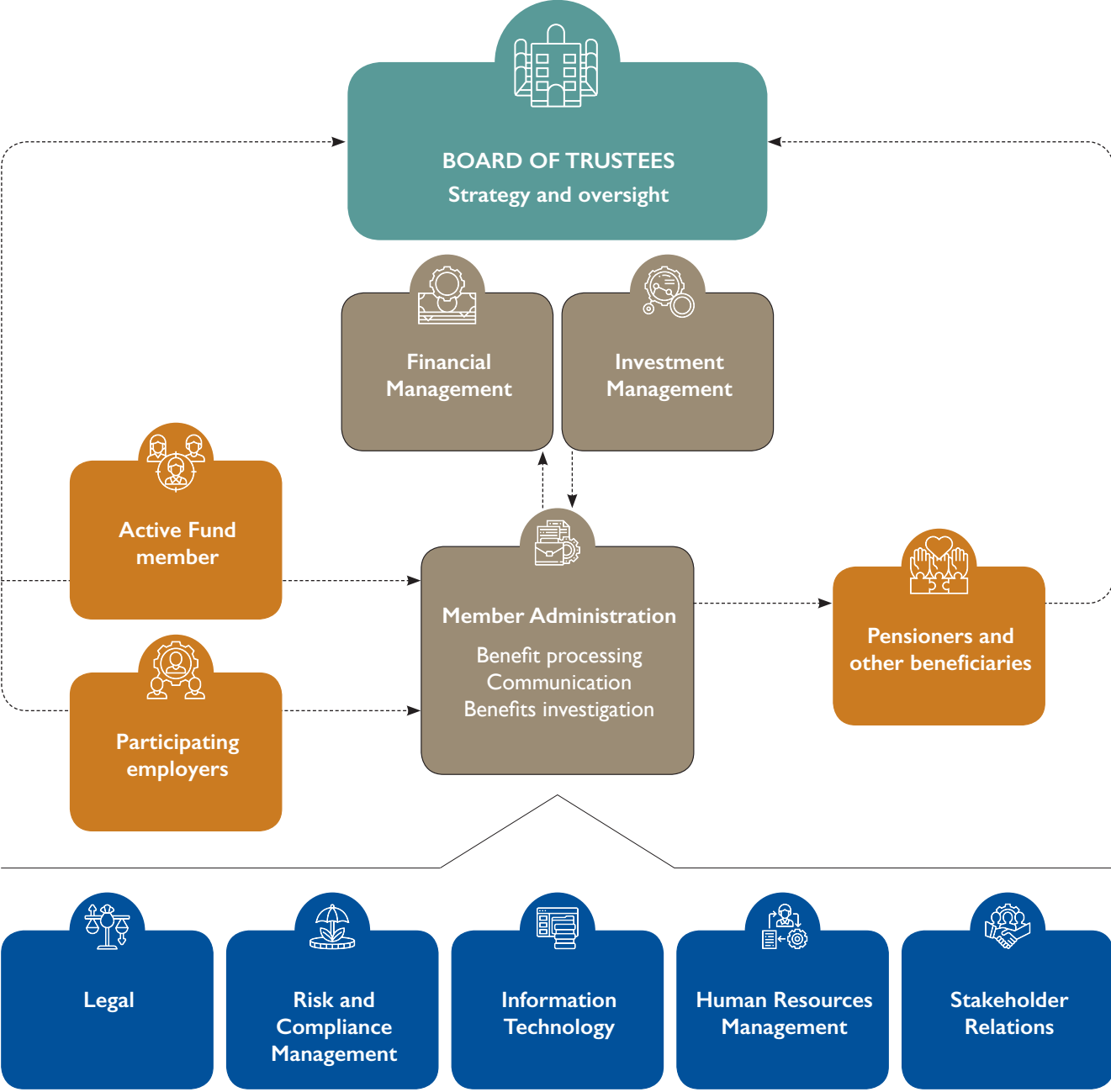
LEGACY

SERVICE
SAVINGS

RELIABLE SAVINGS
MEMBER-CENTRICITY
LEADERSHIP PERFORMANCE

OUR BUSINESS MODEL

The simplified representation of our business model highlights the central role of members and pensioners in the EPPF as well as the dynamic of inter-generational funding. In a self-administered fund, the relationship of members to the operation of the Fund, exercised through the oversight role of the Board, is comparatively direct.



OUR PERFORMANCE

LEGACY
FUTURE

MEMBER-CENTRICITY

LEGACY

INSIGHT



RELIABLE SAVINGS
MEMBER-CENTRICITY

LEADERSHIP PERFORMANCE

OUR PERFORMANCE

TOWARDS A MEMBER-CENTRED SERVICE

The Fund's relationship with its active members, pensioners and other beneficiaries rests largely on the quality of the service we offer: the efficiency of our administration of benefits, our responsiveness to queries and complaints, the information we provide about the Fund, and support provided during times of uncertainty and transition.

In our pursuit of our goal of becoming a member-centric fund, we aspire to do all these things especially well – and in a manner that respects the individuality of members. We have come to appreciate that members have different needs and our service must include options for member engagement. Some members are thirsty for information, others want the human touch, while others are content with plain efficiency.

The incorporation of increasingly sophisticated information technology (IT) into our service model enables us to expand our channels of engagement according to member needs, to respond to members more speedily, and to enhance members' access to information. In addition, the analytical capacity of IT will, over time, enable us to grasp members' requirements better and meet these pro-actively rather than reactively.

In 2020 we took the first giant leap down this road by installing the new Pension Administration System and bringing some initial functions onstream. For example, new members joining towards the end of the year were offered a digital onboarding experience and the special COVID-19 bonus was paid out using the new system. In the near future, the Fund will offer a range of self-service features online, so that members can view their details at any time and the need for emails and call centre use will gradually decline.

70 years of Caring: Peace of mind after 36 years' service

For 36 years Elias Morapedi Moshooliba worked for Eskom, starting as a trainee maintenance worker at "Klogmar" in Meyerton, Gauteng. Part of his period of service was spent as a driver, delivering products as far afield as Bloemfontein.

When retirement became inevitable at the age of 65 years it was not a happy prospect. "I loved my job. In all honesty, the thought of going on pension was disheartening because my workplace was like home to me," he recalls.

Luckily, being a pensioner has exceeded his expectations and financial security has been a big part of this.

"I don't stress about my finances. Eskom has given me all my monies which I have invested. I get my monthly pension without any hassle or delay. All my fundamental expenses have been fully paid off and my insurance and funeral cover are up to date. This gives me peace of mind."

Just a year into retirement, Mr Moshooliba has already set up a livestock business – "just to keep myself busy" – and takes pleasure in the time he now has to spend with his family.



Indicators of service performance

The Fund measures various aspects of service to members against specific targets.

- The Call Centre received more than 48 000 calls in the year. While our personnel met targets in terms of the percentage of calls answered, the waiting time was 10 seconds longer than we aimed for.
- Emails outnumbered calls, with more than 55 000 received, and we are proud of an average turnaround time of eight hours on email responses, which was well within our 48-hour target.
- The Fund's performance in terms of processing benefit applications was satisfactory in the first half of the year, averaging 61% of claims being completed within a 6-week turnaround, but we faced further challenges between January and June 2020:
 - There was a temporary freeze on operations while migrating to the new Pension Administration System.
 - The number of claims increased due to voluntary severance packages at one of the Fund employers, i.e. Eskom.

- Benefit investigations were instituted in relation to ill-health applications i.e. members going on early retirement based on ill health, Section 37(c), death claim applications and the review of lifelong pensions. These investigations were temporarily impeded by the lockdown. Overall, 83% against a target of 70% of cases reviewed were approved.

Call Centre performance

	Actual	Target
Number of calls	48 063	–
Percent answered	87%	75%
Average response time	30 seconds	20 seconds

Email queries

	Actual	Target
Number of mails	55 363	–
Average response time	8 hours	48 hours

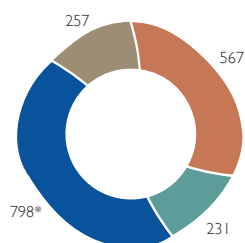
Benefits investigations July 2019 – June 2020

Total cases	Approved or completed	Declined	Deferred or reviewed	Deceased or withdrawn	Pending
609	479	9	12	6	103

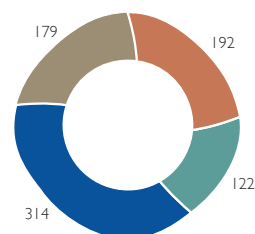
Benefits processed

	Brought forward	Received	Total for processing	Finalised
Jul – Dec 2019	567	231	798	257
Jan – Jun 2020	192	122	314	179

Benefits processed Jul – Dec 2019 (%)



Benefits processed Jan – Jun 2020 (%)



■ Total for processing
 ■ Finalised
 ■ Bought forward
 ■ Received

OUR PERFORMANCE continued

The Board has provided direction for a concerted effort to trace 1 978 members who left Eskom over the last 15 years and did not claim their pension benefits. Electronic tracing has been successful in 845 instances, but claimants experienced difficulty returning completed claim forms during the lockdown period. While only 47 claims had been finalised by the end of June 2020, the Fund will continue to drive the reduction unclaimed benefits. The Fund is optimistic that unclaimed benefits will be substantially reduced in the coming year.

Communication with members

The Fund strives to have face-to-face meetings in order to build relationships with its members and pensioners, to account for performance and build a well-informed membership.

However, attendance at events for pensioners and active members fell well below target in 2020:

- A total of 10 999 pensioners were invited to the 29 functions organised for the purpose of reporting to them and only 3 158 attended.
- A total of 4 966 active members participated in the 336 education sessions organised. The aim had been to reach 12 000 active members.

Publications and member communication:

The Fund publishes two newsletters – *Power Talk* for active members and *Pensioner Talk* for pensioners. These newsletters are published on a quarterly basis and contain information about the Fund, health and financial matters, issues affecting the retirement industry and provides the quarterly fund interest rate. The last edition of the reporting period focused on the 70th anniversary of the EPPF.

In addition to the regular publishing of newsletters, the Fund distributes member updates on topical and pertinent matters which require more immediate attention.

During the year under review, there was an increase in member communication which was driven by the Chief Executive's focus on a dialogue with members. Member communication and education will continue to be a focus area as an important part of our member-centricity strategic pillar.

A key element of member interaction is education and the Fund has invested significant resources towards ensuring that members are knowledgeable about how the Fund operates. The Fund has invested targeted resources towards member education. The member education material includes videos and brochures available on the EPPF website where members are informed about the Fund, their benefits and how their retirement savings



GROWING AND PROTECTING OUR ASSETS

In 2020, the Fund prioritised activities in a number of areas to strengthen its investment performance and financial management.

Creating and implementing an environmental, social and governance (ESG) policy

Research shows that, on average, companies that follow sustainable practices tend to outperform those that do not. The Fund increasingly requires that its investment partners incorporate sound ESG practices in their businesses. Examples of what we look for are:

- Sustainable mining practices that recognise the need for environmental rehabilitation.
- Inclusivity and a genuine appreciation of the value of diversity.
- Transparency and accountability in corporate life.

The development and implementation of an impact policy

The EPPF's Developmental Impact Investment portfolio recognises the Fund's responsibility to invest for social and developmental impact, while also earning investment returns. Some of the investments made through this portfolio include affordable and accessible education, healthcare and the expansion of township and rural economies.

Investment management fees

Investment management fees reduce our investment returns and impact on the Fund's available to benefit our members. Every cent that is saved in fees represents an amount that could potentially be paid out in member benefits. The Investment Management Unit (IMU) aims to procure its services in a manner that is cost-effective without sacrificing quality. We measure the amount paid in fees and evaluate it relative to market-related benchmarks.

B-BBEE expenditure

The IMU only invests in entities with a level 3 B-BBEE rating or higher, and strives to partner with entities that are majority black-owned. The proportion of investment and expenditure is measured on an annual basis. (pages 30 to 32).

Financial performance

The EPPF funds its benefits from contributions collected and income from invested assets. At the start of the year, accumulated assets amounted to R144.7bn and this legacy assisted the Fund to weather the extraordinary economic storm that swept the globe in the wake of the COVID-19 pandemic (see pages 28 and 29).

While this crisis impacted severely on our investment returns for 2020 – which were 63% lower than in 2019 – the Fund remained stable. Our ability to meet our

obligations to pensioners was never in doubt and, by the last quarter of our financial year, returns on investment were again in positive territory.

Contributions and benefits

Eskom's commitment to contain its personnel costs, through natural attrition and voluntary severance packages, has not only reduced the number of active Fund members but increased our pensioner numbers. In addition, the awarding of smaller salary increases by Eskom has reduced the increase in pensionable salaries of members and diminished the growth in contributions to the Fund.

In 2020, the Fund recorded:

- Total contributions amounting to R3.837bn (2019: R3.806bn).
- Benefits for the year amounting to R5.607bn (2019: R5.141bn).
- A net cash outflow of R1.770bn (2019: R1.335bn).



Average member contribution 2020

R91 532



Average pension benefit 2020

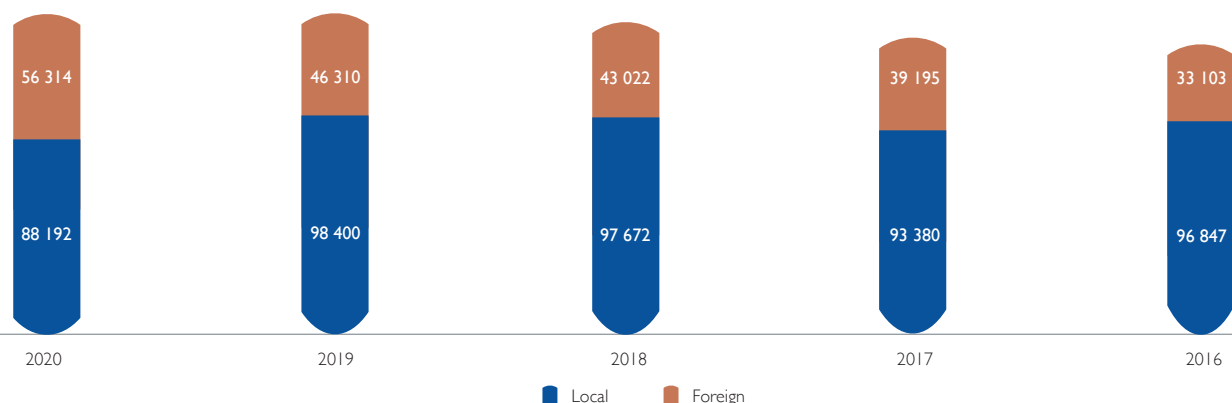
R108 824

Investment of assets

Diversification is a central principle of the Fund's investment strategy, largely because it is prudent to spread risk but also because it enables us to seek optimal returns. At the conclusion of 2020, the EPPF's investment assets amounted to R144.5bn (2019: R144.7bn) and 61% of these were invested in domestic markets, with the balance in global markets and African markets outside South Africa. The share of global and African investments has grown steadily in recent years and increased from 32% in 2019 to 39% of the total in this reporting year.

OUR PERFORMANCE continued

Assets under management (Rm)



The distribution of investments across various asset classes is shown in the table below.

Breakdown of investments by asset class and market

30 JUNE 2020					30 JUNE 2019			
ASSET UNDER MANAGEMENT	R'BN				R'BN			
ASSET CLASS	Local	Foreign	Total	%	Local	Foreign	Total	%
Cash	5.71	1.38	7.09	5	5.25	3.24	8.49	6
Commodities	0.02	-	0.02	0	-	-	0.00	0
Debt instruments	23.61	3.76	27.36	19	25.29	0.03	25.32	17
Investment properties	0.12	-	0.12	0	0.12	-	0.12	0
Equities	52.61	35.04	87.65	61	61.57	30.14	91.71	63
Collective investment scheme	-	13.34	13.34	9	-	10.95	10.95	8
Hedge funds	1.28	-	1.28	1	0.97	-	0.97	1
Private equity	2.56	2.80	5.36	4	2.79	1.95	4.74	3
Derivative market investments	-	-	-	0	0.01	-	0.01	0
Investment in participating employers*	2.29	-	2.29	2	2.4	-	2.4	2
	88.19	56.31	144.51	100	98.40	46.31	144.71	100
Percentage split	61%	39%	100%		68%	32%	100%	

* The Fund holds government-guaranteed inflation-linked Eskom bonds, most of which were acquired during the build-up of its Inflation Linked Bond portfolio before and during 2011/12. The rationale was a slight yield pick-up (35 to 55 basis points) compared to the sovereign bonds. Some of these investments were made directly with Eskom Treasury, as the secondary market in these assets was thin.

Our strategy of diversification across domestic and international markets yielded positive results in the first half of the 2020 financial year, but was not shock-proof in the face of COVID-19.

The first quarter of the financial year kicked off in a period of continued low investment returns, delivering a muted one-year investment return of 1.59% (AUM: R144.0bn). This was followed by quarter two delivering a better than expected one-year return of 10.11% (AUM: R146bn). Unfortunately, this positive trend was short-lived due to the impact of the COVID-19 pandemic on local and global markets during the third quarter, eroding gains made in the first half of the financial year. As a result, the one-year investment return at the end of the third quarter closed at

-7.65% (AUM: R127.9bn). Finally, markets displayed some recovery during the fourth quarter, with the one-year return closing at 0.84% (AUM: R144.5bn).

Unpacking the one-year investment return, the domestic return was -9.03%, while global returns delivered a return of 23.99%. This was largely due to a recovery in global capital markets, coupled with the depreciation of the Rand.

Ultimately, however, the extraordinary global economic crisis inflicted major losses on the Fund's investment assets. Net investment income, after deducting expenses in managing investments, amounted to R2.226bn in 2020 (2019: R6.023bn), a decrease of 63% on the previous year. This translated to an annual return on investment of 0.84% (2019: 2.99%).

The cost of managing investments through external asset managers rose by 10% relative to last year; to R573m from R521m. This was largely due to increased investments in global and African markets, for which management fees are paid in foreign currency, as well as the depreciation of the Rand over the period. At the same time, global markets were the largest contributor to investment returns.

Fund investment performance against strategic benchmarks 2020

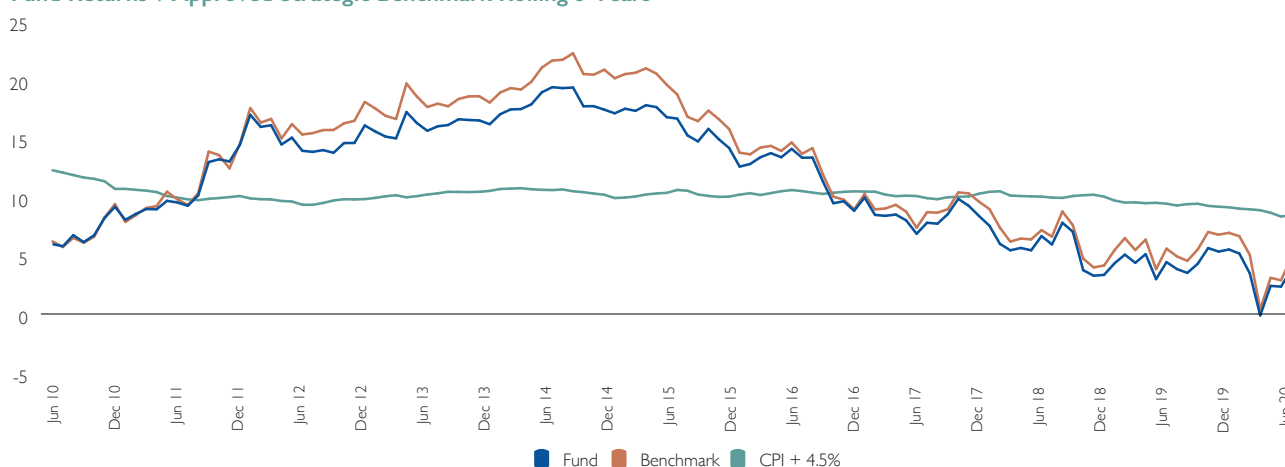
	1 year %	3 years %	5 years %	7 years %	10 years &
Actual return	0.84	3.60	4.61	7.75	10.19
Strategic benchmark	0.87	4.64	5.06	8.48	11.35
Excess/shortfall	(0.03)	(1.00)	(0.43)	(0.68)	(1.05)

Domestic and global investment performance 2018-2020

	30 JUNE 2020				30 JUNE 2019				30 JUNE 2018			
INVESTMENT PERFORMANCE	%				%				%			
	1 YR	3YR	5YR	10YR	1 YR	3YR	5YR	10YR	1 YR	3YR	5YR	10YR
Total Domestic return	(9.03)	(0.98)	0.86	7.28	2.68	2.81	3.91	9.62	3.94	3.78	7.73	9.79
Total Global return	23.99	16.54	15.17	19.10	11.04	10.60	13.61	17.62	14.32	9.77	14.90	12.46
Total Domestic and Global return	0.84	3.60	4.61	10.19	3.00	4.22	5.98	11.54	7.05	6.44	10.18	11.03
Headline CPI	2.22	3.75	4.52	5.00	4.46	4.71	5.03	5.20	4.57	5.32	5.46	5.37
Target (CPI +4.5%)	6.72	8.25	9.02	9.50	8.96	9.21	9.53	9.70	9.07	9.82	9.96	9.87
Over/Under CPI performance	(1.35)	(0.14)	0.08	4.94	(1.40)	(0.47)	0.91	6.03	2.37	1.06	4.49	5.38
Over/Under Target performance	(5.51)	(4.29)	(4.05)	0.63	(5.47)	(4.57)	(3.24)	1.68	(1.85)	(3.08)	0.21	1.06

Fund returns against strategic benchmark 2010-2020

Fund Returns v Approved Strategic Benchmark Rolling 3 Years



OUR PERFORMANCE continued

Comprehensive administration costs

The EPPF is a self-administered Fund and its administration costs refer to a wide range of functions: internal investment management, retirement fund operations and member-related activities, board expenses and support services, such as human resources, IT, legal, and risk and compliance.

Administration costs, excluding project expenditure, amounted to R261 595m, an increase of 1% on the comparable figure for 2019: R259 066m.

In addition, during 2020, the Fund invested in the setting up of its new Pension Administration System, the virtualisation of its servers, the implementation of Office 365, and the successful conclusion of Trustee elections. These non-recurring costs amounted to R35 531 000 and will generate future savings of approximately R40 000 000 over a 5-year period. This technology will capacitate the Fund with the necessary digital capabilities to build a member-centric fund while improving its operating efficiency and effectiveness.

The Fund was successful in containing overall growth in its baseline administration costs to below inflation for the period, legal expenses, IT costs and office lease expenses were the drivers of growth in the cost base. Approximately 66% of legal expenses in 2020 relates to resolving the ineligibility matter, which is anticipated to be completed in the next financial year. Legal expenses are expected to reduce once this matter is resolved. Key drivers of the increase in IT costs includes the full year costs related to the Treasury Management system, additional licences for investment unit staff, many of which are priced in US dollars, and increased costs relating to the investment performance attribution system.

Total administration expenses as percentage of assets under management (AUM) was 0.18% (2019: 0.18%).

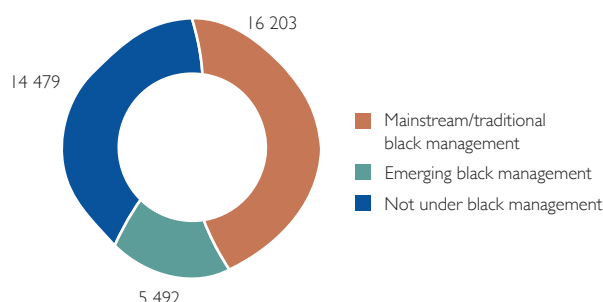
Socio-economic transformation

Good corporate citizenship in the South African context includes helping to build a society that is more equal economically and socially. The Fund is proud to play its part through a B-BBEE strategy for domestic investment, transformation and impact investing.

Allocation to Black fund managers

A total of 60% of the Fund's externally managed domestic investments is managed by black investment managers. This means asset management companies that meet all the requisite criteria and are more than 50% black-owned and black-managed. The greater part is managed by established black fund managers, and a total of R5 492m is allocated to emerging black fund managers, some of which are part of the EPPF's manager development programme, described below.

Management of externally-managed domestic assets as at end June 2020 (R million)



Manager Incubation programme

The Fund's incubator programme has been running for 12 years. Over this period, the Fund has identified 12 emerging asset managers and become their anchor client. The performance of participating asset managers is measured by their return on EPPF investments as well as their ability to attract new clients. The assets under management of incubator participants have grown substantially over the years and nearly all managers have also expanded their client base and staffing considerably.

The Manager Incubation Programme is an investment programme of the EPPF that allocates assets to the following types of Black Asset Managers:

- Start-up Black Asset Managers;
- Emerging Black Asset Managers that are already managing EPPF assets and whose AUM has fallen below R5.0bn; and
- Emerging Black Asset Managers that do not manage EPPF funds and whose AUM is below R3.0bn.

This programme can have one or more mandates and can include all the asset classes permissible in the Investment Policy Statement of the EPPF, including alternative assets such as private equity funds, hedge funds, and property funds that are managed by Black Asset Managers.

The Fund may allow a Black Asset Manager that is already part of the Manager Incubation Programme to graduate out of this programme – without losing the EPPF assets it already manages and without going through an EPPF procurement process – provided that this manager meets certain criteria.

The EPPF has outsourced the management of the programme to Alexander Forbes. Alexander Forbes identifies and recommends suitable managers to the EPPF. To date the EPPF has allocated to the managers on next page through the incubation programme.



Private Markets Manager Development Programme

In 2019, the EPPF expanded its incubation initiative into private markets – especially private equity and real assets – by advancing R2.0bn to majority black-owned asset management firms for investment in the private market and offering mentorship and support as they invested this funding.

As in the listed programme, the EPPF outsourced the day-to-day management of the programme, through a competitive process, to Thuso Investment Partners which:

- Identifies suitable black-owned asset managers
- Recommends the investment amount
- Provides value-add services such as HR, IT and compliance.

To date, R850m has been committed to three asset managers:

- Tamela Capital Partners which focuses on mezzanine debt funding.
- Vuna Partners which specialises in mid-market companies.
- Moshesh Partners which concentrates on the unlisted clean energy and infrastructure sector.

We believe that the programme will not only enhance the Fund's transformation agenda, but also yield a competitive level of investment returns.

Investing for social development

The EPPF is committed to advancing its Developmental Impact Investment Portfolio. Through strategic investment, the EPPF has backed companies that have a significant impact on growth and job creation. In the reporting year, the Fund committed R3bn to social investment and our particular focus was addressing challenges in the education sector through investment in affordable schools and student accommodation for university and TVET college students.

In the coming financial year, our focus will be supporting selected SMEs to ensure their survival and investing in infrastructure projects in order to help stimulate the construction sector and create jobs.

OUR PERFORMANCE continued

70 years of Investment: Investing in affordable homes and creating jobs

International Housing Solutions (IHS), a real estate fund manager with a 15-year track record, has been the Fund's vehicle for investing in affordable, energy efficient housing. IHS has financed developments ranging from social housing in Klerksdorp, North West, to economical solutions in Boksburg, Ekurhuleni and apartments for middle-income families in Bryanston, Sandton.

In all, IHS has delivered 28 000 residential units for rental and for sale in South Africa, Botswana and Namibia, and mobilised more than US\$570m in order to achieve this.

The Fund first invested in IHS in 2014, just as its Fund II SA was launched. The Fund's investment is in 11 105 residential units, of which 2 746 will be social housing units for low-income households. Equally importantly, some 7 000 units will be certified as energy efficient according to the EDGE criteria developed by the International Finance Corporation (IFC).

Location close to work opportunities and social amenities is a prime consideration for IHS housing projects.

Any investment in new housing is also an investment in jobs, the burning issue right at the top of South Africa's economic agenda. The IHS has created 1 087 permanent jobs and 1 335 temporary jobs in the construction sector. It has a property management company that employs 191 people.

The company has also "built" a real estate investment trust (REIT) that was initially listed on the alternative board of the Johannesburg Stock Exchange and has recently migrated to the main board.

Twelve of its 81 housing projects have been sold to developers, REITS and individual homeowners.

"It's important for the Fund to support in emerging asset classes that are not yet viewed as institutional asset classes," says Tahane Mahlaole, Investment Manager at IHS. "IHS has played a critical role in transforming this market and creating an environment that attracts private commercial capital into this space. Impact investment by institutional investors like the EPPF has helped to accomplish this."



MANAGING LEGAL AND REGULATORY MATTERS

The EPPF is registered and regulated in terms of the Pension Funds Act 24 of 1956 and is therefore subject to supervision by the Registrar of Pension Funds through the Financial Sector Conduct Authority (FSCA). The Fund complies with a range of regulations and core requirements in areas including: funding levels, the content of fund rules, the audit and/or statutory valuation of the Fund, prudential investment limits, the licensing of asset managers, payment of minimum benefits, the reporting of any non-payment of contributions, and the apportionment of actuarial surpluses.

The registered rules of the Fund have been approved by the FSCA. The rules define the purpose and business of the Fund, the type of fund, the rights and obligations of members and the employer, and the powers and responsibilities of trustees and other officers.

Pension Fund Act regulations

During 2020 the Fund submitted a rule amendment to address additions to regulations issued under section 36 of the Pension Funds in 2017. These regulations, known as the Default Regulations, required boards of trustees of retirement funds to offer the following to its members:

- Defined contribution pension and provident funds: A default investment portfolio which is not excessively complex, unreasonably expensive, and allows for easy movement between portfolios.
- Pension and provident funds: A default in-fund preservation of benefits for members who move between employers before retirement.
- Pension, pension preservation and retirement annuity funds: A strategy to provide an efficient, transparent and cost-effective default annuity that will ensure that members who retire are able to convert their retirement savings into an income.

The Fund's rule amendments – which were approved in October 2019 – addressed the default in-fund preservation requirements of the Default Regulations. The Fund applied for an exemption from providing a default annuity strategy because it already provides a pension on retirement. The FSCA indicated that an exemption was not required because the Fund was only required to have one annuity strategy.

After the promulgation of the Default Regulations, the Fund saw an increase in deferred members seeking to withdraw the full deferred benefit or transfer it to other retirement funds. The rules currently preclude the Fund from acceding to such requests but the Fund is presently considering mechanisms to address this.

Protection of Personal Information Act

It was noted earlier in this report that various sections of the Protection of Personal Information Act (POPIA) came into effect on 1 July 2020. In terms of Section 114(1), all institutions including retirement funds have 12 months from 1 July 2020 to ensure that all processing of personal information complies with POPIA. The Fund has put in place a compliance roadmap to ensure compliance by June 2021. IT, data processing and investment management agreements will require service providers to warrant that they have security measures in place to protect personal information from unlawful access and may be asked to provide proof of such security measures. In addition, the Fund has developed risk management and investment risk systems to assess and mitigate our risk.

COVID-19 lockdown

The declaration of the COVID-19 national state of disaster and publication of regulations to curtail inter-personal contact, had a significant impact on Fund operations especially during lockdown level 5. The regulations required the reduction of staff working from the office, monitoring of staff movement, adjustment of working spaces, regular disinfecting and fumigation of Fund offices, designation of isolation rooms and appointment of a COVID-19 representative. The Fund adjusted to these requirements and continues to monitor its compliance.

Fund Rules review

The Fund continuously reviews its rules to ensure that they respond to the regulatory environment. In the past year, the Fund undertook a consolidation of all rules and rule amendments, modernised them to make them user friendly, and updated them in line with regulatory requirements.

Pensioner increases

The Fund clarified that in terms of the rules, it sought to authorise an increase related to CPI but this was subject to investment performance, the pension increase policy, and the Rules which prescribe a minimum increase of 2% in the event that the net annual rate of interest earned on the total fund money in the preceding financial year is less than 6%. In the current financial environment, investments had not performed as well as in previous years, when increases were in line with or above CPI, and this had an impact on the pension increase.

OUR PERFORMANCE continued

Litigation related to Mr Brian Molefe

As a result of a High Court order that reversed the purported Fund membership of Mr Brian Molefe, former CEO of Eskom (in an action brought by Solidarity, the Economic Freedom Fighters and the Democratic Alliance) the Fund applied to the courts for an order to recover the payment of benefits to Mr Molefe and to regulate matters incidental to such payment in order to ensure the Fund suffers no prejudice.

The Fund also sought to recover from Mr Molefe legal costs involved in the initial litigation. The Fund has recovered costs in respect of the Supreme Court of Appeals and Constitutional Court proceedings related to this matter, while costs related to the High Court are subject to a ruling by the taxing master or a declaratory order clarifying whether a defendant can recover costs from another defendant.

From 2017 to date, Mr Molefe has appealed the judgement against him through the High Court, the Supreme Court of Appeal and finally the Constitutional Court. His Constitutional Court appeal was ultimately

dismissed in late 2019. The court made a costs award in respect of all three appeals against Mr Molefe – and he has settled these costs orders apart from the High Court, which he is disputing.

The Fund launched an application for the reversal of contributions made by Mr Molefe and these amounts will be offset against the pension pay-out and the outstanding balance will be paid by Mr Molefe. The EPPF is compelled to launch the application as the Rules make no provision for reversal of membership or the refund of contributions made erroneously. The reversal of membership is necessitated by the 2017 judgement which declared Mr Molefe's membership erroneous.

The Fund has not received a date from the court clerk for the hearing of the application. The court roll is severely backed up due to the National Disaster declared in March 2020.



MANAGING RISK

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

The Risk and Compliance Department is responsible for enterprise-wide risk management and supports line management in identifying and controlling risks. It provides reasonable assurance to management and the Board that a sound risk management framework is in operation. It is the custodian of operational risk management processes like the fraud risk management, business continuity management, project risk management and investment compliance.

The department also collaborates with other divisions to ensure compliance with applicable laws and regulations.

During 2020, the Fund reviewed its Anti-bribery, Corruption and Fraud Management Policy, taking account of FSCA Directive 8: Prohibition on the Acceptance of Gratification. Among other changes, it clarified the definition of misconduct in relation to bribery and corruption.

The Fund has a whistle-blowing hotline which is managed independently by Vuvuzela Hotline.

We also introduced a fraud perception survey, which is internally focused and will become an annual intervention designed to involve employees in enhancing fraud prevention and control.

We have risk maps at strategic and operational level. The five top strategic risks are listed below with a summary of mitigation measures.

Risk exposure	Mitigation measures
Long-term sustainability of the fund Risk lies in the possible inability to develop and implement a solution to address long-term sustainability challenges	Establishment of stakeholder (Fund and Employer, Labour) task team to seek and recommend solutions Investigation of potential solutions in areas of contributions, benefits, salaries and defined contribution choice e.g. Phased optional defined contribution implementation; limit on pensionable salary increases Reduce benefits and/or increase contributions Stakeholder and regulator engagement once recommended steps have been identified Legal opinion regarding appropriateness of recommended solutions
Investment performance and returns Risk resides in possible: <ul style="list-style-type: none"> Failure to achieve objective of real return on investments Inability to fund pension increases at CPI rate and meet members' contractual benefits Loss of invested capital due to failure of underlying investments Loss of invested capital due to failure of controls by the asset managers appointed to manage investments 	Investment Policy Statement and asset allocation strategy Independent review of investment strategy Setting of robust strategic benchmarks as well as appropriate diversification and risk limits Risk budgeting approach to investment management to ensure alignment with liabilities Tactical asset allocation to proactively manage volatility risks where warranted Active continuous monitoring of performance of investments against benchmarks and targets Selection of qualified and regulated specialist asset managers with robust legal agreements to ensure interests of the Fund are protected Ongoing asset manager reviews including detailed periodic due diligence into investment and operational processes and controls
Disruption due to COVID-19 There are multiple risks to the operation of the Fund, including the investment climate, the health of members, business continuity, information security, operational quality and efficiency, and the wellbeing of staff	Ensuring investment strategy remains relevant Strengthening electronic and other relevant communication channels Enabling remote working and limiting office contact Procurement of stocks of products impacted by the epidemic Monitoring member illness and mortality Monitoring developments at participating employers
Stakeholder management Risk depends on strength of Fund's capacity to communicate with stakeholders and manage expectations	Comprehensive Stakeholder Management Strategy developed and supported by an appropriate communication strategy that details the the different engagement strategies for the different stakeholders
Regulatory requirements Risk arises in event of failure to comply with regulatory and governance requirements	Continuous monitoring of legal and regulatory environments for identification of new developments, development and alignment of policies, processes and procedures, training and development of staff, monitoring and reporting of non-compliances.

OUR PERFORMANCE continued

OPTIMISING TECHNOLOGY

With the Fund embarking on a digital transformation journey, we have begun to employ digital technology to serve members better and more efficiently. The data collected and analysed by through systems enables us to understand members better, anticipate their needs and offer channels of engagement and transactions that best suit their needs. The data from our systems also has the capacity to provide Board members with information to enhance their decision-making.

We are harnessing technology to automate and speed up functions, such as data analysis and reporting, making payments, connecting with payroll systems and even providing information to new members in a convenient manner. In the near future we aim to offer an online dashboard that members can access at any time and monitor their investments without having to contact one of our offices.

During the year under review, the Fund continued on our digital transformation journey focused on being 'invested in our members' and enhancing the member experience. There were several projects initiated and completed during the period including two flagship projects – the Pension Administration System (PAS) implementation and Office365.

PAS implementation

The objective of the project (coined Project Summit internally) was to transition successfully from Global ASP to Everest before 30 April 2020. This includes fully trained and compliant business users ahead of switch-over dates and timeous execution of our payroll to never inconvenience our pensioners and members.

The focus for Phase I of the project was to make sure that business can operate without major operational impact and inconveniencing members – this was achieved. We successfully transitioned by April 2020 with the first successful payroll run done in March 2020 – a month prior to the deadline.

Office365

The objective of the project was to enable a secure agile environment for the Fund and provide users with a modern workplace, where they can work anywhere at any time. This will allow EPPF employees the ability to access their data on any device safely without compromising member data and backing it up securely in the cloud which provides more storage and advanced Disaster Recovery capabilities.

The project was successfully completed in early March 2020, four months before the targeted due date. The early finish of this project proved to be extremely beneficial as it enabled employees to be able to work remotely during the initial COVID-19 national lockdown period where access to the EPPF premises needed to be restricted. This benefited the Fund to ensure there was no reputational risk of not being operational during the national lockdown. Employees were able to work effectively and there was continuity for the Fund without a significant impact on operations or on our members.

Our focus areas for FY2021 include:

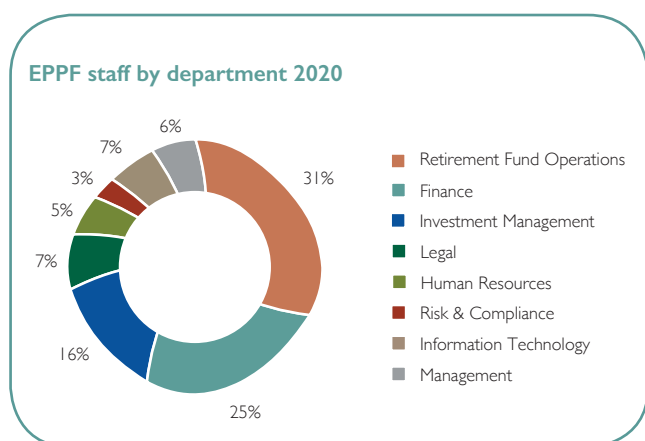
- Using analytic data on member engagement to understand and predict members' needs – and then "meet" every customer through his or her channel of choice.
- Alleviating pressure in the back office by replacing manual processes with robotic automation.
- Providing trustworthy and affordable advice on contributions virtually, using a robo-advisor powered by artificial intelligence.
- Reducing fraud in claims by utilising digital assistance which is driven by artificial intelligence, predictive analytics and cognitive messaging.
- Building of new data warehouse.
- Channel strategy i.e. the introduction of a WhatsApp channel for members.



ATTRACTING, DEVELOPING AND RETAINING TALENT

The Fund is deeply conscious that its objectives of service excellence and sustainability depend on the quality of its human capital. The year 2020 illustrated this reality as the installation of the PAS presented unique capacity challenges.

As at 30 June 2020, the Fund employed 153 individuals. However, about one-third were employed on fixed-term contracts in order to provide the skills temporarily needed to implement the Pension Administration System successfully. The addition of 43 (24 contractors, 13 interns and 6 learners) employees has mainly introduced capacity at the level of skilled qualified workers, junior management and supervisors.



Our emphasis in 2020 was guided by the strategic plan and featured leadership development, the embedding of the talent management philosophy and matching this to future capabilities, continuing to advance diversity, and supporting learning among our employees.

We are beginning to take up the challenge of aligning human and technological capabilities. As machines become more advanced creating opportunity to automate mundane tasks, a different type of workforce will be required; one that includes people who can bring creative thinking and complex problem-solving skills to the table.

The COVID-19 pandemic demanded a great adjustment in leadership style. Our employees worked from home and new processes were put in place to ensure coordination, effective management of performance remotely and efficiencies. We provided guidance to our employees on working-from-home, in terms of meeting daily expectations, self-management, time management and striking a balance between delivery and flexibility (work-life balance).

Leadership development

The fund implemented its Leadership Development Framework which guides the enhancement of leadership skills among all leaders and different levels of aspiring leaders. In 2020, 85% of the Executive Committee commenced their executive coaching journey. More broadly, leadership conversations during the year focused on strengthening organisational culture, values and branding which will ultimately require all leaders to drive and own these processes going forward.

Embedding talent management

Effective talent management helps us to ensure that the right people, with the right skills, are in the right roles, at the right time in order to successfully execute the Fund's business strategy and create a competitive advantage.

The EPPF has rolled out its first talent management framework and philosophy and completed a full talent cycle. This involved the identification, assessment, engagement and development of talent with the aim of building talent bench strength and succession pipeline as well as to pro-actively craft and implement resource and retention plans and strategies.

The journey of embedding talent management for the organisation is an ongoing one and will continue into 2021.

Employee engagement and culture

The Fund established an Employment Equity Committee which has already proved its worth by:

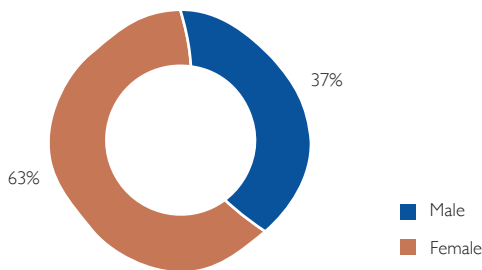
- Proposing some changes to our existing policies and procedures – for example, supplementary recruitment methods in order to attract more diverse candidates.
- Empowering our committee members by exposing them to Employment Equity related training which aided in increasing their understanding of the different labour legislation, enabling them to engage meaningfully, and building capabilities to drive and track compliance within the Fund.
- In line with our objective to attract and retain people with disabilities we also rolled-out a Fund-wide disability awareness training which explored several topics relating to inclusivity in the workplace.

The Fund's LinkedIn page has been transformed and now features our employees more prominently through profiles and opinion pieces. It has also become a useful platform for advertising vacancies and positioning the Fund as an employer of choice.

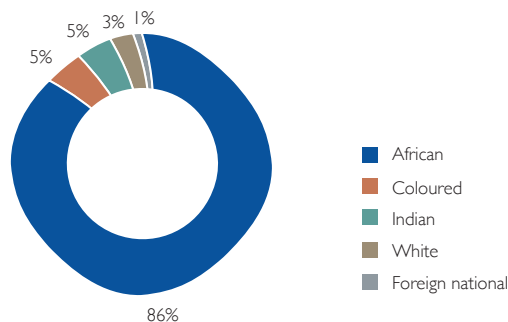
The EPPF believes that diversity has many dimensions beyond the demographics on which broad-based black empowerment (B-BBEE) is based, but we also acknowledge the importance of sustaining efforts to redress the historically disadvantaged. The table on page 38 indicates our performance in this regard.

OUR PERFORMANCE continued

All employees by gender (%)



All employees by racial group (%)



Building a learning organisation

The Fund invests about 2% of its annual payroll costs in the training of employees. This is double the amount required by the INSETA and reflects the value we attach to continuously developing our employees. In recent years, the Fund has become more strategic in prioritising learning and development interventions with better alignment to the evolving business priorities and employee needs, as well as future skills requirements.

About 20% of our employees receive financial support from the Fund to pursue formal studies, mainly in business-related fields such as actuarial science, finance, accounting, IT, HR, economics, Certified Financial Analyst and

communications. Most of these contribute to filling critical skills gaps for the Fund and many are aimed at professional accreditation.

The Fund provides internships and learnerships, and nearly two-thirds of the 2019 intake were retained on 12-month contracts, mainly in order to help achieve the launch of the Pension Administration System. A further 13 interns and learners were appointed in 2020.

General

A major focus for 2021 will be organisational design, the basic aim of which is to create structures and build the right capabilities that will facilitate delivery well into the future.

Our CSI is for the youth

The EPPF acknowledged that it has a role to play in addressing the skill deficit in our country. We have formed a partnership with Senoane Secondary (a disadvantaged school in Soweto) with the aim of making a difference in the lives of its learners who are mostly from impoverished backgrounds. This CSI initiative, launched in July 2019, focuses on upskilling and empowerment and it gives our employees a chance to contribute directly.

HIGHLIGHTS OF 2020

- Mini career day where we shared the different career options available and the requirements needed to embark in their chosen paths.
- Mandela Day where we shared success stories with learners, having fun through educational quizzes and ended the day with a braai.
- Sanitary towels donation: “keeping a girl child” in class.
- Donating furniture to aid with their learning experience.
- Learnership opportunities. Two out of six of the learners were appointed from Senoane Secondary School.



SUSTAINING RELATIONSHIPS WITH STAKEHOLDERS

The nature of the Fund's engagement with its primary stakeholders – active members, pensioners and other beneficiaries – is described in detail on pages 24, 39 and 40. However, other categories of external stakeholder play a significant role in the life of the Fund and we strive to keep these relationships on a positive footing through appropriate levels of engagement.

The election of our Chief Executive, Ms Linda Mateza, as Vice-President of Batseta, the council for retirement funds, promises to increase interaction with our industry peers and build our profile within the sector.

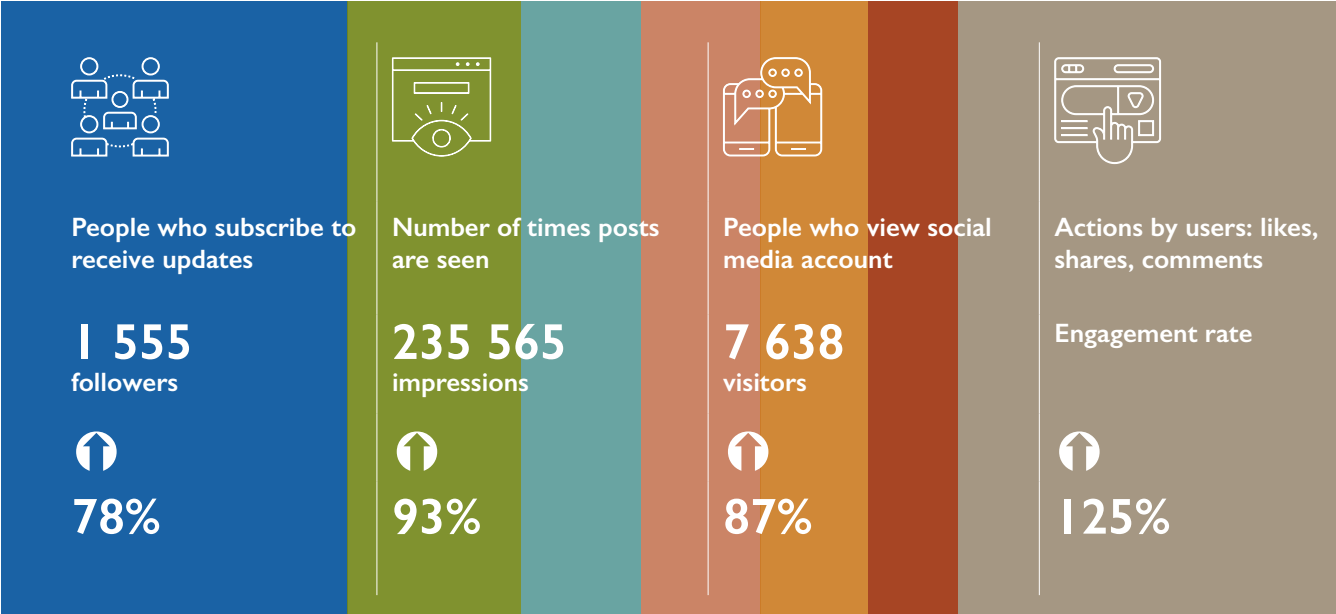
Stakeholder category	Structured engagement
Participating employers: Eskom and subsidiaries	Service level agreement Appointment of trustees to Board Meetings at executive level Consultation on major decisions, such as Fund rules amendments
Labour organisations recognised by participating employers	Appointment of trustees to Board CNC meetings with membership, including engagement with trade unions
Regulators: FSCA and Pension Funds Adjudicator (PFA)	Meetings of Chair of EPPF Board and Chief Executive with senior FSCA officials Formal written submissions to FSCA on fund rules and other statutory matters Engagement with FSCA on unclaimed benefit queries in line with the FSCA's drive to assist to reduce percentage of unclaimed benefits that retirement funds hold Engagement with PFA on member complaints which vary and range from queries about calculation of benefits, disputes about allocation of death benefits, misunderstanding of the types of benefits payable and when they accrue, requests to transfer or access full retirement value on retirement, pension increases, and delays in processing of benefits We have not noted a spike in the average number of complaints we deal with year on year. The spikes are cyclical and coincide with environmental and regulatory changes, however numbers have remained average/constant when compared with previous financial years
Industry bodies: Batseta	Representation on structures of Batseta Participation in conferences and events
Mass media	Engagement with media through the use of the following: <ul style="list-style-type: none"> • Media releases • Responses to media queries • Individual print or broadcast interviews with journalists • Thought leadership articles published by publications • Contribution to industry opinion pieces

In addition to these individualised forms of communication, communication to stakeholders takes place through the shared platforms of social media, the Fund's own media – its website and newsletters – and the mass media.

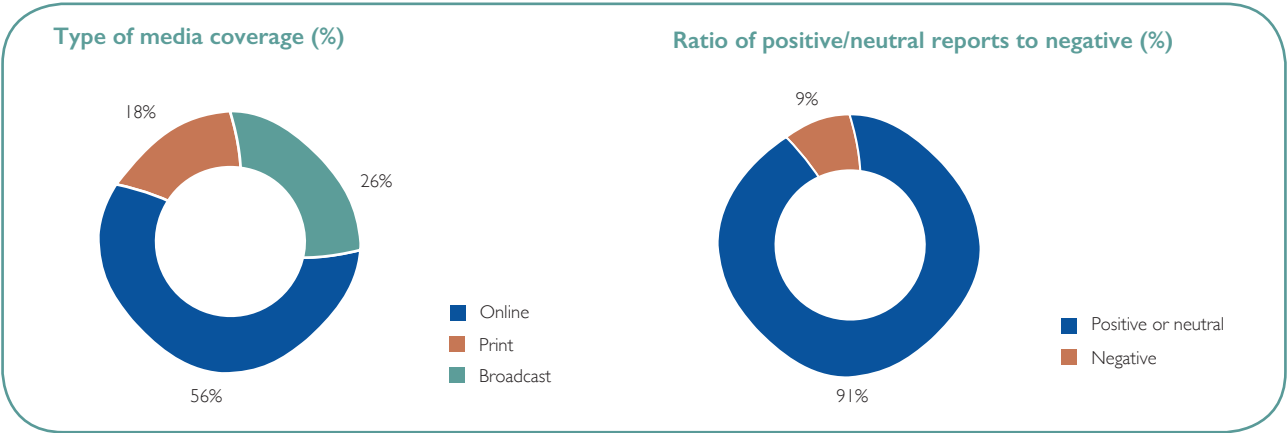
Both the website and social media platforms received increased attention during 2020. The overall number of website users was up 23% on the previous year and the pages most visited were in the careers and news categories.

OUR PERFORMANCE continued

Social media reach 2020



The EPPF attracts a fair amount of media coverage: 717 reports representing the equivalent of R23.6m in advertising value. Some of this was proactively generated through media releases, thought leadership articles and interviews, and some were initiated by journalists.



The vast majority of news reports on the Fund were neutral or positive in tone. However, a few negative articles had the potential to damage the Fund's reputation and we took action to limit harm, including – in one instance – complaining successfully to the Press Council. (See pages 19 to 20.)

70 years of Value: Committed to affordable, quality education

South Africa invests a large amount in education but the results are unimpressive. Poor standards of education make it hard for school leavers to become productive in the economy.

The future of education in emerging markets, within Africa and beyond, will be hybrid systems that combine public and private education. This is being driven by consumer demand and by the fiscal realities of governments.

The EPPF is a proud investor in the Old Mutual Schools and Education Investment Impact Fund of South Africa (SEIFSA), the Nova Pioneer Education Group and Rise Student Living Company.

SEIFSA and Nova Pioneer contribute to quality education by enabling thousands of learners to access to affordable independent schools.

SEIFSA finances infrastructure and education-related requirements of schools and delivers a commercial return. It also invests in early childhood development and vocational training.

There is steady year-on-year increase in the number of learners who benefit from SEIFSA. Their numbers grew by 12.8% in 2018, 12.2% in 2019 and 9% in 2020.

Currently SEIFSA assists 39 schools with a total of 20 882 learners who achieved an average pass rate of 92%, exceeding the national average of 81.3%. More than half their teachers are drawn from historically disadvantaged groups and 40% are women.

SEIFSA schools regularly conduct independent annual numeracy and literacy tests which enable school management to develop intervention strategies, where needed. The schools incorporate climate change into the curriculum and more than 60% use borehole water to irrigate their sports fields.

Nova Pioneer currently has six schools in South Africa and the Fund's investment will help the group expand its quality education offering.

Rise Student Living invests in and develops affordable student accommodation, targeted at beneficiaries of the National Student Financial Aid Scheme (NSFAS). The provision of decent student housing supports the national agenda of ensuring universal access to tertiary education. Affordable, safe accommodation is often a barrier to further study for disadvantaged young people. The Rise initiative contributes to the safety of students and improves their academic prospects by providing an environment conducive to learning.



EFFECTIVE GOVERNANCE

LEGACY
FUTURE

MEMBER-CENTRICITY

LEGACY

RELIABLE SAVINGS
MEMBER-CENTRICITY

Retirement funds play an important role in relation to corporate governance. Not only do funds have a serious fiduciary duty to their members, whose retirement assets they manage, but they make significant investment decisions and have rights and responsibilities as shareholders in multiple companies. The way funds exercise these rights and responsibilities may weaken or strengthen corporate governance of the companies that they invest in.

ROLE OF EPPF BOARD

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

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

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

The Board is constituted as follows:

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

Members of the Board hold office for a period of four years and the term of members responsible for most of this reporting year ended on 31 May 2020. Their names, positions and biographical details appear on pages 47 to 50.

GOVERNANCE STRUCTURE

The Board has six committees to assist it to fulfil its responsibilities. Each committee has clear terms of reference and delegated authority. The Board reviews the performance and effectiveness of its committees on a continuous basis.

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

FOCUS AREAS OF BOARD COMMITTEES

Audit and Risk Committee (ARC)	
Composition	Responsibilities
Five trustees, including chairperson	Safeguarding Fund assets
Members in 2020	Monitoring operation of systems and controls
Mr D M Maleka (<i>Chairperson</i>)	Reviewing financial information
Mr N Huma	Reviewing functions of internal audit
Mr M R Khomola	Preparation of annual financial statements
Mr A J Morgan	Reviewing independence, objectivity and effectiveness of external and internal auditors
Mr N K Shandu	Reviewing concerns identified by external and internal audit
Number of meetings in 2020	Governance and strategic direction of Fund's IT function
Five	

EFFECTIVE GOVERNANCE continued

Benefits Committee (BC)	
Composition	Responsibilities
Five trustees, including chairperson	Overseeing and making recommendations on:
Members in 2020	Investigation of transactions under section 37(c) of the Pensions Fund Act and making recommendations to the Board
Mr N K Shandu (<i>Chairperson</i>)	Rules related to the disposition of death benefits
Dr CT Khumalo	Applications for life-long pensions and ill-health retirements
Ms T F Madlala	Allocation of disability benefits
Ms P Ndlela	Applications for section 14 transfers from other funds
Mr B I Steyn	Establishment of instalment lump-sum accounts for major and minor beneficiaries
Number of meetings in 2020	Determination of pension benefits and suspension of pension payments
Six	

Communication Committee (CC)	
Composition	Responsibilities
Five trustees, including chairperson	Overseeing review of communication policies and strategy
Members in 2020	Overseeing implementation of the Fund's communication strategy and activities
Mr B I Steyn (<i>Chairperson</i>)	Considering management's reports on communication with stakeholders
Ms L Brown	Reviewing press releases on Board matters, and identifying matters for action
Ms H Diatle	Considering any ad hoc communication issues referred to it by the Board or committees
Ms T F Madlala	
Ms P Ndlela	
Number of meetings in 2020	
One*	

* The Communication Committee was newly constituted towards the end of the financial year and could only hold one meeting.

Human Resources and Remuneration Committee (HRRC)	
Composition	Responsibilities
Five trustees, including chairperson, and external expert	Approving HR policies and strategies and monitoring compliance with statutory requirements and best corporate practice
Members in 2020	Determining executive management remuneration and the remuneration policy framework, and making recommendations to the Board
Dr CT Khumalo (<i>Chairperson</i>)	Ensuring that executive management remuneration and practices are in accordance with best corporate practice
Ms H Diatle	
Mr N Huma	
Ms J M Maisela	
Number of meetings in 2020	
Five	

Legal and Governance Committee (LGC)	
Composition	Responsibilities
Five trustees, including chairperson	Oversight role of legal and governance affairs of the Fund in accordance with the Fund rules and statutory requirements
Members in 2020	
Ms L Brown (Chairperson) Mr M R Khomola Ms T F Madlala Ms P Ndlela Mr D Reyneke	
Number of meetings in 2020	
Four	

Strategic Investment Committee (SIC)	
Composition	Responsibilities
Five trustees, including chairperson, and five external experts	Attend to the investment affairs of the Fund in accordance with the Fund's Rules, Investment Policy Statement and the relevant statutory requirements
Members in 2020	
Mr A J Morgan (<i>Chairperson</i>) Mr N Huma Mr M R Khomola Mr D M Maleka Ms J M Maisela	
Number of meetings in 2020	
Five	



EFFECTIVE GOVERNANCE continued

Participation of members in Board meetings

	Meetings in 2019				Meetings in 2020						
	2/8	8/9	22/11	5/12	31/1	12/3	13/3	22/5	26/5	12/6	16/6
JM Maisela	X	X	X	X	X	X	X	X	X	X	X
L Brown	X	X	X	X	X	X	X	X	X	X	X
H Diatile	X	X	X	X	X	A	X	X	X	X	X
N Huma	X	X	X	X	X	X	X	X	X		
MR Khomola	X	X	X	X	X	X	X	X	X		
CT Khumalo	A	A	X	A	X	X	X	A	X	X	X
TF Madlala	X	X	X	X	X	X	X	X	X		
DM Maleka	X	A	X	X	A	A	X	X	X		
E Masilela	X	A									
AJ Morgan	X	X	X	X	X	X	X	X	X		
P Ndlela	X	X	X	X	X	A	X	X	X		
D Reyneke	A	X	A	A	A						
NK Shandu	X	X	X	X	X	X	X	X	X	X	X
BI Steyn	X	X	X	X	X	X	X	X	X	A	X
T Mahiti										X	X
JM Buys										X	X
I du Plessis										X	X
D Jenkins										X	X
A Makgopa										X	X
L Ratsiku										X	X
S Shweni										X	X
HTIhotlhamajane										X	X

Note: Meetings in June were of the newly constituted Board.

Attendance

- X Attended
- A Absent
- Member no longer held or had not assumed office

Types of meetings

- Workshop or strategy session
- Scheduled meeting
- Special meeting

Members of the Board of Trustees to 31 May 2020



Japhtaline Mantuka Maisela – *Chairman*

Employer member – Independent

Appointed 1 June 2016 and ended on 30 June 2020

Qualifications

Post-graduate Diploma in Management (Wits), Masters in Management (Wits), Production Management (Japan), Leadership Development Program (Wharton Business School, US)

Experience and skills

Thirty-eight years' experience in HI management. Wide experience as chairperson, board member and committee member in various organisations



Liza Brown

Employer member

Board of Trustees; Legal and Governance Committee; Benefits Committee

Appointed 6 June 2018

Qualifications

BProc (UP) 1996, LLB (UP) 1998, Post-graduate Diploma in Contractual Drafting and Interpretation (Cum Laude) (UJ) 2007, Certificate in Project Management (UP) 2011

Experience and skills

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



Muvenda Rufus Khomola

Employer member

Appointed 1 December 2016

Qualifications

Master's in Project Management (UP) 2014, BCom Hons (Accounting) (University of Natal) 2002, Higher Diploma in Accounting (Wits) 2001, BCom (Economics) (Wits) 2000

Experience and skills

Financial management services in various sectors and shared services



 Audit and Risk Committee

 Benefits Committee

 Communications Committee

 Human Resources and Remuneration Committee

 Legal and Governance Committee

 Strategic Investment Committee

EFFECTIVE GOVERNANCE continued



Cynthia Tuduetso Khumalo

Employer member
Appointed 1 July 2017

Qualifications

Masters in Business Leadership (Unisa) 2012, PhD in Social Work (NWU) 2009, MA Social Science (Mental Health) (Unisa) 2000, BA Social Science (Hons) (Unisa) 1992

Experience and skills

Human resources, transformation, advancement of women, wellness



Denis Mandla Maleka

Employer member
Appointed 1 June 2016

Qualifications

Master of Economics, Bachelor of Economics (Hons), Executive Development Programme, Member of the Institute of Directors of South Africa

Experience and skills

Economics



Ngoako Huma

Employer member
Appointed 12 November 2018

Qualifications

Qualifying Board Exam Part II (SAICA) 2011, BCompt Hons (CTA) (Unisa) 2005, BCompt (Unisa) 2004

Experience and skills

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



Allen John Morgan

Members' member – Pensioner
Appointed 1 June 2016

Qualifications

BScBEng (Elec) (SU), SA Professional Engineer – SPE, Management Development Programme (Unisa), Executive Development Programme (Wits), Electrical Engineers Certificate of Competency (Department of Labour)

Experience and skills

Non-executive directorships in diverse industries and sectors





Barend Izak Steyn

Members' member – Pensioner

Board of Trustees; Benefits Committee; Communications Committee

Appointed 1 June 2016

Qualifications

BAdmin (University of OFS) 1975, BAdmin (Hons)(University of OFS) 1976, Archives Management (SA Archives Services) 1978, MBA (Potchefstroom University) 1982, Interaction Management (Advanced Leadership Academy) 1983, Certificate in Futures and Options (DePaul University, US) 1993, Certificate in Financial Derivatives (London International Futures Exchange) 1995, Certificate in Financial Planning (Financial Planning Institute, UOFS) 2000, INSETA Executive Leadership Development (UCT) 2004, individual subject credits in accounting, income tax and auditing (Unisa)

Experience and skills

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



Helen Diatile

Members' member – Bargaining Unit (National Union of Mineworkers)

Board of Trustees; Legal and Governance Committee; Communications Committee

Appointed 1 June 2016

Qualifications

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

Experience and skills

Credit control, contact centre skills, treasury and education



Pauline Ndlela

Members' member – Bargaining Unit (National Union of Metalworkers of SA)

Appointed 1 June 2016

Qualifications

N3, N4, N5 and N6 secretarial qualifications (Witbank Technical College) 1995, Programme in Project Management (UP) in progress

Experience and skills

Clerical and technical skills



 Audit and Risk Committee

 Human Resources and Remuneration Committee

 Benefits Committee

 Legal and Governance Committee

 Communications Committee

 Strategic Investment Committee

EFFECTIVE GOVERNANCE continued



Deon Reyneke

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

Qualifications

BProc (UP)

Experience and skills

Member of the Institute of Directors of SA



Thembeke Flaviona Madlala

Members' member – Non-Bargaining Unit
Appointed 1 June 2016

Qualifications

MBA, BTech (Quality Management), Middle Management Programme, Pr Techni Eng, Post-graduate Certificat in Project Management, Institute of Internal Auditors

Experience and skills

Member of the Institute of Directors of SA



Ndabezikhona Khehla Shandu

Members' member – Non-Bargaining Unit
Appointed 1 June 2016

Qualifications

National Diploma in Electrical Engineering (Mangosuthu Technikon) 1993, National Higher Diploma in Electrical Engineering (Natal Technikon) 1994, BTech in Electrical Engineering (technikon Witwatersrand) 1995, Certificate: Introduction to Corporate Governance (Unisa) 2016, MBA (Milpark Business School, underwritten by Thames Valley University, UK) 2001, Certificate in Production/ Operation Management (Intec College) 2001

Experience and skills

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





EPPF Office Park

Home of Eskom Rensio and Provident
24 George Crescent, East, Bryanston

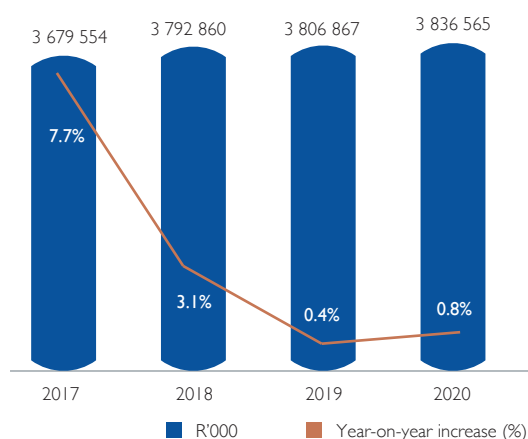


CHIEF FINANCIAL OFFICER'S REPORT



Contributions received and accrued for the year ended 30 June 2020 amounted to R3 837m (2019: R3 806m), and represents a year-on-year increase of approximately 0.8% (2019: 0.4% increase). The marginal year-on-year increase, as compared to 2019, is largely due to increases in average contribution per member of 4.8%, offset by a year-on-year decrease of 3.8% (2019: 4.6% decrease) in active member numbers. The average contribution per active member increased by 4.8%, (2019: 5.2%) from R87 374 in 2019 per member (2018: R83 047) to R91 532 in 2020.

Trend in member contributions 2017 – 2020

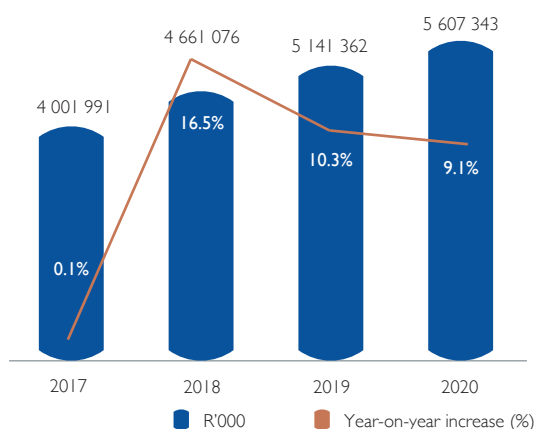


“COMPARING THE EPPF TER TO THE INDUSTRY, IN 2019, SANLAM CONDUCTED A BENCHMARK STUDY THAT INDICATED THAT TOTAL COSTS AS A PERCENTAGE OF AUM FOR STANDALONE FUNDS, FUNDS SIMILAR TO THAT OF THE EPPF, WAS ON AVERAGE 0.58% OF AUM...”

BENEFITS PAID AND ACCRUED

Benefits paid and accrued for the year ended 30 June 2020 amounted to R5 607m (2019: R5 141m) and represents a year-on-year increase of 9.1% (2019: 10.3% increase). While annual pensioner payment increases were 2%, net pensioner membership growth was 1.2%. Lumpsums commuted grew by 21% (2019: 18%) and withdrawals decreased by 5% (2019: increased by 3%). Divorce benefits increased by 11% (2019: 18%). The average pension per member per annum was R108 824 (2019: R97 785).

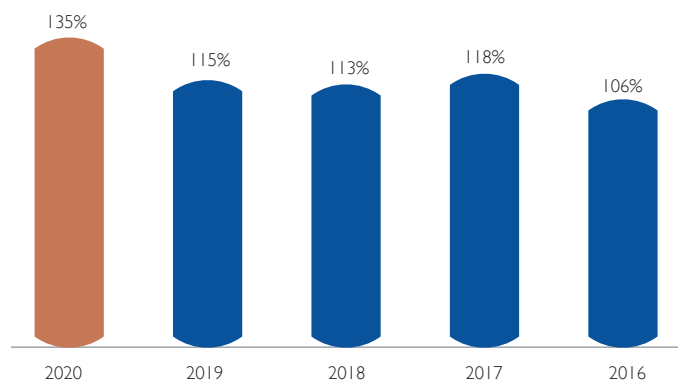
Trend in benefits paid 2017 – 2020



ACTUARIAL LIABILITIES AND FUNDING LEVEL

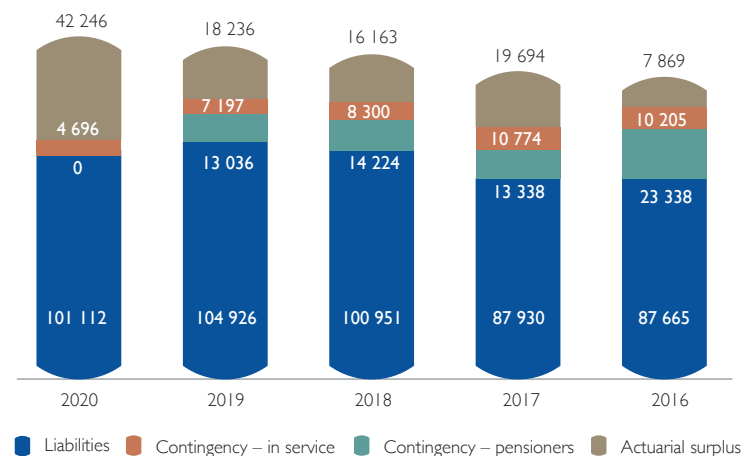
The actuarial surplus at year end, after providing for contingencies, was R37.5bn (2019: R18.2 bn) and the funding level increased to 135% (2019: 115%).

Trend in funding level after provision for contingency reserves 2016 – 2020



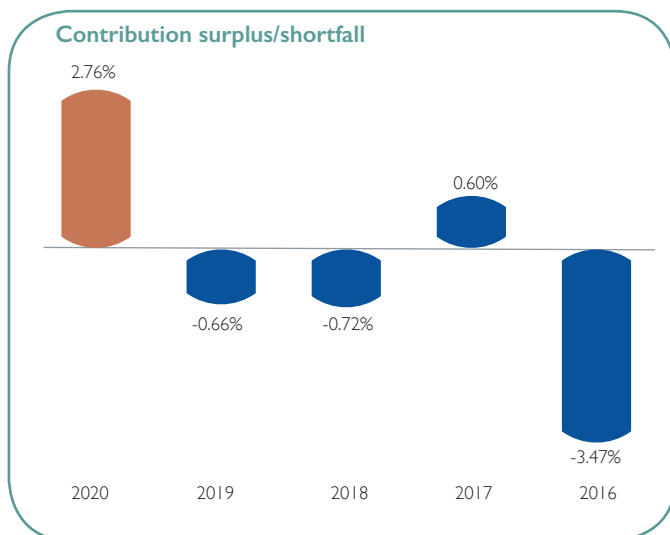
Actuarial liabilities decreased from R104.9bn in 2019 to R101.1bn in 2020, while contingency reserves decreased from R20.3bn in 2019 to R4.7bn.

Trend in actuarial liabilities, contingencies and surplus 2016 – 2020



CHIEF FINANCIAL OFFICER'S REPORT continued

The contribution surplus, which measures the extent to which the current contribution rate can cover the cost of future service benefits, was 2.76% at 30 June 2020, improving from a negative 0.66% in 2019.



NET INVESTMENT INCOME

Assets are invested with the objective of generating investment returns to underwrite the fund's pension

benefits liabilities. Net investment income, after deducting expenses incurred in managing investments, amounted to R2 226m (2019: R6 023m). This represents a year-on-year decrease of 63% (2019: 33% decrease) and is largely attributable to market volatility caused by the COVID-19 pandemic. The fund utilises a time-weighted investment return methodology (in line with GIPS standards) to calculate investment returns. The one-year investment return for the Fund was 0,84% (2019: 2.99%).

INVESTMENT MANAGEMENT EXPENSES

Expenses incurred in managing investments (external asset manager costs only) amounted to R573m (2019: R521m, representing a year-on-year increase of 9.9% (2019: 1.5%). This was largely due to the increase of global assets, which are denominated in foreign currency, from 32% (2019) to 39% (2020) of total AUM. This, coupled with the depreciation in the rand, contributed to the year-on-year increase of 10% in external asset manager fees. Securities lending income amounted to R23.4m (2019: R27.1m), which is reported separately in the statement of changes in net assets and funds.

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

Breakdown of investment income

	30/6/2020	30/6/2019	30/6/2018	30/6/2017	30/6/2016
INVESTMENT INCOME	R'000	R'000	R'000	R'000	R'000
Income from investments	4 690 158	4 894 666	4 643 889	3 882 511	3 952 866
– Dividends	3 327 252	3 343 066	2 956 253	2 336 634	2 348 849
– Interest and rentals	1 362 906	1 551 600	1 687 636	1 545 877	1 604 017
Net profit on sale/redemption of investments	5 663 718	3 195 264	7 221 256	3 483 879	6 783 968
Fair value adjustments on investments	(7 554 515)	(1 545 343)	(2 421 988)	(3 577 712)	1 204 938
	2 799 361	6 544 587	9 443 157	3 788 678	11 941 772
Less: expenses incurred in managing investments	(573 099)	(521 259)	(513 749)	(436 148)	(453 319)
Net investment income	2 226 262	6 023 328	8 929 408	3 352 530	11 488 453

ADMINISTRATION EXPENSES

Administration expenses include all EPPF costs as an in-house administrator such as the Investment Management Unit and its internal investment activities, retirement fund operations and its member related activities, Board of Fund expenses, as well as shared administration services such as Finance, IT, Legal, Human Resources and Risk and Compliance. Below is actual expenditure against the prior year actuals:

ADMINISTRATION EXPENSES	2020 R'000	Total %	2019 R'000	Total %	YoY %
Administration expenditure					
Staff costs	125 528	48	133 763	52	(6)
Board costs	7 346	3	8 828	3	(17)
IT costs	52 271	20	41 763	16	25
Membership costs	10 809	4	18 792	7	(42)
Office rental	13 550	5	5 796	2	134
Consultancy and legal costs	24 836	9	24 060	9	3
Other	27 255	10	26 064	10	5
	261 595	100	259 066		1
Project expenditure					
Server virtualisation costs	4 190	12	—		
Office365 implementation	2 644	7	—		
Pension Administration System implementation	24 806	70	—		
Trustee elections	3 891	11	—		
Other	—	0	1 927		
	35 531	100	1 927		
Total administration expenses	297 126		260 993		

- Staff costs declined by 6%, and this was largely due to a reduction in the provision for incentives.
- Board of Fund expenses declined by 17% and was largely due to reduced travel and training.
- As the EPPF embraces technology to improve its capabilities, effectiveness and efficiency, financial resources are required to support this initiative. During the financial year the Fund experienced a growth in IT costs largely due to additional Bloomberg licences for the investment management staff, the use of Statpro licences and support for investment performance attribution, and an increase in infrastructure maintenance. Going forward the total direct savings to be realised from the new Pension Administration System is approximately R8m per annum over a five-year period.
- Consulting costs was largely due to investment activities such as due diligences, ESG advisory and asset liability modelling. Legal costs grew during the year in order to deal with the ineligibility and other matters, driving the increase in this cost category.
- Growth in member development, administration and other expenses is largely due the reallocation of office rental paid, out of investment income where it was previously accounted for to administration expenses. As the Fund is both a tenant and owner of the office park in Bryanston, the previous practise was to set off office rentals paid against investment income. However, in order to accurately record the actual cost operating the EPPF, office rentals have been reallocated to administration expenditure.

Breakdown of project costs

	Budget FY20	Actual FY2020	Variance FY2020	% use
Pension Administration System	35 799	24 806	10 993	69
Server virtualisation	4 190	4 190	—	100
Office365 implementation cost	2 644	2 644	—	100
TOTAL	42 633	31 640	10 993	

CHIEF FINANCIAL OFFICER'S REPORT continued

TOTAL EXPENSE RATIO (TER)

Referencing costs to industry standards, and ultimately the cost to EPPF members, the Fund's TER for the year ended 30 June 2020 amounted to 0.58% of AUM (2019: 0.52% of AUM). Below is a breakdown of the Fund's TER into its core components.

Breakdown of total expense ratio (TER)

TOTAL EXPENDITURE	Unit	2020 ACT	2019 ACT	YoY Difference
Assets under management (AUM)	R'000	144 506 420	144 656 343	149 923
Net investment management fees/AUM (%)	%	0.38	0.34	0.04
Administration expenditure/AUM	%	0.18	0.18	0.00
		0.56	0.52	
Project expenditure/AUM	%	0.02	0.00	0.02
Total expenditure/AUM (TER)	%	0.58	0.52	0.06

Investment management fees were 0.38% (2019: 0.34%); administration expenses were 0.18% (2019: 0.18%) and project expenditure was 0.02% (2019: 0.00%). The year-on-year growth of 6 basis points was largely due to negative growth in total AUM of approximately R150m, and the increased management fees as a result of a larger proportion of global assets (as highlighted above). This, coupled with a depreciating rand, contributed to an increase of 4 basis points in investment management fees. However, one-year investment returns from the global portfolio was 23.99% against domestic returns of -9.03%.

Comparing the EPPF TER to the industry, in 2019, Sanlam conducted a benchmark study that indicated that total costs as a percentage of AUM for standalone funds, funds

similar to that of the EPPF, was on average 0.58% of AUM, while that of Umbrella Funds was on average 0.59% of AUM. During the same period, the EPPF's TER was 0.52%, below that of the industry average for both stand-alone and umbrella funds. While the EPPF TER of 0.58% of AUM in 2020 may appear to be on the higher end of these benchmarks, this may be the case for most Funds during 2020, given the widespread impact of COVID-19 on the AUM of retirement funds. Accordingly, the EPPF's TER remains competitive, if not below the industry average.

Shafeeq Abrahams

Chief Financial Officer



SUMMARISED ANNUAL FINANCIAL STATEMENTS

LEGACY FUTURE

MEMBER-CENTRICITY

RELIABLE SAVINGS
MEMBER-CENTRICITY



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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND

FOR THE YEAR ENDED 30 JUNE 2020

RESPONSIBILITIES

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

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

APPROVAL OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

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

- The Fund's assets are safeguarded.
- Transactions are properly authorised and executed.
- The financial records are reliable.

The summarised annual financial statements set out on pages 64 to 83 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act. Except for instances of non-compliance as reported below, the Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These summarised annual financial statements have been reported on by the independent auditor, PricewaterhouseCoopers Inc, who was 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 auditor in the management representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 61 and 62.

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
On 30 September 2019 an employer-appointed Trustee resigned resulting in a Board vacancy which was not filled in the regulated 90-day period.	None, as all Board of Fund meetings had the relevant quorum present.	The participating employer, Eskom Holdings SOC Limited, replaced the employer-appointed Board member vacancy on 2 January 2020 (94 days later). An employee-elected Board member resigned during the Trustee election process and was replaced on 1 June 2020 (109 days later).
On 13 February 2020 a union appointed Trustee resigned resulting in a Board vacancy which was not filled in the regulated 90-day period.	None, as all meetings were appropriately constituted and had the relevant quorum present.	The union filled the vacancy on 1 June 2020.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND continued

FOR THE YEAR ENDED 30 JUNE 2020

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
As a result of the replacement of the membership administration system, divorce benefits received from non-member spouses during the period January to February 2020 were not processed within the regulated 60-day period.	Late payment interest was paid.	Benefit payments were made after 30 April 2020.
Ineligible members who participated in the Fund.	Refer to note 8.2 on Schedule E (see full AFS on EPPF website).	Refer to note 8.2 Schedule E (see full AFS on EPPF website).
Regulation 38 requires the Rules of the Fund to provide for members to become Paid Up when they leave the service of the employer; the Fund is also required to issue a paid-up certificate. In the case of new members regulation 38 requires the Fund to collect the members paid-up certificate within four months of joining the Fund.	The delayed processing of paid up membership certificates and recollection of paid up membership certificates from new members.	The Rules of the Fund were amended to comply with the Default Regulations on 15 October 2019 with effect from 1 March 2019. The Fund has subsequently commenced with a system migration in December 2019 and the initial Phase concluded at 30 April 2020. Phase 2 will be concluded on 30 November 2020, all members who leave service other than as a result of retirement will be presented with copies of their paid-up membership certificates within three calendar months of the Fund becoming aware of such exit. Similarly, members joining the Fund will be required to submit their paid-up certificates within four months.

These summarised annual financial statements:

- Were approved by the Board of Fund on 13 November 2020.
- 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 2020 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

13 November 2020



Mr Jasper Martin Buys
Employer Trustee



Mr Sincedile Shweni
Member Trustee

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2020

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



Ms Linda Soga Mateza
Principal Officer

13 November 2020



AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Board of Fund of Eskom Pension and Provident Fund

OPINION

The summarised annual financial statements of Eskom Pension and Provident Fund (the "Fund"), set out on pages 64 to 83, which comprise the statement of net assets and funds as at 30 June 2020, the statement 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 2020.

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 basis described on page 66 as applicable to the summarised financial statements.

SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised annual financial statements do not contain all the disclosures required by the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act as applicable to 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 effects 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

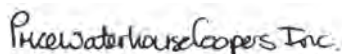
We expressed an unmodified audit opinion on the audited annual financial statements in our report dated 7 December 2020.

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

The Board of Fund is responsible for the preparation of the summarised annual financial statements in accordance with the basis described on page 66 as applicable to summarised 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.



PricewaterhouseCoopers Inc.

Director: C. Mitchelson

Registered Auditor

Johannesburg

14 December 2020

VALUATOR'S REPORT

PARTICULARS OF FINANCIAL CONDITION OF THE FUND AS AT 30 JUNE 2020

An annual actuarial valuation was carried out as at 30 June 2020. In respect of this valuation, I can comment as follows:

1. The fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund – R143 358 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R143 358 million.
3. The actuarial present value of promised retirement benefits – R101 112 million vested, and R0 non-vested.
4. Contingency reserve account balances – R4 696 million.
5. The projected unit credit method was adopted for the valuation, which is unchanged from the method used at the last valuation. The contingency reserves comprise a solvency reserve calculated as the estimated additional amount required, to the extent that sufficient assets are available, to ensure that the liabilities and assets can be matched on a substantially risk-free basis, a contribution reserve equal to the expected present value of the future contribution shortfall for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve. An additional provision was made to fund in advance for the annual pensioner bonus in respect of current pensioners.
6. The key financial assumptions are that investment returns will exceed salary inflation by 5.50% per annum (4.50% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 8.60% per annum (6.50% 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 2.76% of pensionable salaries (compared with a shortfall of 0.66% at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2020 for the purposes of the Pension Funds Act, 1956.

Prepared by me:



Liesel V Ryan
Valuator

Fellow of the Actuarial Society of South Africa

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

12 November 2020

STATEMENT OF NET ASSETS AND FUNDS

AS AT 30 JUNE 2020

	Note	2020 R'000	2019 R'000
ASSETS			
Non-current assets		144 514 559	144 663 160
Plant and equipment	2	8 139	6 817
Investments	3	144 506 420	144 656 343
Current assets		611 739	580 846
Transfers receivable	5	225	–
Accounts receivable	4	308 692	255 918
Arrear contributions	10	274 900	301 108
Cash at bank		27 922	23 820
Total assets		145 126 298	145 244 006
FUNDS, SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		138 758 678	123 422 976
Normal retirement		132 650 071	116 861 631
Additional voluntary contribution scheme		512 040	645 494
Performance bonus scheme		5 596 567	5 915 851
Total reserves			
Reserve accounts	19	4 696 000	20 233 000
Total funds and reserves		143 454 678	143 655 976
Non-current liabilities			
Unclaimed benefits	8	218 563	191 962
Current liabilities		1 453 057	1 396 068
Transfers payable	6	41 311	–
Benefits payable	7	1 155 025	1 222 458
Accounts payable	9	208 601	123 017
Accruals	15	48 120	50 593
Total funds and liabilities		145 126 298	145 244 006

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Normal retirement R'000	Additional Voluntary Contribution Scheme R'000	Performance Bonus Scheme R'000	Accumulated funds R'000	Reserve accounts Refer note 19 R'000	Total 2020 R'000	Total 2019 R'000
Contributions received and accrued	10	3 706 534	45 458	84 573	3 836 565	–	3 836 565	3 806 867
Net investment income	11	2 226 262	–	–	2 226 262	–	2 226 262	6 023 328
Allocated to unclaimed benefits	8	(7 802)	–	–	(7 802)	–	(7 802)	(9 479)
Other income	12	23 484	–	–	23 484	–	23 484	27 088
Less:								
Administration expenses	13	(297 126)	–	–	(297 126)	–	(297 126)	(260 993)
Net income before transfers and benefits		5 651 352	45 458	84 573	5 781 383	–	5 781 383	9 586 811
Transfers and benefits		(5 256 592)	(78 682)	(632 075)	(5 967 349)	–	(5 967 349)	(5 569 259)
Transfer from other funds	5	–	1 157	–	1 157	–	1 157	61
Transfer to other funds	6	(338 548)	–	–	(338 548)	–	(338 548)	(398 650)
Benefits	7	(4 918 044)	(79 839)	(632 075)	(5 629 958)	–	(5 629 958)	(5 170 670)
Net loss after transfers and benefits		394 760	(33 224)	(547 502)	(185 966)	–	(185 966)	4 017 552
Funds and reserves								
Balance at the beginning of the year	19	116 861 631	645 494	5 915 851	123 422 976	20 233 000	143 655 976	139 672 574
Prior period adjustments	14	(15 332)	–	–	(15 332)	–	(15 332)	(34 150)
Transfers between reserve accounts	19	15 658 384	(121 384)	–	15 537 000	(15 537 000)	–	–
Investment return allocated								
Surplus and reserves accounts	19	(249 372)	21 154	228 218	–	–	–	–
Balance at the end of the year		132 650 071	512 040	5 596 567	138 758 678	4 696 000	143 454 678	143 655 976

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

I. PRINCIPAL ACCOUNTING POLICIES

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

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

The summarised annual financial statements have been extracted from the audited annual financial statements upon which PricewaterhouseCoopers Inc. has issued an unqualified report to include financial information useful to the members of the Fund. The accounting policies applied in the preparation of the annual financial statements from which the summarised annual financial statements were derived are 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 summarised annual financial statements do not contain all the information and disclosures required in the annual financial statements.

I.2 PLANT AND EQUIPMENT

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

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

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

The periods of depreciation used are as follows:

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

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

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

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

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

I.3 FINANCIAL INSTRUMENTS

Measurement

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

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

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

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

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

I. PRINCIPAL ACCOUNTING POLICIES CONTINUED

I.3 FINANCIAL INSTRUMENTS CONTINUED

I.3.1 Investments

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

Bills and bonds

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

Listed bills and bonds

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

Unlisted bills and bonds

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

Investment property

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

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

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

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

Equities

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

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

Listed equities

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

Unlisted equities

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

Private Equity

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

Preference shares

Listed preference shares

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

1.3 FINANCIAL INSTRUMENTS CONTINUED

1.3.1 Investments continued

Insurance policies

Non-linked insurance policies

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

Linked or market-related policies

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

Collective investment scheme

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

Exchange traded funds

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

Derivative Market Instruments

Derivative market instruments consist of interest rate swaps.

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

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

Swaps

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

Investment in participating employers

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

Hedge funds

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

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

1.3.2 Accounts receivable

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

I. PRINCIPAL ACCOUNTING POLICIES CONTINUED

I.3 FINANCIAL INSTRUMENTS CONTINUED

I.3.3 Cash and cash equivalents

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

I.3.4 Accounts payable

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

I.3.5 Investments unsettled trades

Unsettled trades for purchase and sale of investments are disclosed as part of investments.

I.4 RESERVES

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

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

Provisions

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

Contingent liabilities

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

Contingent assets

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

Accruals

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

I.6 CONTRIBUTIONS

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

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

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

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

I.7 NET INVESTMENT INCOME

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

Dividends

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

Interest

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

I. PRINCIPAL ACCOUNTING POLICIES CONTINUED

I.7 NET INVESTMENT INCOME CONTINUED

Rentals

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

Collective investment schemes' distribution

Distribution from collective investment schemes 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.

Adjustment to fair value

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

Expenses incurred in managing investments

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

I.8 BENEFITS

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

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

I.9 UNCLAIMED BENEFITS

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

I.10 TRANSFERS TO AND FROM THE FUND

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

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

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

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

I.11 ADMINISTRATION EXPENSES

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

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

I. PRINCIPAL ACCOUNTING POLICIES CONTINUED

I.12 RELATED PARTIES

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

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

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

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

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

I.14 IMPAIRMENT

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

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

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

I.15 RETURNS ALLOCATED TO SCHEMES

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

I.16 LEASES

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

2. PLANT AND EQUIPMENT

2.1 CURRENT YEAR

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

2.2 PRIOR YEAR

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

3. INVESTMENTS

3.1 INVESTMENT SUMMARY

	Note	Local R'000	Foreign R'000	Total 2020 R'000	Total 2019 R'000	Fair value current year R'000	Categorised per reporting framework
Cash		5 710 961	1 381 044	7 092 005	8 488 151	7 092 005	At fair value through statement of changes in net assets and funds
Commodities		19 525	–	19 525	–	19 525	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments		23 609 179	3 755 513	27 364 692	25 310 694	27 364 692	At fair value through statement of changes in net assets and funds
Investment properties and Owner occupied properties*	3.3.	117 000	–	117 000	119 000	117 000	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		52 608 571	35 040 906	87 649 477	89 557 089	87 649 477	At fair value through statement of changes in net assets and funds
Collective investment schemes		–	13 341 466	13 341 466	13 106 091	13 341 466	At fair value through statement of changes in net assets and funds
Hedge funds		1 276 282	–	1 276 282	971 409	1 276 282	At fair value through statement of changes in net assets and funds
Private equity funds		2 564 548	2 795 229	5 359 777	4 698 959	5 359 777	At fair value through statement of changes in net assets and funds
Derivative market investments		–	–	–	6 236	–	At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	3.2.	2 286 196	–	2 286 196	2 398 714	2 286 196	At fair value through statement of changes in net assets and funds
Total		88 192 262	56 314 158	144 506 420	144 656 343	144 506 420	

* The land and buildings consist of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator. The valuation was performed as at 30 June 2020. The valuator used the following assumptions in determining the fair value of the land and buildings: Competent property management is in place, reasonably stable economic conditions and stable interest rates which influence real estate values. Assumptions are made on expiry of leases for vacancies. During this void revenue period the property may be relet and fitted out for the new tenant. These capital costs as well as agency commission fees are calculated into the cash flow. The fair value was determined by reference to s13 of the JSE regulations regulating listed company property transactions as effective March 2013. If the land and buildings had been carried at the cost model, the value of the land and buildings would have been R63 413 133.

3.2 INVESTMENT IN PARTICIPATING EMPLOYER/S

	At beginning of year R'000	Redemption of bonds R'000	Market movement R'000	At end of year R'000
Debt instruments	2 398 714	(129 415)	16 897	2 286 196
Total	2 398 714	(129 415)	16 897	2 286 196

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	EPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	Discounted net income	30 Jun 2020	No	119 000	(2 000)	117 000
Total of properties					119 000	(2 000)	117 000

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

3. INVESTMENTS CONTINUED

3.3 INVESTMENT PROPERTIES AND OWNER-OCCUPIED INVESTMENTS CONTINUED

3.3.2 Previous year

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

4. ACCOUNTS RECEIVABLE

	2020 R'000	2019 R'000
Accrued investment income	68 597	34 243
Pensioner payroll (prepaid)	222 644	205 432
Prepaid expenses	4 036	6 458
Other receivables	3 639	9
Recovery of ineligible member payout – Mr B Molefe	9 776	9 776
Total	308 692	255 918

Recovery of ineligible member payout: Refer to Schedule E, Significant Matters point, 8.3

5. TRANSFERS FROM OTHER FUNDS

	Effective date	Number of members	A At beginning of year R'000	B Transfers approved R'000	C Return on Transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
In terms of Section 14							
The Preservation Pension Fund	10/04/2019	1	–	121	–	–	121
Agterskot	04/06/2019	13	–	104	–	–	104
Individual transfers in	Various	2	–	932	–	(932)	–
Total		16	–	1 157	–	(932)	225
Transfers approved (B)							1 157
Return on transfers (C)							–
Statement of changes in net assets and funds							1 157

6. TRANSFERS TO OTHER FUNDS

			A At beginning of year R'000	B Transfers approved R'000	C Return on Transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
	Effective date	No of members					
Individual transfers out	Various	142	–	338 471	77	(297 237)	41 311
Total		142	–	338 471	77	(297 237)	41 311
Transfers approved (B)							338 471
Return on transfers (C)							77
Statement of changes in net assets and funds							338 548

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	71 155	3 607 084	–	(3 548 816)	–	129 423
Lump sums on retirements						
– Pensions commuted	169 459	1 104 054	–	(1 114 995)	(7 573)	150 945
Lump sums before retirement						
– Death and disability benefits	164 230	74 402	–	(117 442)	(3 725)	117 465
– Withdrawal benefits	242 574	649 464	–	(684 614)	(36 059)	171 365
Divorce benefits	18 221	146 896	–	(149 596)	–	15 521
Instalment lump sums	556 819	20 336	22 615	(29 464)	–	570 306
Interest on late payment of benefits	–	5 107	–	(5 107)	–	–
Total	1 222 458	5 607 343	22 615	(5 650 034)	(47 357)	1 155 025
Benefits for current year (B)						5 607 343
Return allocated (C)						22 615
Statement of changes in net assets and funds						5 629 958

8. UNCLAIMED BENEFITS

	2020 R'000	2019 R'000
Balance at the beginning of the year	191 962	186 042
Transferred from benefits payable	47 357	17 516
Investment income allocated	7 802	9 479
Less:		
Benefits paid	(28 558)	(21 075)
Balance at the end of the year	218 563	191 962

Members with an unclaimed benefit payable of R3 000 or less have been excluded from the above as the cost of tracing the applicable member exceeds the benefit payable. However, the members records are maintained in the event of a potential claim.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	2020 R'000	2019 R'000
9. ACCOUNTS PAYABLE		
Contributions refundable to Eskom Holdings SOC Limited	36 999	36 999
PAYE	74 531	91
Investment expenses payable	65 477	41 507
Operational suppliers	24 667	36 604
Eskom Holdings SOC Limited	–	889
Amounts refundable to ineligible members*	6 927	6 927
Total	208 601	123 017

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

10. CONTRIBUTIONS

	At beginning of year R'000	Towards retirement R'000	Contributions received R'000	At end of the year R'000
Member contributions received and accrued	104 506	1 300 779	(1 330 447)	74 838
Employer contributions received and accrued	192 892	2 405 755	(2 418 120)	180 527
Additional voluntary contributions – members	3 710	45 458	(29 633)	19 535
Performance bonus scheme member contributions	–	29 681	(29 681)	–
Performance bonus scheme employer contributions	–	54 892	(54 892)	–
Total	301 108	3 836 565	(3 862 773)	274 900
Towards retirement				3 836 565
Towards reinsurance and expenses				–
Statement of changes in net assets and funds				3 836 565

11. NET INVESTMENT INCOME

	2020 R'000	2019 R'000
Income from investments	4 690 158	4 894 666
Dividends	3 327 252	3 343 066
Interest	1 317 817	1 534 163
Rentals	11 522	3 405
Collective investment schemes distribution	33 567	14 032
Net profit on sale/redemption of investments	5 663 718	3 195 264
Fair value adjustment on investments	(7 554 515)	(1 545 343)
	2 799 361	6 544 587
Less: Expenses incurred in managing investments	(573 099)	(521 259)
Total	2 226 262	6 023 328

Prior year amounts have been reclassified to show Collective Investment Scheme distributions separately and to show the net effect of profits and losses on disposal of investments as these are similar transactions.

	Notes	2020 R'000	2019 R'000
12. OTHER INCOME			
Net script lending fees		23 431	27 088
Board fees received		53	–
Total		23 484	27 088
13. ADMINISTRATION EXPENSES			
Actuarial fees		1 644	1 119
Audit services		5 554	4 546
Audit fees – external		2 116	1 270
Audit fees – consulting		–	237
Audit fees – internal		3 438	3 039
Consultancy fees and legal fees		24 836	17 499
Depreciation		2 938	3 129
Fidelity insurance		1 859	923
FSCA levies		1 866	1 769
Other expenses		125 876	89 417
Bank charges		2 263	2 133
Member interaction and related costs		5 861	5 263
IT services and rental		52 271	41 763
Membership, development and other administration		23 624	18 792
Travel expenses		1 571	12 497
Telephone, postage, printing and stationery		4 755	7 042
Project costs		31 640	1 927
Trustee election costs		3 891	–
Board of Fund expenses	13.1	7 346	8 828
Staff expenses	13.2	124 189	131 671
Principal officer expenses	13.3	1 018	2 092
Total		297 126	260 993

During the current period the Fund incurred non-recurring project costs relating to (all amounts R'000): server virtualisation costs R4 190, Office 365 implementation R2 644, and Pension Administration System implementation R24 806.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	2020 R'000	2019 R'000
13. ADMINISTRATION EXPENSES		
13.1 BOARD OF FUND EXPENSES		
Board of Fund remuneration	4 364	4 524
Outside expert fees	1 619	1 168
Outside expert meeting allowances	686	485
Travel, training and other expenses	677	2 651
Total	7 346	8 828
13.2. STAFF EXPENSES		
Remuneration	88 003	86 350
Contributions to retirement fund	14 839	13 967
Training expenses	2 561	4 567
Provision for bonuses	12 269	16 571
Long-term incentive provision	3 000	6 000
Levies and insurance	967	1 046
Recruitment costs	2 550	3 170
Total	124 189	131 671
13.3 PRINCIPAL OFFICER EXPENSES		
Principal Officer expenses - Remuneration	925	977
Principal Officer expenses - Allowances	6	–
Principal Officer expenses - Contributions to retirement fund	87	202
Principal Officer expenses - Bonus	–	814
Principal Officer expenses - Leave pay	–	99
Total	1 018	2 092
On 1 September 2019, Ms Linda Soga Mateza was appointed as the Chief Executive and Principal Officer. The Principal Officer's expenses have been allocated at a rate of 30% of the Chief Executive's remuneration, which represents an estimated time bases allocation of the duties and responsibilities of the Principal Officer. No incentive pay and/or leave pay was paid to the Chief Executive/Principal Officer during the year.		
14. PRIOR PERIOD ADJUSTMENTS		
Contribution refunds	(10 650)	(36 999)
Tax adjustment	(4 682)	–
Amount refundable to ineligible member	–	(6 927)
Benefit payable by ineligible member	–	9 776
Total	(15 332)	(34 150)

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

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

	2020 R'000	2019 R'000
15. ACCRUALS		
Leave pay accrual	6 332	5 005
Incentive bonus accrual (note: a)	41 788	45 588
	48 120	50 593

Note a: Includes a long-term incentive accrual of R26 519 000 (2019: R29 016 000).

16. RISK MANAGEMENT POLICIES

Risk management framework

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

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

Solvency risk

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

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

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

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

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 realize assets on a reasonable basis when cash is required to pay benefits. The Fund's asset allocation and investment strategy allows for sufficient assets in liquid form to ensure that the cash flow requirements are met as required. Also, most of the Fund's investments are in listed instruments traded in public markets which enables it to trade and raise cash in a relatively short space of time when required.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

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 minimize the adverse impact of this risk.

Interest rate risk

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

Asset manager risk

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

17. RELATED-PARTY TRANSACTIONS

During the current financial period, 30% of the Chief Executive's remuneration amounting R562 000 (2019: R2 092 000) was allocated to her duties as the Principal Officer.

Board of Fund 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 R7.3m (2019: R8.8m) was incurred in respect of all trustees and external experts. An employer appointed trustee has elected to have his fees paid to the employer from June 2020.

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

- The participating employers made contributions to the Fund for members' retirement to the value of R2.5bn (2019: R2.4bn) and refunded R542m medical aid contributions for pensioners.
- The Fund has investments in the participating employer to the value of R2.3bn (2019: R2.4bn).
- The participating employers had outstanding contributions of R313m at year end (2019: R301m). In 2019, Eskom Holdings SOC Limited was owed R889 000 for medical aid and other expense refunds.

17. RELATED-PARTY TRANSACTIONS CONTINUED

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

Related party	Relationship	Description	Transactions 2020 R'000	Transactions 2019 R'000
Eskom Holdings SOC Ltd	Participating employer	Contributions for employer-appointed Board members	1 109	1 006
Eskom Holdings SOC Ltd	Participating employer	Member contributions for employer-appointed Board members	623	544
Board of Fund	Board members	Pension payments	2 887	2 721
Board of Fund	Trustees	Board member remuneration paid to individuals	4 346	3 925
Board of Fund	Participating employer	Board member remuneration paid to participating employer	18	598
Outside experts	Outside experts appointed by Board of Fund	Outside expert fees paid to individuals	2 305	1 918
Outside experts	Participating employer	Outside expert fees paid to participating employer	–	119
Eskom Holdings SOC Ltd	Participating employer	Redemption of bonds	129 415	–

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

Participating employers	Contributions R'000	Fund expenses R'000
Eskom Holdings SOC Limited	2 216 206	–
Eskom Rotek Industries SOC Ltd	233 587	–
Eskom Pension and Provident Fund	10 854	–
Total	2 460 647	–

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

	2020 R'000
Remuneration	18 079
Contributions to retirement fund	1 905
Bonuses	5 784
Total amount contributed	25 768

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

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

18. OPERATING LEASE COMMITMENTS

Future minimum operating lease payments

	2020 R'000	2019 R'000
Within one year	25 694	30 584
Between one and five years	53 623	29 367
Total	79 317	59 951

The Fund has the following operating leases in existence at, or subsequent to year end:

Five-year operating lease with EB Sphere (Pty) Ltd for software and remote processing services. The lease expires in April 2025.

Eight-year operating lease with Maitland Group South Africa Limited for an investment administration system. The lease expires in October 2021.

A lease with Barra International LLC for data processing and reporting services relating to investment risk management. The lease expires in February 2021.

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

19. SURPLUS AND RESERVE ACCOUNTS

	Accumulated funds R'000	Reserve accounts total R'000	In-service solvency reserve R'000	In-service contribution reserve R'000	Pensioner solvency reserve R'000
At beginning of year	123 422 976	20 233 000	8 484 000	4 552 000	7 197 000
Contributions refundable	(10 650)	–	–	–	–
Tax adjustments	(4 682)	–	–	–	–
Contributions received and accrued	3 836 565	–	–	–	–
Net investment income	2 226 262	–	–	–	–
Allocated to unclaimed benefits	(7 802)	–	–	–	–
Other income:	23 484	–	–	–	–
– Script lending fees	23 431	–	–	–	–
– Board fees received	53	–	–	–	–
Less:	(297 126)	–	–	–	–
– Administration costs	(297 126)	–	–	–	–
Net income before transfers and benefits	129 189 027	20 233 000	8 484 000	4 552 000	7 197 000
Transfers and benefits	(5 967 349)	–	–	–	–
Transfers from other funds	1 157	–	–	–	–
Transfers to other funds	(338 548)	–	–	–	–
Benefits	(5 629 958)	–	–	–	–
Net income after transfers and benefits	123 221 678	20 233 000	8 484 000	4 552 000	7 197 000
Transfer between accumulated funds					
Transfer between reserve accounts	15 537 000	(15 537 000)	(8 484 000)	(4 552 000)	(2 501 000)
At end of year	138 758 678	4 696 000	–	–	4 696 000

CURRENT BOARD OF TRUSTEES

Caroline Henry (Chair) Employer member Appointed on 1 July 2020	BCom, BAcc(Hons), CA(SA)
Izak du Plessis Members' member – Pensioner Elected April 2020 Elected April 2020	BCom (Hons), Certificate Advanced Taxation, Advanced Management Programme, MCom (Financial Management), CA(SA)
Barend Izak Steyn Members' member – Pensioner Elected 1 June 2016	BAdmin (University of OFS), BAdmin (Hons) (University of OFS), MBA (Potchefstroom University), Interaction Management (Advanced Leadership Academy), Certificate in Futures and Options (DePaul University, US), Certificate in Financial Derivatives (London International Futures Exchange), Certificate in Financial Planning (UOFS), INSETA Executive Leadership Development (UCT)
Liza Brown Employer member Appointed 6 June 2018	BProc (UP) 1996, LLB (UP), Post-graduate Diploma in Contractual Drafting and Interpretation (UJ), Certificate in Project Management (UP)
Martin Buys Employer member Appointed 1 July 2020	BCom, BRationalium, BCom (Hons), MBL, MCom (Taxation), CA (SA)
Peter Mashatola Employer member Appointed 1 July 2020	BA, BA (Psychology), MA (Psychology), MManagement (HR)
Mabatho Seeiso Employer member Appointed 1 July 2020	BCom(Hons) Econ and Marketing, BCom(Hons) Financial Analysis and Portfolio Management, MBA
Sincedile Shweni Employer member Appointed 1 July 2020	BCom, Post-graduate Diploma Accounting, CA(SA)
Hasha Tlhotlhlamajje Employer member Appointed 1 July 2020	BSc, BSc(Hons), MSc (Biochemistry), MSc (Environmental Health), MBL
Ndabezikhona Khehla Shandu Members' member – Non-Bargaining Unit Elected 1 June 2016	National Diploma in Electrical Engineering (Mangosuthu Technikon), National Higher Diploma in Electrical Engineering (Natal Technikon), BTech in Electrical Engineering (technikon Witwatersrand), Certificate: Introduction to Corporate Governance (Unisa), MBA (Milpark Business School, underwritten by Thames Valley University, UK), Certificate in Production/Operation Management (Intec College)
Lufuno Ratsiku Members' member – Non-bargaining Unit Elected April 2020	BTech (Quantity Surveying), BTech (Project Management), MTech (Construction Management)
Helen Diatile Members' member – Bargaining Unit (National Union of Mineworkers) Elected April 2020	Certificate in Labour Studies (Technikon Natal); Diploma in Negotiation Skills (International Negotiation Academy); Advanced Diploma in Negotiation Skills (International Negotiation Academy); Call Centre Diploma (Quest Computer Skill Centre); Project Management Diploma (DaVince Institute of Development); Certificate in Management Studies (Management College of Southern Africa); Masters of Business Administration (Management College of Southern Africa)
Anah Makgopa Members' member – Bargaining Unit (National Union of Metalworkers of SA) Elected April 2020	BCom, BCom (Hons), MBA
Deon Jenkins Members' member – Bargaining Unit (Solidarity)	National Diploma Human Resources Management

EXTERNAL ASSET MANAGERS

Domestic	International
Aeon Investment Management Proprietary Limited	Aberdeen Asset Managers Ltd
Afena Capital Proprietary Limited	Allianz Global Investors GMBH
Aluwani Capital Partners Proprietary Limited	Ashmore Group (PLC)
Benguela Global Fund Managers Proprietary Limited	Black Rock Investment Management (UK) Limited
Cachalia Capital Proprietary Limited	Drakens Capital Proprietary Limited
Catalyst fund Managers Proprietary Limited	Duet Asset Management Limited
Coronation Fund Managers Proprietary Limited	Morgan Stanley Investment Management Limited
Excelsia capital Proprietary Limited	Robeco Institutional Asset Management
First Avenue Investment Management Proprietary Limited*	Sanlam-Centre Asset Management LLC
Ninety-One Management Proprietary Limited	SEI investments (Europe) Limited
Kagiso Asset Management Proprietary Limited	State Street Global Advisors Limited
Legacy Africa Fund Managers' Proprietary Limited	United Bank of Switzerland (USB) AG
Matrix Fund Managers Proprietary Limited	Veritas Asset Management LLP
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	
Vunani Fund Managers Proprietary Limited	

GLOSSARY OF TERMS

ALM	Asset Liability Management
ARC	Audit and Risk Committee
ASP	Application Service Provider
AVC	Additional Voluntary Contributions
B-BBEE	Broad-based Black Economic Empowerment
BESA	Bond Exchange of South Africa
CAA	Current Asset Allocation
CE	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
DB	Defined benefit
DC	Defined contribution
Eskom	Eskom Holdings SOC Ltd
Exco	Executive Committee
FSCA	Financial Sector Conduct Authority
FY2020	Financial year (from 1 July 2019 to 30 June 2020)
FY2021	Financial year (from 1 July 2020 to 30 June 2021)
IIRC	International Integrated Reporting Council
ILBs	Inflation-linked bonds
IMU	Investment Management Unit
IT	Information technology
JSE	Johannesburg Stock Exchange
L&D	Learning and development
PAS	Pension administration system
PFA	Pension Funds Adjudicator
PO	Principal Officer
POPIA	Protection of Personal Information Act No 4 of 2013
RFO	Retirement Fund Operations
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
TOM	Target Operating Model

FUND ADMINISTRATION

ESKOM PENSION AND PROVIDENT FUND

Fund registration number 12/8/564

REGISTERED OFFICE OF THE FUND

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

POSTAL ADDRESS

Private Bag X50
Bryanston,
2021
South Africa

CONTACT DETAILS

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

WEBSITE

www.eppf.co.za

BENEFIT ADMINISTRATOR

Self-administered

EXTERNAL AUDITOR

PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City
Jukskei View
2090

CO-SOURCED INTERNAL AUDITORS

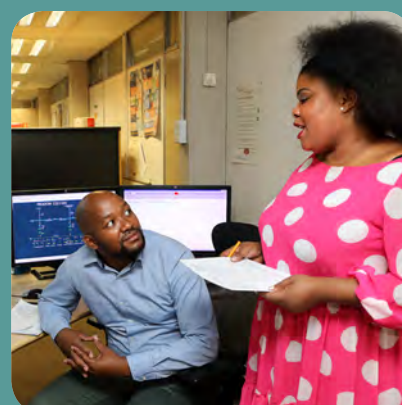
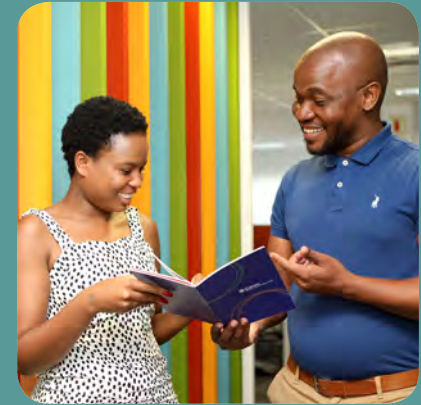
SekelaXabiso CA Incorporated
Building 1
15 Forest Road
Waverley Office Park
Bramley
2018

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

ACTUARIES

Towers Watson Proprietary Limited
Private Bag X30
Rondebosch
7701

NOTES





PLANNING GROWTH SECURE

LEGACY
FUTURE

RELIABLE STRATEGY

GOVERNANCE

MEMBER-CENTRICITY
LEGACY

MOTIVATED

MEMBER-CENTRICITY

SAVINGS

LEGACY
FUTURE

EXPERIENCE TEAMWORK

MOTIVATED

MEMBER-CENTRICITY

INSIGHT

SAVINGS

RELIABLE

MEMBER-CENTRICITY

LEGACY
FUTURE

RELIABLE

MEMBER-CENTRICITY

RELIABLE

MEMBER-CENTRICITY

STRATEGY



70 YEARS OF SERVICE

MOTIVATED

RELIABLE SAVINGS

LEADERSHIP PERFORMANCE

IMPACT