



ESKOM PENSION AND PROVIDENT FUND INTEGRATED REPORT 2018

## THE SIX CAPITALS

**Our financial, human, manufactured, intellectual, social and relationship and natural capitals facilitate every aspect of our business** and our ability to maximise our investments for the benefits of our members.

We have accordingly defined our structure, activities and performance against our strategy in this report in terms of these six capitals, as described within the IIRC framework as follows, and they can be identified in the narrative by these accompanying icons:



**Financial capital** – This comprises both the contributions from our members and investment returns which enable us to sustainably grow our assets and our organisation.



**Human capital** – This resides in our employees, who are also members of the Fund and have a strong alignment with the rest of the EPPF members. In addition, the attraction and retention of talent is a core value in our Formula for Success, and is demonstrated not only by the calibre of our staff, but by our commitment to their development.



**Intellectual capital** – This lies in the Fund's reputation. Institutional knowledge and experience are intangible assets that have been built over time and have instilled confidence in us among our stakeholders.



**Manufactured capital** – This comprises our governance, business processes, leading systems as well as our physical and information technology infrastructure that together enable us to manage the organisation in a prudent and professional manner.



**Natural capital** – This is the effect of our operations on the environment.



**Social and relationship capital** – This comprises the relationships that we have with our key stakeholders – our members, employees, the Board, the Financial Sector Conduct Authority (FSCA), Eskom SOC Limited (Eskom), our service providers and the retirement fund industry.



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# ABOUT THIS REPORT

The aim of our strategy is **to achieve member-centricity and the 1°C change required for the EPPF to become the most admired fund in South Africa.**

## SCOPE, BOUNDARY AND REPORTING THEME

While the scope and boundary of the report have changed as this our first integrated report, in covering FY2018, the report still refers on the material matters as outlined on page 21. We define material matters for reporting purposes as those issues that have the capacity to substantially affect our ability to create and sustain value over the short, medium and long term. Our material issues are reported on with reference to the six capitals – financial, manufactured, intellectual, human, social and relationship, and natural – as outlined in the International Integrated Reporting Council (IIRC) framework.

The theme of this integrated report to our stakeholders is **member-centricity**, and it outlines the issues, activities, relationships, interactions and performance of the Eskom Pension and Provident Fund (the Fund or the EPPF) within its operating and investing context during the financial year 1 July 2017 to 30 June 2018 (FY2018). The aim of the report is to provide the Fund's stakeholders with balanced and integrated insight into the Fund's ability to create value in the short, medium and long term.

## REPORTING PRINCIPLES AND APPROACH

The information provided in this integrated report has been guided by best practice requirements, including:

- The Pension Funds Act No 24 of 1956 (the Act)
- King IV Report on Corporate Governance (King IV)
- Regulatory Reporting Requirements for Retirement Funds in South Africa
- Circular PFI30 issued by the Registrar of Pension Funds

## ASSURANCE

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

1. Management of the Fund oversees the daily internal controls and implements the risk management strategy of the Board of Fund.
2. The internal legal and risk and compliance functions ensure that the Fund adheres to the requirements of applicable legislative frameworks.

3. Our internal auditor function assesses the effectiveness of the internal controls and risk management. The Audit and Risk Committee 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.
4. 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.

## FORWARD-LOOKING STATEMENTS

Certain forward-looking statements are made in the report, in particular, the statements with regard to the impact on the Fund's strategy of geopolitical developments as well as global and domestic economic conditions, investments and performance. These forward-looking statements thus involve both known and as yet unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by the forward-looking statements we have made.

## STATEMENT OF RESPONSIBILITY BY THE CHAIRMAN OF THE BOARD AND CHAIRMAN OF THE AUDIT AND RISK COMMITTEE (ARC)

The Board through the ARC is responsible for overseeing the integrity of this integrated report and acknowledge their responsibility in this regard. The Board has applied its collective mind in the presentation and preparation of this report and believes it to be a fair representation of the performance of the Fund and its material matters.

The Board accordingly approved this integrated report on 15 March 2019.

**Ms Mantuka Maisela**  
Chairman

**Mr Mandla Maleka**  
Chairman (ARC)





# THE EPPF AT A GLANCE

## FY2018 HIGHLIGHTS

**R3 793 million**  
contributions  
for the year

**R4 661 million**  
benefits  
for the year

**2 535**  
deferred  
pensioners

**45 672**  
active members

**33 315**  
pensioners

**3 235**  
other  
beneficiaries

**R140.7 billion**  
assets

**113%**  
funding ratio

**106**  
employees

**R169 million**  
discretionary bonus payments  
made to pensioners and  
beneficiaries

**R207 million**  
administration  
expenses





# WHO WE ARE

The EPPF is registered as a self-administered defined benefit (DB) pension fund in terms of the Pension Funds Act of 1956. **We are the largest self-administered retirement fund in South Africa.**

## OUR CORE PURPOSE

The Fund exists to be an independent provider of retirement benefits, providing administrative and asset-management services to the Fund itself, Eskom and its subsidiaries, from which our members are exclusively drawn.

Our purpose is to provide exemplary administrative and member aftercare services and manage the investments of retirement funds in order to optimise the benefits we deliver to our members. We do this by multi-managing internal and external asset managers and delivering a quality and cost-effective service to our members in order to establish and maintain a viable and financially successful business.

## CREATING VALUE

We create value through strategic and forward-looking thinking which is the foundation for our business model. The business model in turn converts the inputs of our six capitals into outputs that include innovative, long-term risk-weighted investments, insurance, tailored advice, support and solutions for our members. These outputs result in outcomes that include strong long-term returns and contribute to a stronger economy and sustainability. These also deliver on the requirements of our members and the employer, the attraction and engagement of talented people and the improvement and implementation of our internal systems and governance framework.



## WHAT WE DO

The EPPF is the second largest retirement fund in asset size in the country, with **R140.7 billion in assets under management** as at 30 June 2018, and an actuarial funding ratio (also known as the solvency ratio) of 113%.

The EPPF was established in 1950 and registered as a privately administered pension fund on 21 April 1958, in terms of the Pension Funds Act of 1956, and was approved as a pension fund in terms of the Income Tax Act of 1962.

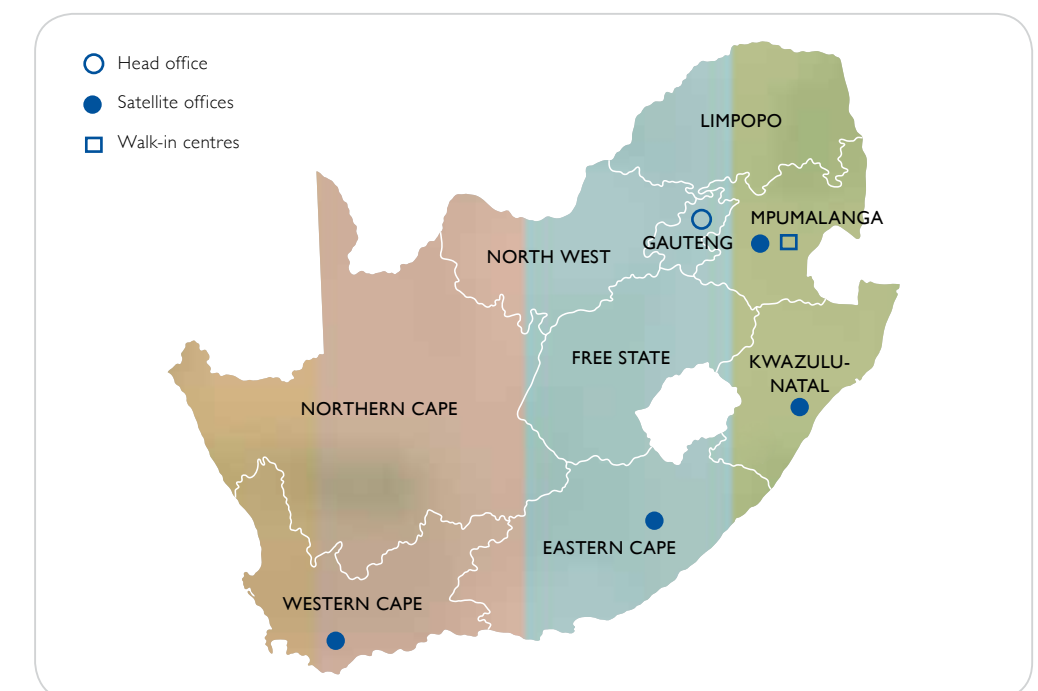
It is one of the largest FSCA-regulated retirement funds in South Africa, and has a benefit structure that offers members:

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

The Fund has 45 672 active/contributing members, 33 315 pensioners, 2 535 deferred pensioners and 3 235 other beneficiaries.

We have an employee contribution rate of 7.3% and an employer contribution rate of 13.5%. While our head office is in Bryanston, Johannesburg, South Africa, we maintain walk-in centres and satellite offices in:

- **Emalahleni** in Mpumalanga
- **Bellville** in the Western Cape
- **East London** in the Eastern Cape
- **Durban** in KwaZulu-Natal



# MESSAGE FROM THE CHAIRMAN



It is very gratifying that, despite an investment and economic environment that has not shown a significant upturn from the prior year, **we are able to report great strides in both our performance and governance processes.**

**Ms Mantuka Maisela**  
*Chairman*

In the critical area of governance in particular, the Board has been able to frame its role more effectively, and it has been pleasing to see the increased efficiency with which the Board and Board committees interface with management.

## BOARD COMPOSITION

The rules of the Fund require that the Board be comprised of a total of 14 trustees.

Seven trustees are employer-appointed and of these the requirement is that two trustees are independent trustees. Of the remaining seven trustees, two are elected by pensioners, and five are member-elected (two non-bargaining unit and three labour organisations).

During the period under review, the Board did not have the full complement of trustees. The vacancy was occasioned by the resignation of the then Chairman (independent member) whose position as chairman was assumed by myself. The Board therefore did not have a second independent member. Subsequently two further members resigned, resulting in two additional vacancies by year end. The legislative requirement is for the vacancies to be filled with 90 days of the vacancy occurring. Although, as at 30 November 2018, the vacancies had persisted beyond the 90-day requirement, the full complement of trustees has since been appointed.

## EXECUTIVE MANAGEMENT CHANGES

On 1 April 2018, the Board had the pleasure of announcing the appointment of Ms Nopasika Lila as Chief Executive (CE) and Principal Officer (PO). As Ms Lila was previously the Chief Financial Officer (CFO), an executive management change arose accordingly, and the Fund began its search for a new CFO. At the time of finalising the integrated report, however, this vacancy had been filled.

## TALENT RETENTION

In spite of the many challenges we have faced during the year under review, it is gratifying to note that during this period we have successfully managed to keep our staff and our stakeholders informed of progress and developments in the applicable areas of concern. Most importantly, we have managed to stabilise the internal environment to ensure that we do not lose talent. We have found that as the second largest fund in the country, we are very much able to attract the kind of talent we seek.

## COMMUNICATION WITH PENSIONERS

During the period under review, we have attempted to be proactive in engaging our stakeholders, and in particular, our members and pensioners. We embarked on a series of pensioner functions across the country to engage pensioners in order to appraise them of developments at the Fund, and to address concerns that they may have had.

One of these developments addresses the concerns raised along the returns allocated for the discretionary bonus. In this instance the Board is considering a review of the discretionary bonus scheme. The Board is also considering a review of the money purchase scheme moving towards actual returns as opposed to the “smoothing” approach.

These functions will continue until March 2019, and will include Board members alongside management. We are proud that we have been able to provide pensioners with increases that have kept pace with inflation, as well as bonuses. It is satisfying to have met our promises to our pensioners, and we are pleased with the effective communication we have been maintaining with them. (For more on stakeholders, see page 17 to 20.)



## CHALLENGES

The Fund spent a considerable amount of time dealing with the eligibility matter and tackling the Fund Rules amendment project. The challenges were primarily in respect of employees on fixed-term contracts who had inadvertently been admitted as members. The matter and subsequent events caused considerable public interest and the Fund spending time before the courts. While these events were unfortunate, the Fund did not suffer any financial loss. Amongst the trials experienced, the Fund has also faced the challenge of transformation in the investment industry as well as the ever-changing pension fund industry landscape.

## COMPLIANCE

These events triggered an interaction with the Financial Sector Conduct Authority (FSCA), in which the FSCA requested us to define the role of the Board in the matter. We responded, accordingly made submissions, and presented our position to the Authority. In addition, we welcome an inspection by the FSCA to ascertain whether the Fund is operating in line with policy and to check whether our processes are moving ahead in compliance with, amongst others, its requirements.

As a direct result of the eligibility matter, and in the interests of complete transparency in governance, we commissioned an outside company to revisit our rules to ensure that they are watertight. We have also rigorously engaged with Eskom in an attempt to enlist their participation in the process. The rules review will be finalised soon, and will be sent to the FSCA for its approval.

An additional challenge encountered during the period was the Steinhoff International (Steinhoff) matter, in which the Fund experienced an investment loss of R1.5 billion in Steinhoff. The Fund has joined the class action suit being brought against the company.

## LOOKING TO THE FUTURE

During the year under review the Board dedicated some attention to the possibility of a future scenario in which Eskom might be restructured, and/or reduce its staff complement, and what the possible implications for the Fund might be. Among the strategic options that the Board is investigating are transforming the Fund into a multi-fund, and the possible outsourcing of the investment management function – all in the light of possible consolidation of the industry. This will be an ongoing discussion at Board level during the current financial year, and into the medium and long term.

## ACKNOWLEDGMENTS

It is in crisis situations that it is most important to maintain unity of purpose and commitment, and I am very pleased to note that the Fund did indeed manage to accomplish this. The Board, senior management and staff were united and were able to see us through this volatile period. The communication between the Board, management, staff and stakeholders was strong and focused on all platforms, from Parliament to press releases and engagements with the FSCA.

The Board is to be commended for its unified stance and resilience whenever it was required. I would also like to thank the Board for their support of me and the staff in what has been a trying period. Without this support it would not have been possible to maintain the stability required to continue to operate successfully, to deliver on our commitments to our members and pensioners, or to convert difficulties into opportunities for improving our executive and governance frameworks, and for continuing to work diligently towards fulfilling our mission of becoming the most admired pension fund in the country.

Our Board of course plays an oversight role, and is extremely comfortable with its delegation to management, who has at all times maintained open, transparent and clear communication with the Board on all matters.

**Ms Mantuka Maisela**  
Chairman of the Board

15 March 2019



# DELIVERING VALUE

## OUR OPERATING ENVIRONMENT

### OUR EXTERNAL ENVIRONMENT

The outcome of the ANC Elective Conference in December 2017 contributed to an increase in business and consumer confidence during the period under review. However, these positive economic signs have not had a positive impact on unemployment, which remained high, at a May 2018 level of 27%.

Measures to contain the budget deficit were proposed in the budget released in February 2018, which included a VAT increase from 14% to 15%, amongst others. This, however, was tempered by increases in social benefits and the introduction of fee-free higher education for new students. The budget reallocation towards these measures may outbalance the added revenues and weigh on the public finances going forward. Despite the dramatic increase in support for new students, young people remain vulnerable in the economy and associated lack of skills and low productivity continue to hamper growth.

The VAT increase at the time was expected to have only a small effect on inflation, which, following a slowdown in price increases for food and transport, fell to around 4% at the beginning of 2018, and was projected to stabilise at between 3% and 6%. At the time, it was anticipated that this dynamic would provide room for some monetary easing to support an economic rebound.

Despite some predictions in this direction at the start of the 2018 calendar year, the Rand experienced some weakness during the third quarter. This, together with the confirmation of an economic recession, has affected South African stocks and resulted in significant pressure on banks and retailers.

### SOCIO-ECONOMIC ENVIRONMENT

The socio-economic environment within which we operate, and in which our members and pensioners live, comprises a mix of factors. This combination obliges us to take into account many factors that affect our ability to create and deliver value to our members as they impact on diverse issues, among them:

- Access to education
- Access to basic resources
- Land ownership and distribution
- Resources and business ownership
- Economic opportunity
- Workplace and gender equality
- Union representation and action



Many of these issues are directly related to the central economic factors of unemployment, productivity and the ways in which technology and its uses are set to revolutionise lifestyles, products and services.

Through the implementation of the National Development Plan, the government is addressing these issues. However, as an organisation that delivers services and benefits to employees and ex-employees of a single parastatal, in addition to paying close attention to the needs and requirements of our members, we understand the necessity for agile thinking, strategic foresight and the integration of efficient and cost-effective systems and technology.

### REGULATORY DEVELOPMENTS

The financial services industry in South Africa is one of stringent regulation and oversight, and we view transparent and diligent compliance with all existing regulations and laws to be of the utmost importance. In addition to existing legislation and regulations, there are a number of proposed indicatives that will have an impact on the way in which we operate. Among them are the following:

- The national health insurance scheme, with a number of laws earmarked for change in preparation for this.
- A consolidation of retirement funds, with various scenarios that could result in our need to fundamentally change our scope and structure.

- The Protection of Personal Information (POPI) Act, which prescribes eight conditions for the lawful processing of personal information. These address how organisations demonstrate accountability in respecting individual privacy, including the ways in which personal information is collected, the people from whom it is being collected, which personal information is processed, how long it is retained, the transparency of processing activities, data quality, and security.

### GEOPOLITICAL FACTORS

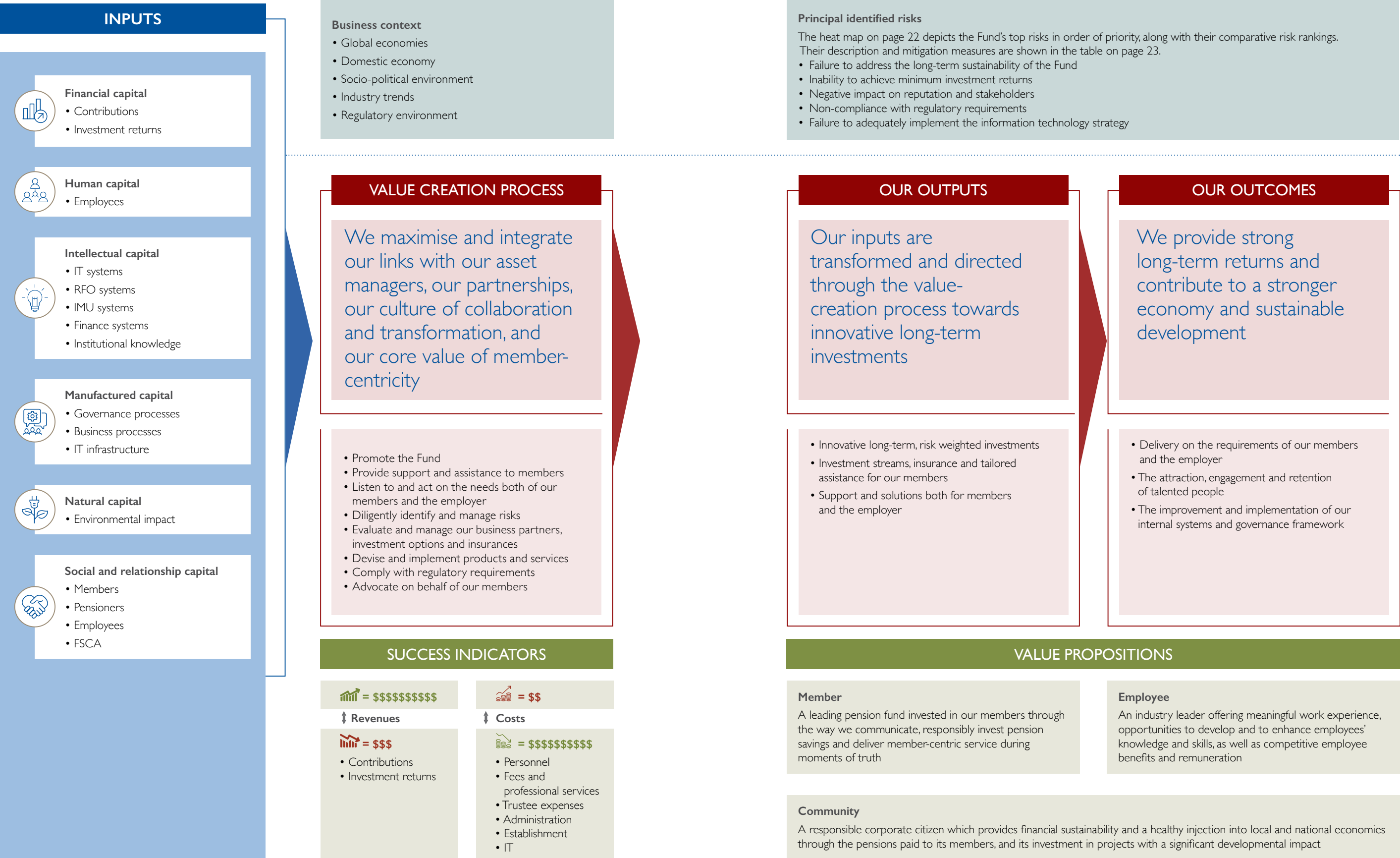
In a rapidly globalising world that is technology-dependent, we understand that concepts that held in the past are now no longer necessarily relevant. Geopolitical changes do not just affect our international investments, as local markets react daily to developments abroad in a very direct way. While South Africa maintains friendly relations with many countries, we are as vulnerable as any if the US decides on trade restrictions or the Turkish currency is exposed to volatility.

Issues such as the US and China trade war and Brexit and its implications, many of which are still unknown, will affect South Africa as a trading partner with both the EU and the UK. With our decline as a leading resources and commodities producer, and the rise of others such as China and Russia, we, as an organisation whose health depends on informed and successful investments, will need to take cognisance of an ever-widening spectrum of influences and economic factors. Given the sensitivity of the South African economy and the volatility of our currency, and the fact that by law we are obliged to invest 60% of our assets in South Africa, we understand both the risks and opportunities with regard to our own sustainability.







DELIVERING VALUE continued

OUR BUSINESS MODEL

Our business model is a key part of our intellectual capital, and the dynamic of its inputs, processes, outputs and outcomes are described in the following graphic.



BUSINESS MODEL AND RELATED PRODUCTS

Capital	Related products
 <b>Financial capital</b> <ul style="list-style-type: none"><li>• Contributions</li><li>• Investment returns</li></ul>	<ul style="list-style-type: none"><li>• Payment of benefits to pensioners and beneficiaries</li><li>• Payment of applicable taxes to tax authorities</li><li>• Payment to suppliers for services rendered and goods delivered</li></ul>
 <b>Human capital</b> <ul style="list-style-type: none"><li>• Employees</li></ul>	<ul style="list-style-type: none"><li>• Retention of institutional knowledge and scarce skills</li><li>• Improved productivity through skilled, motivated and performance-driven employees</li></ul>
 <b>Intellectual capital</b> <ul style="list-style-type: none"><li>• IT systems</li><li>• RFO systems</li><li>• IMU systems</li><li>• Finance systems</li><li>• Institutional knowledge</li></ul>	<ul style="list-style-type: none"><li>• Benefit processing and administration</li><li>• Member query resolution</li><li>• Investment management</li><li>• Investment administration</li><li>• Actuarial valuations and liability modelling</li></ul>
 <b>Manufactured capital</b> <ul style="list-style-type: none"><li>• Governance processes</li><li>• Business processes</li><li>• IT infrastructure</li></ul>	<ul style="list-style-type: none"><li>• Updated Pension Fund Rules</li><li>• Sound corporate governance</li><li>• Regulatory compliance</li><li>• Efficient transaction processing and administration</li><li>• Data management and analytics</li></ul>
 <b>Natural capital</b> <ul style="list-style-type: none"><li>• Environmental impact</li></ul>	<ul style="list-style-type: none"><li>• Through the implementation of the Fund's environmental, social and governance requirements in investment decision-making, a positive contribution to the environment is achieved</li></ul>
 <b>Social and relationship capital</b> <ul style="list-style-type: none"><li>• Members</li><li>• Pensioners</li><li>• Employees</li><li>• FSCA</li></ul>	<ul style="list-style-type: none"><li>• Communication and stakeholder relationship with members, pensioners and the FSCA</li><li>• Administration of trust accounts, medical aid and Group Life for pensioners and their beneficiaries</li><li>• Employee retention</li></ul>

BUILDING VALUE THROUGH STRATEGY

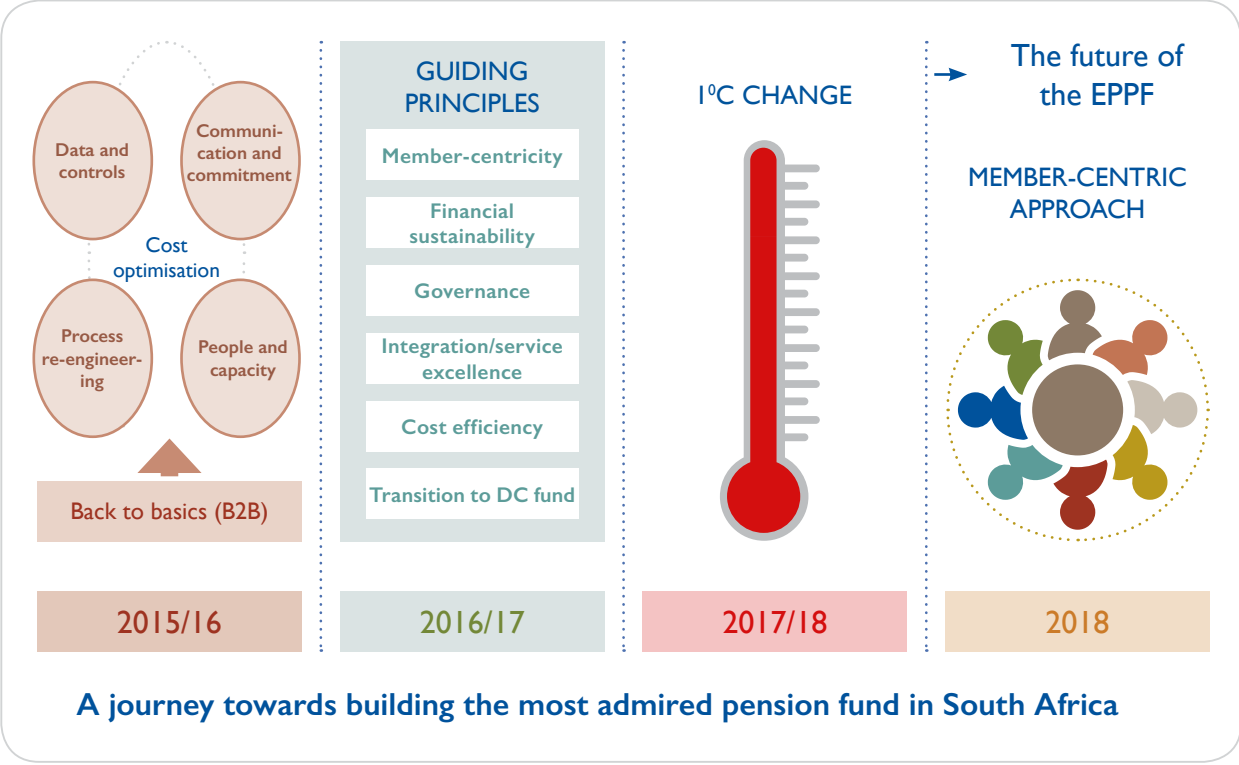
In readying ourselves for a future in which regulatory, technological, social and economic landscapes, and the contexts in which we operate, are certain to undergo dramatic change, we understand that we need to ready our organisation not only to absorb the impact of these changes, but to flexibly and agilely convert them into opportunities.

With our guiding aspirations to be the most admired fund, and the fund of choice, the EPPF strategic journey has been a considered series of incremental steps over the past four years.

OUR STRATEGIC HORIZONS MODEL

Our long-term strategic vision is one of the foundations of our intellectual capital, and was refined earlier in 2018 according to a horizon-based view of clearly defined stages, where each group of strategic implementations are founded on a specific strategic vision that gives rise to the next.

OUR STRATEGIC JOURNEY



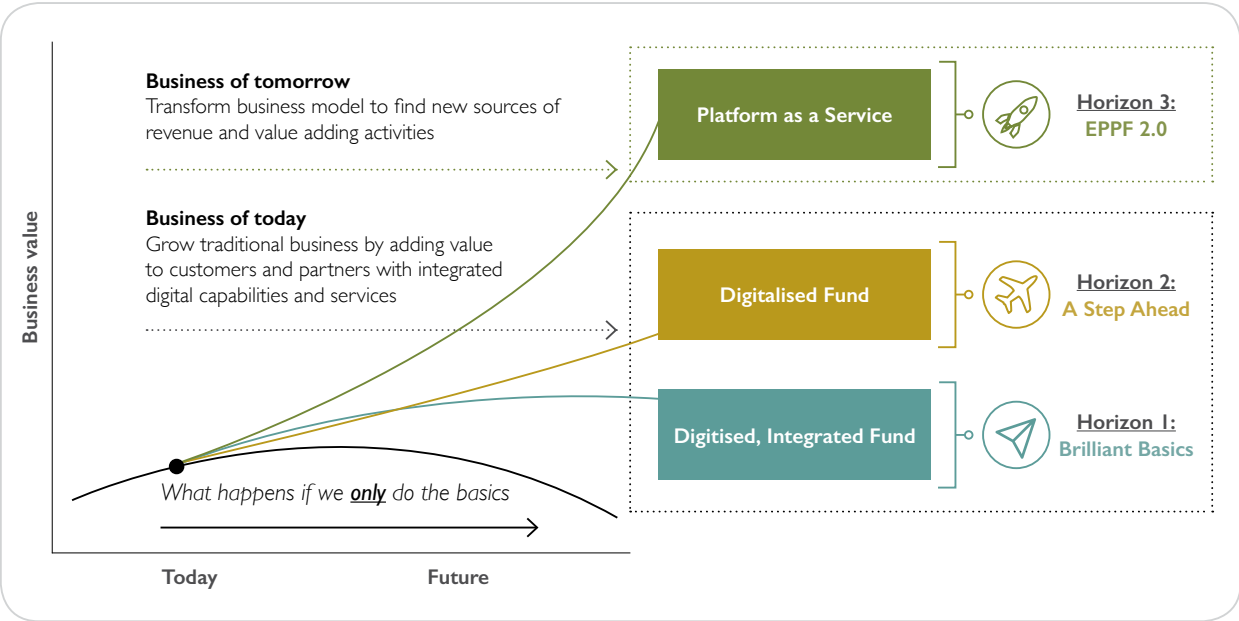


# DELIVERING VALUE continued

During FY2018 we built our strategy on the analogy of water approaching boiling point and dubbed it the 1°C change. The analogy recognises that the capabilities of steam far outweigh those of boiling water, with our strategy being all about how to achieve the 1°C change for the EPPF to become the most admired fund. Accordingly, the following were identified as the key pillars of this strategy:

- Member-centricity
- Financial sustainability
- Governance
- Service excellence
- Cost efficiency
- Transition to a defined contribution fund

In pursuing our strategy, and to meet the demands of the future, we have taken a view of our progress in terms of horizons.



## OUR STRATEGIC PROJECTS BY HORIZON

By envisaging our strategic progress in terms of achievable horizons, we are able to ensure that the Fund is not only abreast of developments in the context within which it operates, but is able to ensure its sustainability in the long term.

In actualising this strategic vision, we have defined the projects necessary to take us there:

Horizon	Project
 H1 (1 – 2 years)	<p>This horizon is under the heading of “Brilliant Basics”, and with member-centricity at its heart, our aspiration is to improve our current operations and service levels.</p> <p>In implementing this strategic imperative, we are committed to:</p> <ul style="list-style-type: none"><li>• Optimise processes</li><li>• Rationalise systems</li><li>• Orientate the Fund’s employees towards member-centricity</li><li>• Embed a data-driven culture</li></ul> <p>The projects to be implemented in terms of this strategic imperative include:</p> <ul style="list-style-type: none"><li>• Scanning (Finance) history documents</li><li>• POPI Act implementation</li><li>• King IV implementation</li><li>• Treasury cash management system</li><li>• Private equity system</li><li>• Member-centric enterprise architecture solution</li><li>• Data governance and management</li><li>• Security enablement</li><li>• Replacement of the Personal Action Forms (PAF) system</li><li>• Website self-service</li><li>• Social media presence</li><li>• Mobile application</li><li>• Marketing strategy</li><li>• Change/culture management</li></ul>
 H2 (3 – 4 years)	<ul style="list-style-type: none"><li>• Customer Relationship Management (CRM)</li><li>• Target Operating Model/Member-Centricity Capability</li><li>• Business intelligence/analysis</li><li>• Engagement platform</li><li>• Enterprise integration</li><li>• Business process management</li><li>• Data provision</li><li>• Omnichannel capability</li></ul>
 H3 (5 years)	<ul style="list-style-type: none"><li>• Innovation and digital transformation</li><li>• Business of tomorrow</li><li>• Implement exponential technology</li></ul>



# DELIVERING VALUE continued

## STRATEGIC FOCUS

When embarking on a significant transformational initiative, a dual-track management system is required. We have named this system “Run the Business/Grow the Business” (RTB/ GTB). No change initiative can occur in a vacuum, however. It must be implemented while the Fund continues its work of serving our members and pensioners. We understand that the challenge is to construct an environment that provides focus and balance to both “running” and “changing” the business – one that moves the thinking from an unconscious “implement the change or run the business” to a conscious “implement the change and run the business”.

With our strategic objective of delivering value for our members for FY2018, our focus for FY2019 will thus continue to be:

- Member-centricity
- Digitisation
- Capacitating and laying a solid foundation for the future
- Educating and empowering stakeholders

## OUR FORMULA FOR SUCCESS

In striving to be the most admired pension fund in South Africa, and to be truly invested in our members, we adhere to and depend upon living up to our Formula for Success in line with our values.



## BUILDING TRUSTED RELATIONSHIPS

Our stakeholders form a vital part of our social and relationship capital, and in implementing our member-centric strategy. During the year under review, we continued to place great importance on our relationships with them. This is in accordance with both our strategy and the King IV principles, which stipulate that an inclusive approach should be adopted which takes into account and balances the legitimate and reasonable needs, interests and expectations of stakeholders.

Our engagement with our stakeholders is also a reflection of the value we place on them in reflecting our social and relationship capital. In engaging with our stakeholders, we take a proactive approach and we realise this by focusing on three key objectives:

- Reinforcing the role we play with regard to each of our stakeholders
- Creating and sustaining a positive image and consolidating our reputation
- Encouraging two-way participation with our key stakeholders

## REGIONAL PRESENCE AND CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Our members and pensioners are among our most important stakeholders, and with our member-centric strategic thrust, we continue to make every effort to improve our visibility and accessibility to them.

A major success during the year under review has been our placing of EPPF representatives in the provinces. We understand that our members and pensioners greatly value face-to-face interaction, and during the year we were able to cement our presence in the Western Cape and in KwaZulu-Natal, enabling us to interact with our members directly in those places.

Related to this are the pensioner functions and member presentations that we host. As with our physical presence in the provinces, these make a significant contribution to our social and relationship capital and increase our strategic imperative of visibility. We have seen these events drawing a larger number of attendees, and they have enabled us to keep our membership and pensioners better informed as to performance, expectations and impact. This visibility has been enhanced with our conversion of the call centre to one that can now accommodate outbound calls, enabling us to revert to our members timeously in response to their enquiries.

Our CRM system has also seen improvements in some practical areas such as the introduction of plastic scannable cards that enable easy and quick registration for an event. This obviates the need for elderly and often physically challenged pensioners to stand for long periods waiting to be registered, and avoiding personal discomfort, while saving significant time as well. We are planning to add chips to these cards to make them even more efficient and tech-ready for future needs.





## DELIVERING VALUE continued

### OUR STAKEHOLDERS: ENGAGEMENTS, ISSUES AND OUTCOMES

Stakeholder	Frequency and medium of engagement	Key issues	Outcomes
<b>Pensioners and beneficiaries</b>	<ul style="list-style-type: none"> <li>Email and SMS communication updates when required</li> <li>Quarterly newsletter (<i>Pensioner Talk</i>)</li> <li>Integrated report</li> <li>Pensioner functions ongoing nationwide</li> <li>Walk-in centres and satellite offices (Johannesburg, Belville, East London, Emalahleni and Durban)</li> <li>Call centre</li> <li>Website and member portal</li> </ul>	<ul style="list-style-type: none"> <li>Stability of Fund investments</li> <li>Sustainability of Fund</li> <li>Fund investment performance</li> <li>Pension payout of former Eskom GCEO and other impacted Fund members</li> <li>Safety of Fund assets from struggling Eskom, i.e. possible bailout</li> <li>Deductions on payslips</li> <li>Overall Fund governance</li> <li>Bonuses and increase for new year</li> </ul>	<ul style="list-style-type: none"> <li>Regular email communication, website notices and SMS alert updates on key issues</li> <li>Next pensioner functions extended to include new provinces</li> <li>New Retirement Fund Consultant to service Limpopo and Northern Cape</li> <li>New outbound call centre agent hired</li> <li>Fund Rules review conducted</li> <li>Eligibility task team constituted</li> <li>Training for Board of Trustees</li> </ul>
<b>In-service (active) members</b>	<ul style="list-style-type: none"> <li>Email and SMS communication updates when required</li> <li>Quarterly newsletter (<i>Power Talk</i>)</li> <li>Integrated report</li> <li>Member presentations ongoing nationwide</li> <li>Walk-in centres and satellite offices (Johannesburg, Belville, East London, Emalahleni and Durban)</li> <li>Call centre</li> <li>Website and member portal</li> </ul>	<ul style="list-style-type: none"> <li>Stability of Fund investments</li> <li>Sustainability of Fund</li> <li>Fund investment performance</li> <li>Pension payout of former Eskom GCEO and other impacted Fund members</li> <li>Safety of Fund assets from struggling Eskom, i.e. possible bailout</li> <li>Value of benefits</li> <li>Overall Fund governance</li> </ul>	<ul style="list-style-type: none"> <li>Regular email communication, website notices and SMS alert updates on key issues</li> <li>New Retirement Fund Consultant to service Limpopo and Northern Cape</li> <li>New outbound call centre agent hired</li> <li>Fund Rules review conducted</li> <li>Website revamp with self-service functionality</li> <li>Eligibility task team constituted</li> <li>Training for Board of Trustees</li> </ul>

Stakeholder	Frequency and medium of engagement	Key issues	Outcomes
<b>Employees (who are also in-service members)</b>	<ul style="list-style-type: none"> <li>Ongoing internal communication via various platforms (email, posters, desk drops and town hall sessions)</li> <li>Quarterly newsletter (<i>The Grapevine</i>)</li> <li>Quarterly CE business update sessions</li> <li>Integrated report</li> </ul>	<ul style="list-style-type: none"> <li>Stability of Fund investments</li> <li>Sustainability of Fund</li> <li>Fund investment performance</li> <li>Pension payout of former Eskom GCEO and other impacted Fund members</li> <li>Safety of Fund assets from struggling Eskom, i.e. possible bailout</li> <li>Annual increases and bonuses</li> <li>Job/role definition and security</li> <li>Support of best-in-class systems and tools</li> </ul>	<ul style="list-style-type: none"> <li>Regular email communication, website notices and SMS alert updates on key issues</li> <li>Invitation to attend pensioner functions and engage with pensioners</li> <li>New Retirement Fund Consultant to service Limpopo and Northern Cape</li> <li>New outbound call centre agent hired</li> <li>Fund Rules review conducted</li> <li>Website revamp with self-service functionality</li> <li>Eligibility task team constituted</li> <li>Training for Board of Trustees</li> <li>Enterprise Architecture project rolled out</li> </ul>
<b>Employer</b>	<ul style="list-style-type: none"> <li>Quarterly operational meetings</li> <li>Website updates</li> <li>Integrated reports</li> <li>Regular updates</li> <li>Inclusion at member presentations and pensioner functions</li> <li>Fund video</li> </ul>	<ul style="list-style-type: none"> <li>Stability of Fund investments</li> <li>Sustainability of Fund</li> <li>Fund investment performance</li> <li>Eskom/EPPF Service Level Agreement document finalisation</li> <li>Finalisation of Fund Rules review</li> <li>Public perception of Eskom and the Fund</li> <li>In-service member and pensioner education</li> <li>Functionality of website and member portal (self-service tools)</li> </ul>	<ul style="list-style-type: none"> <li>Regular updates on key issues</li> <li>Invitation to attend pensioner functions roadshows and engage with pensioners</li> <li>Eskom/EPPF Service Level Agreement amended and to be finalised in FY2019</li> <li>Media relations and engagement with view of managing public perception of Eskom and the Fund</li> <li>Information from member presentations shared</li> <li>New Retirement Fund Consultant to service Limpopo and Northern Cape</li> <li>Website revamp with self-service functionality</li> </ul>



## DELIVERING VALUE continued

### OUR STAKEHOLDERS: ENGAGEMENTS, ISSUES AND OUTCOMES continued

Stakeholder	Frequency and medium of engagement	Key issues	Outcomes
<b>Regulators: Financial Sector Conduct Authority (FSCA) and Pension Funds Adjudicator (PFA)</b>	<ul style="list-style-type: none"> <li>Regular due diligence visits</li> <li>Integrated reports</li> <li>Annual financial statements submissions</li> <li>Stakeholder meetings when required</li> <li>Fund valuation reports on an annual basis</li> <li>Annual industry body events</li> </ul>	<ul style="list-style-type: none"> <li>Fund Rules with regards to eligibility</li> <li>Governance at the Fund</li> <li>Adherence to legislation</li> <li>Application of Treating Customers Fairly principles</li> </ul>	<ul style="list-style-type: none"> <li>Fund Rules review conducted</li> <li>Annual Fund valuation reports and annual financial statements submitted to FSCA and PFA</li> <li>Attendance at industry body events extended to employees Fund-wide</li> <li>All queries and complaints received from PFA handled timeously</li> <li>Formalisation of Complaints Management as part of member-centricity initiatives in FY2018</li> </ul>
<b>Board of Fund</b>	<ul style="list-style-type: none"> <li>Quarterly Board meetings</li> <li>Regular Board committee meetings</li> <li>Regular communication via EPPF leadership</li> </ul>	<ul style="list-style-type: none"> <li>Transformation of investment industry</li> <li>Review of member eligibility criteria</li> <li>Fund Rules application</li> <li>Engagement with regulators to matters pertaining to eligibility</li> <li>Operational efficiency and alignment</li> <li>Compliance with new legislation</li> <li>Welfare of beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>Hosted a transformation breakfast for the investment industry including asset managers, equity traders, stock brokers, and other pension funds</li> <li>Implementation of incubation programme</li> <li>Fund Rules review conducted</li> <li>Eligibility task team assembled</li> <li>Job architecture project completed</li> <li>Policies drafted and presented to Board in line with POPI legislation</li> <li>The Fund audited a sample of Section 37C instalment lump sum to ensure that monies dispersed are used for intended purpose</li> </ul>
<b>Industry</b>	<ul style="list-style-type: none"> <li>Membership to the Institute of Retirement Funds, Batseta, Pension Lawyer's Association and Association for Savings and Investment South Africa</li> <li>Attendance of industry events</li> </ul>	<ul style="list-style-type: none"> <li>Developments in legislation, i.e. Protection of Personal Information (POPI) Act</li> <li>The future of the pension funds industry with regards to number of funds</li> <li>Governance of pension funds and the investment industry</li> <li>Transformation of the investment industry</li> </ul>	<ul style="list-style-type: none"> <li>Developed internal readiness for the POPI Act to take full effect</li> <li>Hosted a Transformation Breakfast for the investment industry including asset managers, equity traders, stock brokers, and other pension funds</li> </ul>
<b>Service providers</b>	<ul style="list-style-type: none"> <li>Service Level Agreements drawn up at the beginning of the contract and revised when necessary</li> <li>Integrated report</li> </ul>	<ul style="list-style-type: none"> <li>Service Level Agreements</li> </ul>	<ul style="list-style-type: none"> <li>The Fund has established a vendor management framework to manage relationships with service providers</li> </ul>

### MATERIAL MATTERS

#### MATERIALITY DETERMINATION PROCESS

This process determines the material issues, which we define as those issues having the capacity to affect the ultimate sustainability of the Fund, and its ability to create value over the short, medium and long term.

Because our material issues underlie and are fundamentally tied to our risks, our means of determining our material issues begins with the identification of our risks.

During the year under review, for the first time, this process was initiated at departmental level, with risk champions who present their risk findings to the Exco-established Risk Management Committee on a quarterly basis. This committee assesses and prioritises those risks, and escalates its findings to the Board's Audit and Risk Committee. It is at this third level of risk defence that the material issues underlying those risks are initially identified and prioritised.

#### OUR MATERIAL MATTERS

During the year under review, our material matters, their nature, impacts and the risks to which they are related, were identified as follows:

Material matter	Nature	Impact	Related risk
<b>Fund sustainability</b>	The question of whether the Fund can remain a sustainable DB pension fund into the future	The ability of the Fund to continue medium to long term	Failure to address the long-term sustainability of the Fund
<b>Employer restructuring or unbundling</b>	A possible restructuring and/or unbundling of the employer and its impact on the number of members in the Fund	Decrease in Fund membership resulting in a decrease in contributions received	Failure to address the long-term sustainability of the Fund
<b>Volatility of the economic and investment markets</b>	Low investment returns	Lower investment returns than required leading to assets not meeting liabilities	Maintaining minimum investment performance Failure to address the long-term sustainability of the Fund
<b>Fund membership eligibility</b>	The threat of ineligible employees being members of the Fund	Reputational, legal and regulatory damage	Negative impact on reputation and stakeholders
<b>Rapid technological changes</b>	A palpable change in the needs of members to be serviced interactively and self-sufficiently	The ability for the Fund to remain relevant and deliver on its strategic imperatives	Failure to adequately implement the information technology strategy



MITIGATING AGAINST RISK

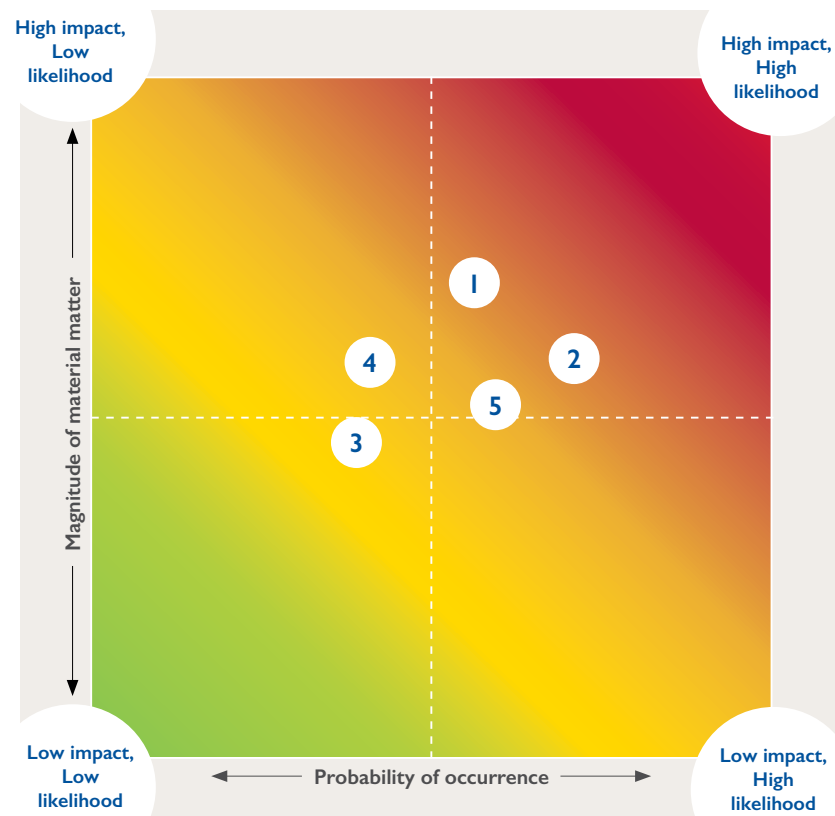
OUR ENTERPRISE-WIDE APPROACH

Our risk management practice and methodology is informed by the Committee of Sponsoring Organizations (COSO) risk management framework. It is both a top-down and bottom-up process, which is structured in a way that ensures that we have risk champions for each functional area of the Fund. These risk champions are tasked with the first line of defence in our risk management effort and they meet monthly to examine the reports. Their information and analysis is then fed up to the Risk Management Committee, a sub-committee of the Exco that appraises the landscape and also examines the strategic risk register.

THE ROLE OF THE BOARD AND THE AUDIT AND RISK COMMITTEE

The Board monitors risk on a quarterly basis through its Audit and Risk Committee, whose role is to interrogate the identified risks, and to examine any developments and changes. This constitutes the top-down component of our defences. (For more on the Audit and Risk Committee, see page 57.)

OUR RISK HEAT MAP



PRINCIPAL IDENTIFIED RISKS

This heat map depicts the Fund's top risks in order of priority, along with their comparative risk rankings. Their description and mitigation measures are shown in the table on the following page.

- 1 Failure to address the long-term sustainability of the Fund
- 2 Inability to achieve minimum investment returns
- 3 Negative impact on reputation and stakeholders
- 4 Non-compliance with regulatory requirements
- 5 Failure to adequately implement the information technology strategy

OUR TOP 5 RISKS

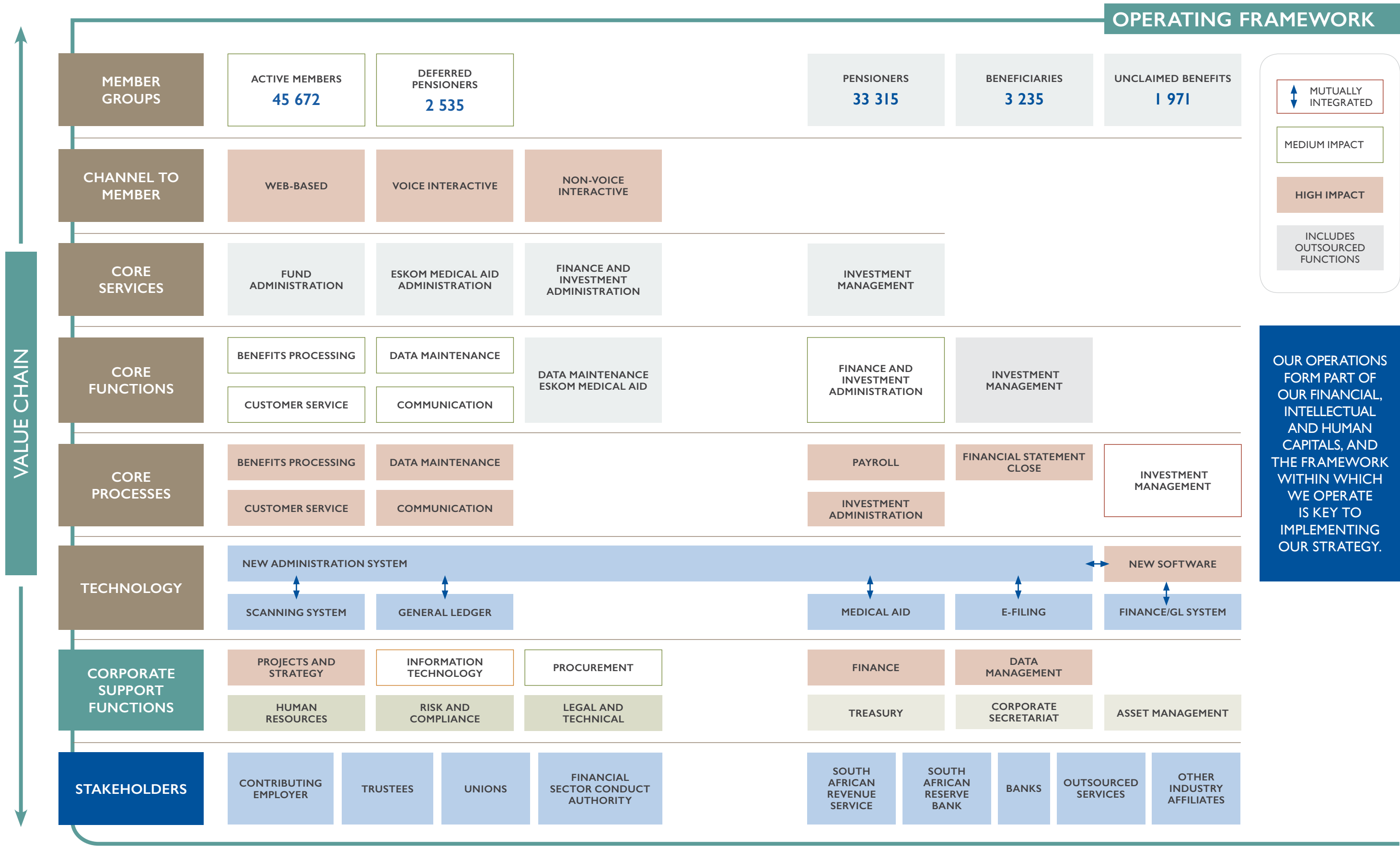
Our risks are assessed on an ongoing basis through our enterprise-wide risk management systems, and are ranked according to the potential impact on the sustainability of the Fund.

No	Risk	Description	Mitigation
1	Failure to address the long-term sustainability of the Fund	Although the benefit structure of the Fund is of a DB nature, the Rules stipulate that in an event where assets are not enough to match the accrued liabilities, either benefits would be reduced or contributions increased or both.  Therefore, the risk of being underfunded is a fundamental risk faced by the Fund in the long term which needs to be carefully and proactively managed.	<ul style="list-style-type: none"><li>We have explored a number of options together with the principal participating employer, Eskom, which would help mitigate this risk. One of these is to provide a defined contribution (DC) option within the Fund where members may elect to join. This would entail and require extensive consultation with all stakeholders; work is continuing in this regard albeit at a slower pace than anticipated.</li><li>Our next best mitigation tool which has been largely effective to date is investments returns, i.e. managing the assets in such a way that they are able to meet the minimum return objectives to cover the liabilities as indicated by the actuary. We are mindful that during difficult investment market and economic conditions this might not always be possible every year. However, in the long term the Fund's investment strategy has proven to be resilient.</li></ul>
2	Inability to achieve minimum investment returns	The requirement that our investment returns continue to perform at the required level (after taking into account inflation) as indicated in the actuarial report in order to meet the liabilities of the Fund.	<ul style="list-style-type: none"><li>Development and implementation of a robust investment policy statement and strategy that is formulated and based on an asset study, and is reviewed every year</li><li>Ongoing close monitoring of internal and external asset manager performances, so that in combination targets can be achieved in the medium to long term</li><li>Continued investment in appropriately qualified personnel as well as technological tools to assist in the management of the Fund investments</li></ul>
3	Negative impact on reputation and stakeholders	The reputational, legal and financial damage that could result from incorrect actions and negative media coverage such as those associated with the previous Eskom Group CEO.	<ul style="list-style-type: none"><li>Re-examination and tightening of Fund eligibility rules and controls</li><li>Improved communication and stakeholder strategy</li><li>Improved coordination with Eskom on employment contracts and employee information</li><li>Legal and regulatory compliance monitoring</li></ul>
4	Non-compliance with regulatory requirements	With the significant increase in regulatory requirements and scrutiny by governments and regulators the world over, there exists a risk that organisations may not be able to meet these demands.	<ul style="list-style-type: none"><li>Continual monitoring of the regulatory environment and close cooperation and working with regulators</li><li>Establishment of a Board Legal and Governance Committee to focus on ensuring that the Fund meets its regulatory requirements</li><li>We also have compliance and legal functions within the Fund and access to external assistance should a need arise</li></ul>
5	Failure to adequately implement the information technology (IT) strategy	The expansion of the Fourth Industrial Revolution makes services intensely technology-dependent and demands continual increases in capacity, capabilities and improvements	<ul style="list-style-type: none"><li>Continual monitoring and upgrading where possible of systems, tools and platforms aligned with key strategic imperatives</li><li>One of the focal points of the Board's Audit and Risk Committee is the IT governance oversight and the implementation of the IT strategy</li></ul>



DELIVERING VALUE continued

OUR OPERATING FRAMEWORK





STRATEGIC CONSIDERATIONS

Whether arising from product innovation, regulatory decree or market conditions, change brings with it the investment of significant effort, organisational stress and costs. The EPPF engaged a partner to assist the organisation in aligning itself with its vision of becoming the most admired pension fund. The member-centric approach to enterprise architecture has also devised the following key insights that will have an impact on the retirement fund operations over the coming years.

RETIREMENT FUND OPERATIONS – STRATEGIES AND INITIATIVES

Collections and data maintenance

The department is entering a stabilisation and optimisation phase which will take it to the next level of productivity and service delivery pertaining to member data. Among the deliverables and projects are:

- Positioning for a reduction in unclaimed benefits, i.e. process, tracing, data and monitoring
- Self-service information update

Benefits processing

The goal is to improve turnaround times for claims processing and bring about efficiencies that would create the focus and achieve the required standards. Among the deliverables and projects are:

- To improve turnaround times for claims processing and reduced claim queries
- For real-time benefits calculations to be available on the EPPF website

Communications

The Communications department will maintain a strong focus on building a reputable and recognisable brand for the EPPF. Among the deliverables and projects are:

- Proactive communication using the various channels of communication
- Enhanced online presence including social media and other digital platforms

Client liaison

The complex nature of the need of members for advice means that an increased level of personal interaction will remain an important component. Among the deliverables and projects are:

- Increased visibility through the placement of the Western Cape, Mpumalanga, Eastern Cape and KwaZulu-Natal resources
- The development of a pre-retirement counselling service



Customer services

Excellent customer service to EPPF's internal and external stakeholders is vital. Among the deliverables and projects are:

- Implementing an in-house audit of death benefits and disability payments to ensure payment/customer satisfaction
- An enhanced investigation, tracing and counselling service
- The implementation of the Guardian Audit

More detail on some of these initiatives is provided below, and for more on strategy see pages 12 to 16.



GUARDIAN AUDIT BY MANAGEMENT

A major operational undertaking was the Guardian Audit initiated to establish whether monies being disbursed to children beneficiaries of members who had died were indeed being used for the purposes for which they were set aside such as school fees, additional clothing and other necessities. While our audit indicated that 80% of guardians are in fact fulfilling their obligations, we were able to discover and make efforts to rectify instances where this was not the case. Having set a target of 40 families across the country for the audit, we achieved a total of 104, and the success of this audit will lead to it becoming a standard requirement going forward.

Guardian Audit initiative	Test cases	Planned	Completed	Exceeded by
Number of cases audited	11	40	104	53

There is a need to aggressively monitor the guardian cases on an ongoing basis to ensure that the physical, educational, emotional and financial conditions of the children are met satisfactorily as the pension benefits were always intended to be used for their benefit. The project has re-emphasised the need to realise our strategic imperative of being more member-centric.

CONTENT MANAGEMENT

During the year under review we have also successfully completed the digitalisation of our document stores. As an organisation in existence for nearly 70 years, we have accumulated an immense amount of physical documentation, all of which used to be filed and stored, more recently on microfiche systems. When queries arose on old claims, simply locating the relevant information became a very time-consuming and onerous task. All our documents have now been scanned as images, accessible over the web. The efficiency and resultant cost-savings are exemplified by one 40-year old case being traced in less than 10 minutes.

CLAIM BENEFITS ANALYSIS

Unclaimed benefits have been a burden on the Fund's systems and efficiency. With approximately R186 million residing in around 1 900 cases, we have conducted a full analysis of the data. This has enabled us to understand the exact nature of the claims we should be tracing. This exercise will significantly reduce the cost implications of tracing, as well as curtail incidences of fraud. The latter problem was also addressed by voice analytics, a forensics tool that reduces cost and helps eliminate fraud.

COMMUNICATIONS

We understand that our communications function, as part of our social and relationship capital, will need to become much more corporate in its scope and proactive in its approach, if it is to fully serve our various stakeholders. In order to accomplish this, and to embrace social media in the communications mix effectively, an agency was brought in during the year under review to assist with developing and proactively implementing an integrated communications strategy and approach.

During the period under review, we received a significant number of stakeholder questions about the Steinhoff collapse from members, and in particular pensioners, requesting to know how the losses, if any, suffered by the Fund affect them. This event has highlighted the need to have better analytics with media monitoring tools and to channel these insights into more effective communication outputs for our members. In FY2019 our communication efforts will seek to address this, with our new proactive approach feeding directly into our strategic theme of member-centricity.

FUND VIDEO

During the year under review we engaged a production company to produce an EPPF induction video. The aim was to present the Fund in all its activities and diversity for the interest and information primarily for our members, but also one that is relevant to all our stakeholders. The final product is a successful profile of the organisation, and forms an important aspect of our proactive approach to communications. (For more on stakeholders, see pages 17 to 20.)



OUTLOOK

With our membership grouped according to set target focus areas, the way we interact with our members, in respect of life events and their impact on the Fund, will be determined by the data we are increasingly able to collect and analyse.

With phase 1 of our strategic implementation having been successfully completed, phase 2 will see the implementation of these layers by taking the analysis to a deeper level. One of the major anticipated changes is the core pension administration system, which will have to support the strategic vision of the EPPF of becoming the most admired pension fund.

While we continue to benchmark ourselves against the market, we understand that if we structure our data smartly, we will be able deliver the analytics to enhance the lives of our members who are central to everything we do.



## DELIVERING VALUE continued

### OPTIMISING TECHNOLOGY

Information technology (IT) forms an important part of our intellectual and human capitals. Our IT strategy is founded on the premise that **IT implements the strategy to enable the efficient functioning of the business** through the systems and technologies it manages.

We therefore understand that our business strategy is not attainable without a strong supporting role by IT. With this in mind, on a strategic level, IT requires a framework and roadmap according to which it can deliver the right solutions to the business as and when required. In order to achieve this objective, IT embarked on an Enterprise Architecture project.

#### ENTERPRISE ARCHITECTURE

This has been a core project for the IT department, one which enables IT to deliver on its mandate by:

- Translating the business strategy, industry trends, and member insights into a number of capabilities, resulting in an enhanced Target Operating Model
- Identifying from these capabilities the shortcomings of the current IT model
- Developing a roadmap according to which IT will deliver
- Providing guidance in the shape of Architectural Principles to govern decisions regarding the roadmap
- Implementing an updated, feature-rich shared services environment with such tools as Office 365, Voice Over Internet Protocol
- Understanding business requirements per the identified capabilities and assess suitability and fit of existing systems
- Acquiring and implementing solutions in support of enhanced capabilities where gaps exist, or where better efficiencies/lower costs may be pursued
- Providing a focus on systems and data integration in line with the Enterprise Architecture project
- Capacitation of the IT talent

During the year under review, in addition to our continuing base work for the Enterprise Architecture strategic initiative, we undertook a number of other initiatives.

### RISK AWARENESS

We have also commenced with the implementation of a cyber-monitoring mechanism in order to mitigate risks in the digital domain with a daily penetration analysis.

With the pervasiveness and necessity of technology, we understand that our way of working is changing dramatically. We are cognisant of the need to become more agile and proactive and to enable the organisation to accomplish quicker decision-making and enhanced efficiencies in order to remain relevant and sustainable.

We have identified areas of concern in the IT department, and have put in place mitigating actions to resolve those challenges:

#### Deployment/implementation of IT strategy in alignment to business objectives

- Cost-reduction strategy in place
- IT manager vacancy being filled
- Business continuity and disaster recovery processes being enhanced in line with an improved IT landscape

### Strategically based, operational and cost-efficient

- Cost reduction strategy in place
- Cost-management and reporting discipline enhanced
- Emphasis on value attainment in IT roadmap delivery
- Cost benchmarking done with report indicating EPPF costs are within industry average

#### Maintenance of data integrity and information management

- Data integrity and year-end audit in progress
- Explorations to obtaining more data control, take back some functions from service providers and design our own data warehouse are in progress

#### Timely implementation of projects and the realisation of business benefits

- Cost-reduction strategy in place
- Disciplined project management approach adopted with Exco oversight
- Key projects already implemented
- Process optimisation and embedding of key systems underway

### MAXIMISING HUMAN CAPITAL

**Our Human Resources (HR) function is central to the efficient, productive and cultural output of the Fund,** and as such forms a central pillar of our human, intellectual and social and relationship capitals.

#### HR – ATTRACTING, DEVELOPING AND RETAINING THE BEST AVAILABLE TALENT

At EPPF we understand that our people are our greatest asset. Collectively, they form our human and intellectual capitals, as well as an important part of our social and relationship capitals and, as such, are the heart of our organisation. Our ongoing commitment to attract and retain talent, as well as our initiatives in developing our culture and recognising merit and effort attest to this.

#### STRATEGY

As member-centricity was entrenched as a strategic thrust for the Fund during FY2018, HR adapted the idea to reflect “employee-centricity”. We reviewed our policies to ensure that they align with our current workforce, created job families, and streamlined job titles and profiles as part of the job architecture project.

During the year under review, our Blue-Print Formula for Success continued as the central pillar for creating and establishing the desired DNA of our organisation. With increased involvement and a more proactive approach from HR, surveys were conducted every six, rather than every three, months. HR also undertook a number of other key initiatives during the period under review.



# DELIVERING VALUE continued

## OVERVIEW

HR also undertook a number of other key initiatives during the period under review.

### • The “Perfect Management” process

While the drive to increase our capabilities, efficiencies and diligence was already occurring in the business, during the year under review we formalised these processes from a human capital point of view.

With that in mind, we launched our campaign titled “My career mine to drive,” in which we focused on our people driving their own performance. The central concept of this campaign was that each employee needed to take the driver’s seat and proactively steer their career through taking ownership and positively contributing towards the Fund delivering against its strategic objectives. The project was well implemented and equally productive.



## MY CAREER, MINE TO DRIVE

### • Employee recognition programme

Our employee recognition programme themed “Excellence in Motion” was developed in order to recognise employees for displaying the desired behaviours of our Blue-Print and going the extra mile in delivering against their objectives. The programme has enabled employees to nominate each other, both within and across departments, as recipients of the recognition awards.

### • State of the Fund address

This event, taking its cue from the political landscape, involved the top seven executives of the Fund. The first of its kind in the organisation, the function was conceived as a platform to enable employees to pose questions about the

Fund’s strategic direction and implementation plans in a non-threatening environment. The idea was to encourage a culture of openness in which views and observations could be productively and valuably exchanged. The event was a great success, and we envisage continuing it as an annual feature of the Fund’s working calendar.

### • Attracting and retaining talent

This is a core human capital objective of the Fund. A key challenge in this regard is attracting female talent from the investment industry. While we have made significant progress in this regard, we understand that there is more that needs to be done, particularly in filling senior management positions. We have nonetheless made numerous placements of female talent within the Fund. Our intention is to be more robust and contemporary in our approach going forward, with an understanding that we will need to utilise social media platforms more effectively in order to attract talent.

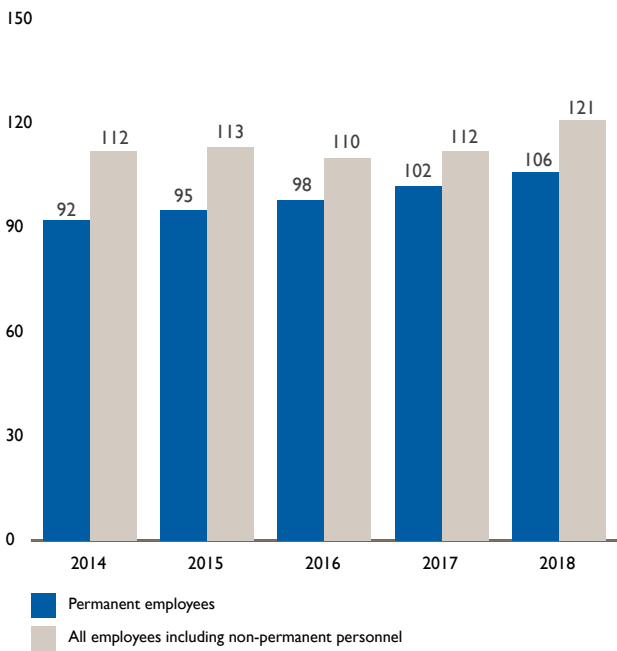
With the departure of our previous CE in March 2018, we are very proud of the appointment of Ms Nopasika Lila as our first female CE. This is a significant achievement for us as it symbolises a tangible success in our efforts to grow our internal talent and to ensure that diversity and inclusion are embedded at all levels of the Fund.



## DIVERSITY

Our employee diversity is indicated below:

Employment equity		Targets 2018	Actual performance 2018
Top management	Black	100%	100%
	Women	0%	100%
Senior management	Black	100%	83%
	Women	50%	33%
Middle management (Professionally qualified and experienced specialists)	Black	85%	94%
	Women	50%	50%
Junior management	Black	92%	92%
	Women	60%	73%
Semi-skilled	Black	0%	100%
	Women	0%	0%
People with disabilities	Black	5%	4%
	Women	3%	3%





DELIVERING VALUE continued

LEARNING AND DEVELOPMENT: CAPACITY-BUILDING

The digital era is **constantly challenging the world** of work and the way business operates, **resulting in change being mandatory for extraordinary results**. Just as a diamond being merely a lump of coal that did well under pressure, **the Fund similarly embraces continuous transformation by striving towards becoming a Learning Organisation**.

We view Learning as going over and beyond just training. Learning underpins capabilities that are key in delivering business strategic initiatives and requires each employee to take ownership in driving their own career. In a journey to be the most admired Fund, we are committed in delivering learning and development interventions that provides high quality support to deliver business priorities, meet individual career development needs and ensure that the right people are in the right place, at the right time, and functioning in an optimised environment.

This is achieved by leveraging a blended learning method solution in order to create a knowledge workforce, enable employees to challenge themselves to think differently in order to realise their potential and accelerate their learning and performance.

This approach focused on a design which encompasses a meaningful development plan tailored for each employee. The approach uses 70/20/10 development model in mind which is depicted below

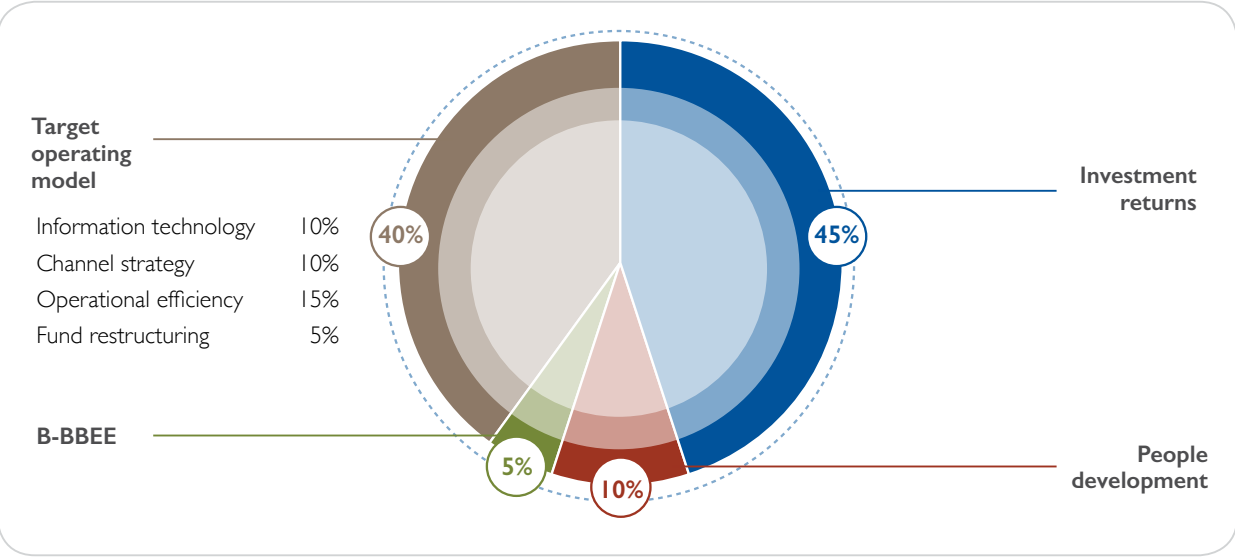
FORMAL LEARNING 10%	THROUGH AMONG OTHERS	<ul style="list-style-type: none"><li>• Classroom learning, in-person or virtual instructor-led</li><li>• eLearning platforms</li><li>• Role-modelling and mentoring</li><li>• Coaching</li><li>• Rotation</li><li>• Secondments</li><li>• Stretch assignments</li><li>• On-the-job training</li><li>• Knowledge-sharing</li><li>• Networking sessions</li><li>• Feedback from other employees</li></ul>
SOCIAL LEARNING 20%		
ON-THE-JOB EXPERIENCE 70%		



OPERATIONAL VALUE-CREATION

Our balanced scorecard is a means by which we measure our performance against strategy, and as such forms an important part of our financial and intellectual capitals.

OUR APPROVED STRATEGIC OBJECTIVES AND THEIR ASSOCIATED WEIGHTINGS FOR FY2018



In assessing our achievements against our defined strategic objectives for the year under review, we were able to record a performance that indicates a satisfactory achievement that exceeded most expectations. Some of these achievements are detailed below:

INVESTMENT RETURNS

In delivering investment returns during the year under review, we were able to:

- Record a one-year positive return of 7.05%
- Allocate mandates to global emerging markets for passive and active mandates
- Grow the in-house SA equity index tracker fund
- Save investment management fees by an estimated R40 million per annum
- Improve skills and capacitate the investment management unit

TARGET OPERATING MODEL (TOM)

During the year under review our TOM included the following areas of focus, in which we were able to:

- Review the TOM in alignment with future options (Enterprise Architecture)
- Develop and roll out the Fund video
- Revamp the Fund website
- Reposition (content and design layout) our publication called *Power Talk* to align with our member-centric approach to educate and empower members
- Establish the outbound call centre

- Conduct business continuity management testing
- Monitor Fund managers' performance and attribution
- Complete the digitalisation of historical documents (scanning)
- Conduct a Guardian Audit
- Review the Pension Fund Rules
- Investigate future options to ensure the Fund's sustainability

PEOPLE DEVELOPMENT

During the year under review our commitment to people development was implemented in the following activities:

- Organisational design and development
- Integrated talent management processes
- Capability building
- Evolving performance management
- Reward and recognition programmes
- Culture and employee engagement via BluPrint survey

B-BBEE

During the year under review, we allocated 64.8% of domestic mandates, which amounted to R27.4 billion of the total domestic external mandates of R42.4 billion (excluding in-house mandates) to black asset managers. At the same time R74.9 million of administrative spend (including salaries) was allocated to suppliers with a B-BBEE rating of Level 1-4, and is 69.4% of the total administrative spend.

# MESSAGE FROM THE CHIEF EXECUTIVE



As we report on what remained a challenging period in the trading environment, **it is gratifying to be able to note that the Fund was able to meet the targets laid out and agreed to by the Board** in terms of its performance across three key initiatives, namely Investment Returns, People Development, and Broad-Based Black Economic Empowerment.

**Ms Nopasika Lila CA(SA)**  
Chief Executive

## ECONOMIC OUTLOOK

The economic outlook for South Africa is subject to a number of influences, some of which, such as the ANC Elective Conference held in December 2017 and the new political dispensation that came out of it, have had a positive effect. This has been countered, however, by the currency's susceptibility to global movements, and its resultant volatility. The weakness of the Rand exerts a pressure on our ability to deliver the returns we would like to see.

Domestic issues, such as the increase in VAT, the provision of higher education that is fee-free for new students, and the ongoing debates around land, basic resources, and union demands have had their own effect on the economic mood, on inflation and on the performance of the wider economy. All of these aspects have combined to make for an ongoing pessimism in our trading environment. (For more on our external and socio-economic environment, see page 8.)

## OUR INTERNAL ENVIRONMENT

### INVESTMENT RETURNS

Within those economic and socio-economic parameters, however, the Fund has performed relatively well. Our own high target of CPI plus 4.5%, which if translated into an indicator for the current year is 9.07%, remained unattained. However, the 7.05% that we have achieved reflects a better performance relative to benchmark as well as the returns of comparative funds. In the context of a global low return environment, our achievement over the past year has been notable.

When measured over the medium term of the past three years, our performance still remains short of our own target (CPI + 4.5%), but when measured over the longer term of the past 10 years, we have outperformed this target. This is an important achievement for our financial capital.

## MATERIAL MATTERS

There are a small number of eventualities that have the potential to impact not only our ability to create and deliver value, but even our existence in the long term. Our sustainability as an organisation in the changing regulatory, societal and employment landscape, as well questions around the corporate structure and mandate of Eskom that we have described elsewhere in this report, continue to be of pressing significance. During the year under review, therefore, we have continued to address the way forward, which includes a number of strategic options open to the Fund, as well as the issue of whether to transform the Fund into a defined contribution (DC) fund. These are all related to sustainability, and include the question of whether we remain a defined benefit (DB) fund, the ageing of our membership, changes in longevity, the rules governing membership of the Fund and the ratio of contributions received to benefits paid out, as well as possible changes to the structure of Eskom. These matters are all part of our financial, human and intellectual capitals.

## NEW MANDATES

In the prior financial year the Board approved the establishment of a new mandate to invest in Real Assets, focusing on Infrastructure and Direct Property assets, which have long-dated inflation-linked cash flows that are suitable to matching the long-term liabilities of a defined benefit pension fund. The R7.9 billion mandate encompasses assets that are located in South Africa (R6 billion), Africa excluding SA (R0.95 billion), and the Rest of the World (R1 billion). During the year under review, the Fund made a \$40 million commitment to the Growthpoint Investec Africa Property Fund, which will invest in income-producing property assets in Africa excluding the SA region.

## PEOPLE DEVELOPMENT

With our strategy of member-centricity in mind, we have embarked on a process of introducing new systems, increasing our intellectual, manufactured and human capitals. That in turn has necessitated a focus on people development, and during the year under review, we have embarked on a process of actively recruiting high-calibre people, with a substantial increment in our human capital.

This initiative has been very successful, and the outcomes have been in line with our strategic aim of making and keeping the Fund relevant in the long term. We will be needing people who are conversant with, and embracing of, new technology and modes of thinking and working as the Fourth Industrial Revolution gathers momentum.

Quarterly CE sessions have been enhanced to include representatives from various departments presenting the progress of our performance against strategy. This has been of great assistance in promoting inter-departmental cooperation and awareness, and functions well in terms of employee engagement.

## MEMBERSHIP BASE

Our membership base, part of both our human and social and relationship capitals, has also seen material changes. Where before the Fund could rely on contributions from a stable membership from the time of joining to the time of retirement, our base is now becoming younger. Moreover, members are more and more likely to remain for relatively short periods, as little as two to five years. In addition, when they leave, they tend to cash in their money. This is posing newer challenges to our contributions versus returns ratio, which will have to be met.

We have identified a growing need for our members to manage their own information. To this end, our new interactive website functionalities and our approach to providing on-time accessibility and availability are bearing fruit, and meeting our strategic imperative of member-centricity.

## CHALLENGES

The challenges that we have faced during the year under review continued in the main to emanate from the environment, both market and legislative, in which we operate. The market has not been a favourable one at all, and the general low returns that have characterised the prior year continued to be a feature.

Other challenges that we have faced pertain to the pending regulatory changes in which the consolidation of the pension fund landscape by government is likely to take place, the imminent promulgation of the POPI Act, and the possible restructuring or unbundling of Eskom are all factors. These have required focused strategic and operational attention and I am pleased to say that our planning, and the strategic options for the Fund that we have examined, are positioning us well for any envisioned impending changes.



# MESSAGE FROM THE CHIEF EXECUTIVE continued

## CONCLUSION AND OUTLOOK

We have also begun an initiative to enable members of our Executive Committee (Exco) to be better able to adapt to the impending changes that we have identified within both our external and internal operating contexts. In FY2019, our leadership team will embark on a learning journey to instil a wider understanding of how to manage diversity, transformation and change.

The year under review, with all its challenges, has enabled us to identify, develop and prioritise a strategic approach that will serve the Fund well in the short, medium and long term. There have been significant advances for our intellectual, human and financial capitals. In the short term, we plan to change our pension administration system, which is not suited to our strategic needs. This and other systemic changes will enable us to transition from each strategic horizon to the next. (For more on our outlook, see page 28.)

In the medium to long term, our initiatives in focusing on the material issues we have identified as having the potential to impact our sustainability are well understood, and catered for in the strategic analysis we continue to make. The carefully phased implementation of our strategy will enable the Fund to adapt to the shifting legislative, economic and social realities that we face, both as an organisation and as a part of the wider South African developmental landscape.



## ACKNOWLEDGEMENTS

In conclusion, I would like to thank our members for their continued support and the trust they continue to hold in our management and investment teams to whom they have entrusted their money and in a very real sense, their futures. To all our employees, who work so hard throughout the year to maintain the high standard of service and delivery for which we are known, I would like to say that without your commitment and abilities, we would not be able to continue to serve our members at the exceptional level we do.

This is my first message as Chief Executive to our stakeholders, and I am very grateful for the confidence that the Board has placed in me by confirming my appointment. I would like to thank the Board for its wholehearted support, and for its informed and careful guidance and delegation. I am sure that this, together with the commitment of all our staff and members, will enable the EPPF to go on to realise its vision of becoming the most admired pension fund in South Africa.

**Ms Nopasika Lila CA(SA)**  
Chief Executive

6 December 2018

# CHIEF FINANCIAL OFFICER'S REPORT



The EPPF financial model is underpinned by its two primary financial capitals – contributions received and investment income.

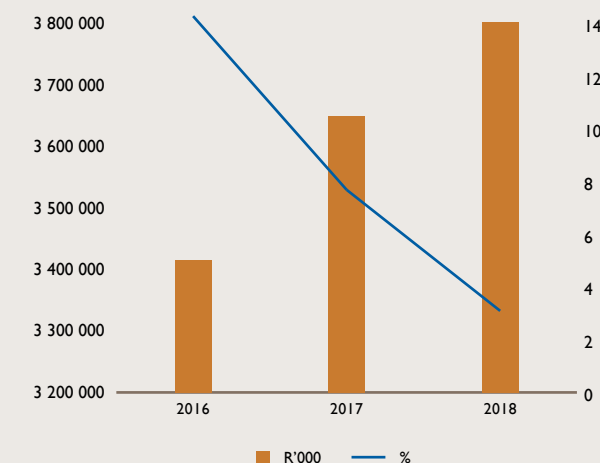
**Stephen Varndell**  
Acting Chief Financial Officer

## CONTRIBUTIONS RECEIVED AND ACCRUED

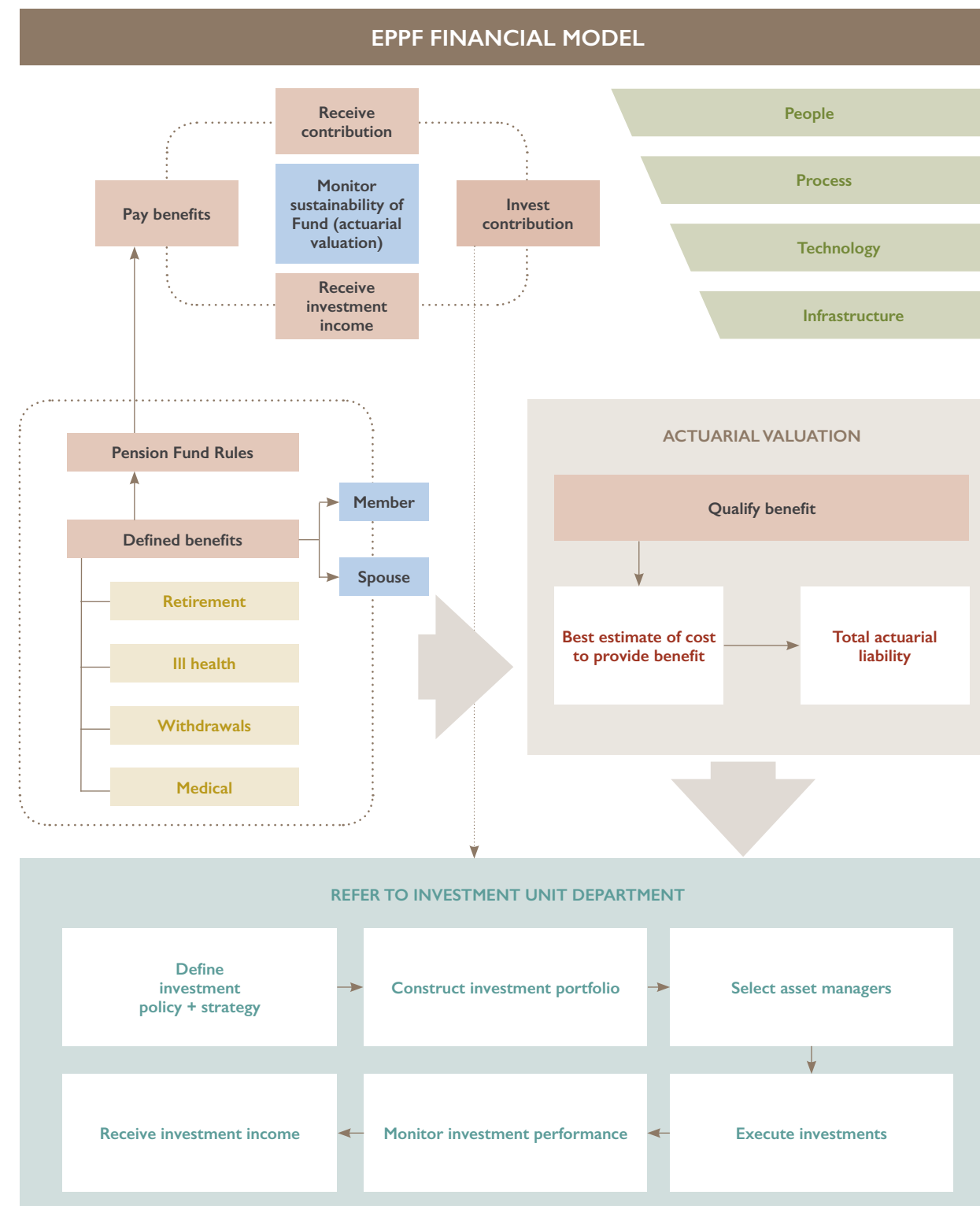
The Fund is able to create value for its members by receiving contributions from active members and the employer, which is then invested on behalf of members to provide defined benefits for members in the future. The Fund's investment decisions take place within the framework of the EPPF Investment Policy Statement, which is guided by the nature and timing of the benefit liabilities for which the investments are meant to provide funding. (For more on investments see page 42.)

Contributions received and accrued for the year ended 30 June 2018 amounted to R3 793 million (2017: R3 680 million), which represents a year-on-year increase of approximately 3.1% (2017: 8.8% increase). The lower year-on-year increase, as compared to 2017, can be largely attributed to the comparatively lower payment of performance bonuses by the employer in 2017/18.

Contributions amount to R3 793 million and represent a year-on-year increase of 3.1%



In addition, the Fund experienced a decrease of 2.6% in active members. At 30 June 2018, the Fund had 45 672 active members as compared to the prior year's 46 905. The decrease of some 2.6% in active members has offset the expected growth in contributions received of approximately 9.7%. Nevertheless, the average contribution per active member increased by 5.9% from R78 447 in 2017 per member to R83 047 in 2018.





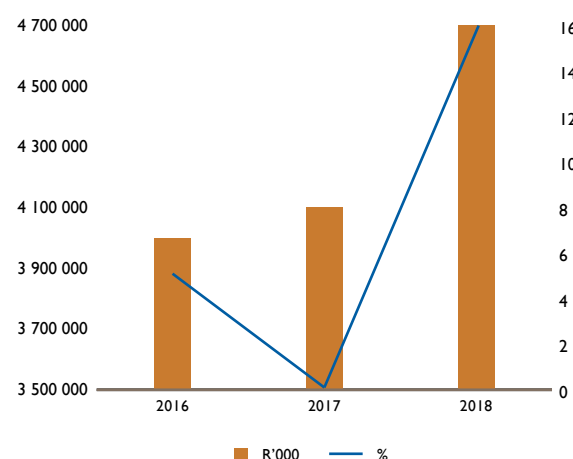


### BENEFITS PAID AND ACCRUED

For the year ended 30 June 2018 benefits paid and accrued amounted to R4 661 million (2017: R4 002 million) and represents a year-on-year increase of 16.5% (2017: 0.1%). Of this, R2 947 million (63%) relates to monthly pensions. R772 million (16.5%) was paid out in respect of pensions commuted, and R664 million (14.2%) was paid out as withdrawal benefits. Adjusting for pensioner bonuses of R169.3 million, the year-on-year growth amounts to 17.1% and can be attributed to the following:

- Monthly benefits grew by 13% from R2 610 million to R2 947 million. This was largely due to the year-on-year pensioner increase in 2017 of 5.8% and an increase in the number of new pensioners.
- An increase in pensions commuted of 41.5% from R546 million in 2017 to R772 million in 2018. This was largely due to a general increase in the number of new pensioners as well as an increase in the number of new pensioners who have elected to receive a lump sum, as compared to the experience of the previous year.

Benefits paid and accrued amount to R4 661 million representing a year-on-year increase of 16.5%



### NET INVESTMENT INCOME

Investment income, after deducting expenses in managing investments, amounted to R9 013 million (2017: R3 353 million). The key contributor to an improvement in year-on-year net investment income is largely the improved investment returns from domestic and offshore equities. Total assets under management at 30 June 2018 amounted to R140 678 million (2017: R132 575 million). (For more on investment performance see page 42.)



Because we are a defined benefit fund, we view risk and opportunity from the same perspective. We are continually engaged in refining our ability to implement risk budgeting.

**It is imperative for us to know the risk we are willing to take so that we can view our investment opportunities from the perspective of assets and liabilities from the short term right through to the long term, well past the middle of the 21<sup>st</sup> century.**

### ACTUARIAL VALUATIONS

In order to ensure the financial soundness of the Fund, an actuarial valuation is carried out annually. The purpose of the actuarial valuation is, amongst others, to provide a best estimate of the cost of providing future benefits in today's Rand value. This value, which is the actuarial liability, is then compared against the net available assets in order to assess the extent to which available net assets are able to meet or exceed the actuarial liabilities. This funding ratio is then used as an indicator to assess the financial soundness of the Fund.

The Board has elected to conduct annual actuarial valuations, as compared to the statutory triennial actuarial valuation that is required. Among the key outcomes of the annual actuarial valuation as at 30 June 2018 are the following:

- The Fund is financially sound with investment assets being able to cover both actuarial liabilities and contingency reserve accounts by 113 % (2017: 118%).
- The best estimate of the liability to provide benefits, known as the actuarial liabilities, grew by 14.8% to R100 951 million (2017: R87 930 million). The main reasons for this increase is the strengthening of the actuarial assumptions on the best estimate basis as well as the change in method to fund, in advance, for pensioner bonuses.
- The purpose of establishing a contingency reserve such as a solvency reserve is primarily to protect the Fund against the possibility of poor future investment returns. Similarly, the purpose of a contingency reserve such as a contribution reserve is to provide some additional security for the continuation of the present benefit structure. Collectively, contingency reserves decreased by 6.6% to R22 524 million (2017: R24 112 million).

The solvency reserves decreased by R4 486 million due to:

- The narrowing of the gap between the discount rates used for the best estimate and solvency bases respectively, while the contribution reserve increased by R2 898 million due to an increase between the actuarial present value of total future service benefits in respect of the current in-service membership (assuming the Fund is closed to new entrants)
- The present value of the fixed contributions in terms of the Rules
- Net assets available to fund actuarial liabilities and contingency reserves amounted to R139 638 million (2017: R131 736 million).

### ADMINISTRATION EXPENSES

In order to carry out all of the above in an efficient manner and in compliance with applicable legal and regulatory frameworks, the Fund requires certain skills, processes, technologies and infrastructure. The costs related to these are carried as administrative expenses in the books of account and are managed prudently, yet effectively, to enable the Fund to function effectively. Administration expenses for the year amounted to R207 million (2017: R197 million) and represent an 5% year-on-year increase. The largest contributors of this increase were the deployment new of IT systems to improve efficiency, and the growth in staff numbers necessitated by the growth in investment assets. Growth in the Board of Fund expenses was driven by the need for a special task team required to address the issue of ineligible members and accompanying legal fees.

# INVESTING FOR VALUE CREATION

## INVESTMENT ENVIRONMENT OVERVIEW

While change in the South African political landscape was the key factor influencing some positive sentiment in the markets, we were nonetheless operating in a low-return environment during the year under review. In addition, impending socio-political legislation, including the POPI Act, has necessitated strategic and technological-readiness in areas of the Fund's that will be affected. **These factors, along with geopolitical concerns such as the US-China trade war and the anxiety about Brexit, had an impact on the volatility of the Rand and our investment performance.**

Nonetheless, during the year under review we have been able to post good short-term performance results, and are pleased that despite macro-economic challenges, the losses on Steinhoff and the underweight exposure to Naspers, the success of short-term performance has been notable.

## PERFORMANCE OBJECTIVES AND BENCHMARKS

Investments represent an important part of our financial, human and intellectual capitals, and monitoring the performance of the Fund's investments is essential in ensuring that the Fund is able to meet its obligations as they become due, and to meet the reasonable benefit expectations of pensioners and in-service members. Accordingly, the performance of the overall Fund is measured relative to:

- Long-term target of CPI + 4.5%
- Strategic asset allocation benchmarks

Nonetheless, the financial health of the Fund is measured by the funding ratio.

Performance measurement and attribution takes place for both domestic and offshore investments at the following levels:

- Fund aggregate level
- Asset class level
- Composite level for the same portfolio mandates
- Individual manager level

Manager performance is measured against benchmarks specified in their respective mandates and is also monitored relative to that of the respective style peer groups. Their performance is investigated where there are significant deviations from the benchmark and there are sustained periods of underperformance relative to their peer groups.

## INVESTMENT MANAGEMENT UNIT (IMU)

The EPPF investment strategy has been developed within the constraints of the current legislative environment and is structured to comply with the requirements of the revised Regulation 28 of the Pension Funds Act.

**The Fund's obligation is to meet its members', pensioners' and other beneficiaries' funding requirements for retirement.**

As such, an investment process that maximises the probability of meeting this obligation and minimises the event of shortfall is core to the Fund's investment philosophy. In summary, managing the risk of not meeting these liabilities is as important to the process as achieving optimal return.



For more on strategy and risk, see pages 12 to 16 and 22 to 23 respectively.

## STRATEGIC ASSET ALLOCATION AND BENCHMARKS

Asset class	Allocation	General benchmark
Equities	41%	FTSE/JSE Capped Shareholder Weighted Share All Share Index (J433 Capped SWIX) less All Property Index (J803)
Nominal Bonds	5%	ALBI and GOVI
Inflation Linked Bonds	14%	CILI
Cash	2%	STEFI Composite
Property	8%	J803 for listed property IPD South Africa Property Index for unlisted property
<b>Total domestic</b>	<b>70%</b>	<b>Weighted average of the above benchmarks</b>
International Equities	21%	MSCI World All Countries Index
Emerging Market Equities	4%	MSCI EM Index
African ex South African Equities	5%	MSCI EFM Africa Ex-South Africa Index
International Property	0%	FTSE EPRA/NAREIT Developed Rental Index
International Cash	0%	One month USD deposit rate (Citigroup)
<b>Total international</b>	<b>30%</b>	<b>Weighted average of the above benchmarks</b>
<b>Total Fund</b>	<b>100%</b>	<b>Weighted average of all above benchmarks</b>

## KEY INITIATIVES IN FY2018 – SUCCESSES AND CHALLENGES

During the year under review, the IMU undertook several key initiatives and was able to:

- Increase our passive investment allocation to over R10 billion;
- Develop a mandate to allow us to make private equity investments through emerging managers, similar to our incubation programme for publicly-listed asset managers;
- Capacitate of the investment team with appropriate headcount and skill set, which included augmenting the organisational design of the IMU to include two Deputy Chief Investment Officers (CIOs); and
- Increase the number of black female investment professionals, bringing our complement to over a third of our investment team. While this is a high proportion in comparison with other investments firms, we will nevertheless continue to improve our performance in this area in order to bring about a greater level of gender diversity.

Our allocation to passive strategies performed very well, exceeding the performance of most of the active managers. This in turn achieved significant savings of R40 million in costs – a sum equal to a full year's budget of the IMU. This is in line with global trends, and it has been gratifying to see that we are ahead of the curve in this regard.

## STRATEGY AND SYSTEMS

In establishing the Fund's strategic asset allocation, the Board recognises that the Fund's asset allocation is determined by the nature of its liabilities, follows a robust process that involves the ALM actuary, Fund actuary and the management team.

Markets have implied long-term returns which change over time and which are one of the determinants of the outcome of asset liability modelling. However, the Board does not believe in dramatically changing the strategic asset allocation without due consideration of the impact it may have on the investment returns earned by the Fund's assets.

It is the Fund's asset allocation that will make the single greatest contribution to achieving the Fund's investment objective. Research suggests that asset allocation accounts for the majority of the long-term result of a fund's performance with manager selection contributing a much smaller proportion of the outcome. The investment objective is also determined by the Fund's liabilities and the Board's desire to avoid the risk of becoming underfunded, i.e. their risk tolerance. (For more on strategy, see pages 12 to 16.)





# INVESTING FOR VALUE CREATION continued

It is important to note that during the year under review, the Fund continued to operate in a global low return environment, with discernible trends of passive investments, as well as of a pivoting towards alternative asset strategies such as infrastructure, private equity and real estate being added to the mix. There is accordingly an emphasis on both risk allocation and asset allocation.



We have thus implemented a risk budgeting framework within which we use the MSCI Barra multi-asset class investment risk management system. (For more on risk, see page 22.)

## JOINT DEPUTY CIOs

Part of our rationale in initiating the joint Deputy CIO roles was to grow our Liability-Driven Investments (LDI) in order to strengthen our presence in the LDI space, and to emphasise bridge strategies that are both return-seeking and liability-hedging. Such strategies provide for above-return objectives as a fund, while at the same time matching our liability and hedging against interest-rate sensitivity and inflation. (For more on strategy, see pages 12 to 16.)



We have also strengthened our systems and technological tools by implementing investment multi-management data bases such as Evestment.

## CHALLENGES

We showed good results on our scorecards, although we did not achieve our long-term target of CPI plus 4.5%. However, it is important to note that, while our three-year investment return is below target, by comparison to the benchmark, there are no asset classes that were able to achieve this target. Equities were down, as were listed properties, while the impact of inflation-linked bonds delivered only pedestrian returns. The only exception to this trend was global emerging markets, in which we increased our allocation from 2% to 4%.

When this absolute return base is not the reference, and compared relative to the SWIX or the listed property, it is evident that we were behind due to a number of our managers underperforming over one and three years. This was largely because they were underweighted with Naspers. Naspers performed extremely well, especially over one and three years, reaching over 25% in the SWIX. For reasons of prudence, however, a number of managers were reluctant to have an allocation to just one stock. Thus, while the benchmark was indicating an allocation at around 25%, the actual allocation was significantly lower than that, and the Fund was impacted as a result of this under exposure.

Our exposure to some of the Rand-hedge stocks such as British American Tobacco (BTI), and to a degree Sasol, also had a negative effect on our performance as the Rand strengthened after the ANC Elective Conference, an event viewed by the market as being market-friendly. While we were slightly overweight with Steinhoff at around 20 basis points, we were underweight with Sasol when its price rose dramatically.

Overall, most of the negative impact on the Fund's investment returns was thus incurred by our underweight position with Naspers.

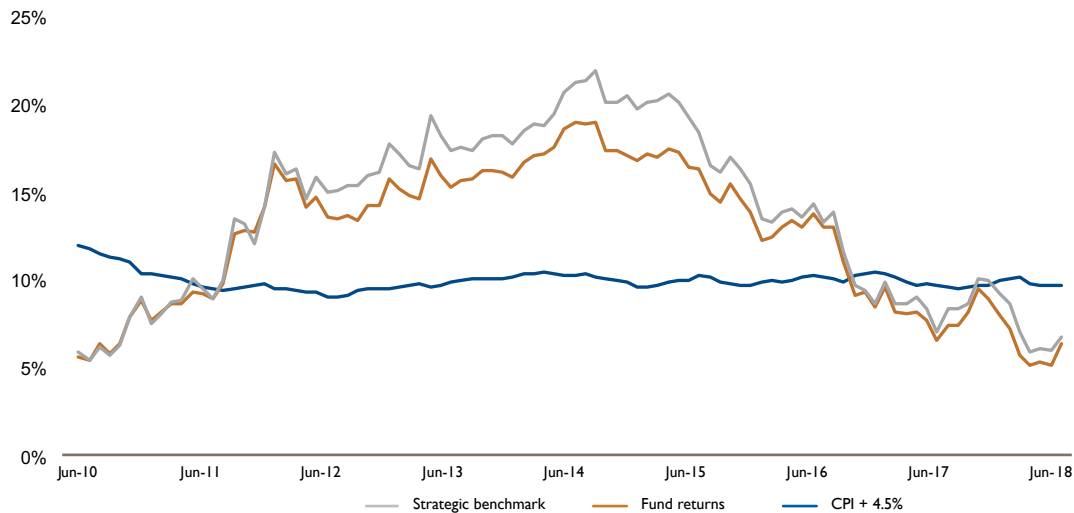
## FINANCIAL RETURNS

### TOTAL FUND RETURN VERSUS INFLATION PLUS 4.5%

#### Rolling three-year returns to 30 June 2018

	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Fund	7.05	6.44	10.18	11.03
Benchmark	9.07	9.82	9.96	9.87
Alpha	(1.85)	(3.08)	0.21	1.06

### Fund performance – three-year rolling returns to 30 June 2018



### Fund performance versus strategic benchmark to 30 June 2018

	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Actual return	7.05	6.44	10.18	11.03
Approved strategic benchmark	9.19	6.84	11.00	12.25
Excess/shortfall	(1.96)	(0.37)	(0.74)	(1.15)

### Asset classes performance to 30 June 2018

Asset class	Benchmark	12 months (%)	36 months (%)	60 months (%)	120 months (%)
<b>ZAR</b>					
SA Cash	Stefi	7.4	7.3	6.7	6.9
Nominal Bonds	ALBI	10.2	7.8	7.4	9.8
Inflation Linked Bonds	CILI	1.9	3.4	5.3	7.5
SA Listed Property	SAPY	(9.9)	0.9	6.7	16.0
SA Equity	SWIX	11.7	5.3	11.1	11.2
SWIX40	SWIX40	13.7	5.2	11.5	10.4
SWIX – SAPY	SWIX – SAPY	10.0	4.5	10.9	11.1
MSCI World	MSCI World	17.4	13.6	18.1	13.0
MSCI EFM Africa Ex ZA	MSCI EFM Africa Ex ZA	11.1	3.3	7.1	1.7
<b>USD</b>					
USDZAR	USDZAR	5.1	4.1	6.8	5.8
MSCI World (USD)	MSCI World (USD)	(10.5)	(8.3)	(9.5)	(6.4)
MSCI EFM Africa Ex ZA (USD)	MSCI EFM Africa Ex ZA (USD)	(5.4)	0.8	(0.3)	4.0

Source: IRESS, Riscura

## LONG-TERM FINANCIAL STRATEGY

The strategy in support of the 2017/18 budget was to provide resources contributing to the key departmental capacity, data and controls, process re-engineering and operational efficiency in order to effectively respond to current and forthcoming challenges.

The strategy affirms the need to leave sufficient margins to be able to deal with unforeseen circumstances while respecting commitments, as well as providing adequate levels of funding for projects.

Whether arising from product innovation, regulatory decree or market conditions, change brings with it the overhead of significant effort, organisational stress and cost. The EPPF engaged a partner to assist the organisation in aligning itself with its vision of becoming the most admired pension fund. The member-centric approach to enterprise architecture has also devised key insights that will have an impact on the RFO over the coming years.

# SUSTAINABLE VALUE CREATION

In terms of our own commitment to contributing towards the transformation of South African society, and the active promotion of an egalitarian landscape of opportunity, and the government’s National Development Plan (NDP), **we have been proactive in undertaking a number of initiatives.**

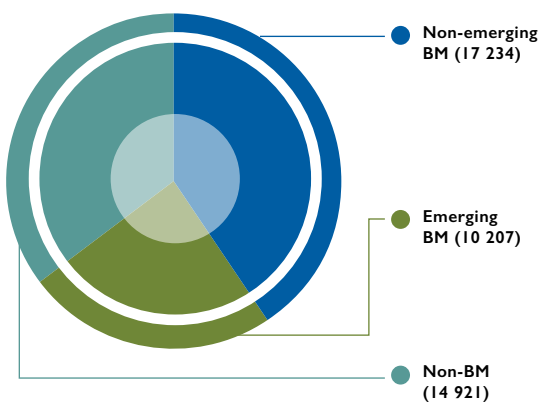
## INCUBATION PROGRAMME

During the year under review, we initiated an incubation programme, approved by the Board, for start-ups that would enable them to meet our standards, and with whom we are willing for the first time to be the only funders for projects put before us. In undertaking this, we have added another initiative to our developmental and transformational imperative by opening the door to emerging companies and entrepreneurs.

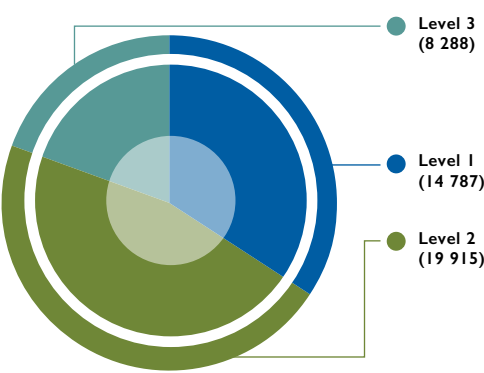
### Emerging vs non-emerging managed assets

Domestic external mandates	42 991	
Non-emerging black managers	17 433	40.6%
Emerging black managers	10 380	24.1%
Non-incubation managers	7 525	
Incubation managers	2 856	
<b>Total assets of black managers</b>	<b>27 814</b>	<b>64.7% of domestic external mandates</b>

### Assets under management split



### Assets under management by B-BBEE rating



## INDUSTRY-WIDE INITIATIVES

### RESPONSIBLE INVESTING

Our adherence to environmental, social and governance (ESG) factors forms part of our human, intellectual and natural capitals, and measuring the sustainability and ethical impact of our investments was in general reinforced during the year under review. **We have made an investment in the Old Mutual Schools Fund, and have continued supporting developmental impact projects, making an additional commitment to an affordable education fund.**

We also approved a private markets incubation mandate, ensuring that we will be able to unearth emerging private markets managers which have not been greatly supported in the past. We have allocated R2 billion to that mandate, with R1.2 billion in real assets – infrastructure and property – and R800 million going to private equity. The approval of that mandate is something that we believe should be celebrated. In addition, we are now funding a third party who will assist in examining and vetting prospective managers.

In October 2017, the Fund won the Association of Black Securities and Investment Professionals (ABSIP) award for The Most Transformed Retirement Fund, an acknowledgment that has confirmed our commitment to leading transformation in the industry.

### TRANSFORMATION BREAKFAST

We hosted an EPPF transformation breakfast in March 2018. A number of other pension funds were invited to enable a collaborative approach to investing in these asset classes, and to the manner in which we promote transformation in the industry. There were also several other stakeholders present, including asset managers and stockbrokers. The event was extremely successful in highlighting the initiatives that we have undertaken, and will continue to undertake, in this space. (For more on stakeholders, see page 17.)

### SUMMARY SCORECARD

AUM	Module name	Your score	Your score	Median score
	01. Strategy and governance	A		A
<b>Indirect – Manager Sel., App. and Mon</b>				
>50%	02. Listed equity	A		B
<10%	03. Fixed income – SSA	Not reported		
<10%	04. Fixed income – Corporate Financial	Not reported		
<10%	05. Fixed income – Corporate Non-Financial	Not reported		
<10%	06. Fixed income – Securitised	Not reported		
<10%	07. Private equity	Not reported		
<10%	08. Property	Not reported		
<10%	09. Infrastructure	Not reported		
<b>Direct and active ownership modules</b>				
10-50%	10. Listed equity – Incorporation	B		B
10-50%	11. Listed equity – Active Ownership	A		B
10-50%	12. Fixed income – SSA	B		B
<10%	13. Fixed income – Corporate Financial	Not reported		
<10%	14. Fixed income – Corporate Non-Financial	Not reported		
<10%	15. Fixed income – Securitised	Not reported		
<10%	17. Property	Not reported		

## SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA) TRAINING

The Fund continued to operate as an approved SAICA training office, with three trainees, undertaking the three-year training programme and on completion of which, they will be recognised with the CA(SA) qualification.

### PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The PRI is an investor initiative in partnership with the UN Environment Programme Finance Initiative and UN Global Compact. **We are proud that in the 2018 PRI Report, the Fund was given an “A” rating – well above the global peer average.**



# BUILDING VALUE FOR THE FUTURE

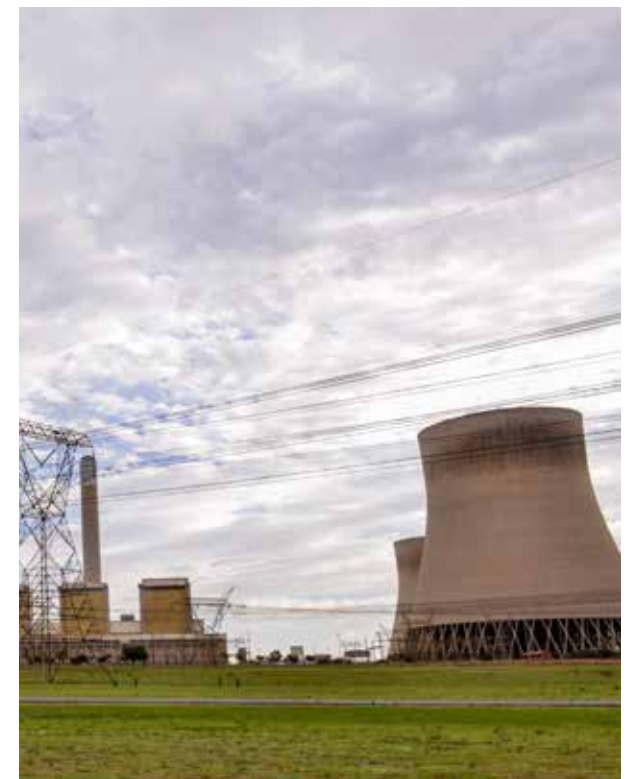


Our sustainability as an organisation in the changing regulatory, societal and employment landscape, as well as questions around the corporate structure and mandate of Eskom that we have described elsewhere in this report, continue to be of pressing significance. During the year under review, therefore, **we have continued to address the issue of the way forward, which includes a number of strategic options open to the Fund**, as well as the issue of whether to transform itself into a defined contribution (DC) fund.

With a spectrum reaching from a retention of our present operational framework to others that offer permutations of various services, deliverables and capacities, we have identified no less than eight strategic options. The fundamental soundness of our investment approach, successful returns and methods of governance oversight and risk assessment will continue to guide our choices, and facilitate and promote the long-term sustainability of the Fund that we will continue to position as South Africa's most admired fund.

We are actively engaged in:

- **A diagnosis** to enable us to:
  - Understand where we are today as an organisation
  - Understand the current and potential future landscape of our industry
- **A guiding policy** that lets us choose plausible and feasible **strategic options** to pursue by:
  - Envisaging where we play in future, and in which geographies, product categories, customer segments, and channels we can gain a competitive advantage
  - Defining how we aim to win, in terms of our core strengths, and a business model that will enable competitive advantage
- **Coherent action and follow-up** by:
  - Developing and monitoring the execution of an action plan





# LEADING THROUGH GOVERNANCE

## THE BOARD OF TRUSTEES (THE BOARD)



From left to right

### 1. Ms Mantuka Maisela Chairman

Master of Management, Postgraduate Diploma in Management, Leadership Development Programme, Production Management



### 2. Dr Cynthia Khumalo Employer appointed

Masters in Business Leadership, PhD in Social Work, Master of Arts Social Science (Mental Health), BA Social Science (Hons)



### 3. Ms Helen Diatile Member elected – NUM

Master of Business Administration, Certificate of Management, Project Management



### 4. Mr Ben Steyn Pensioner elected

Master of Business Administration, Bachelor of Admin (Hons) – Industrial Psychology, Accounting, Income Tax and Auditing – FPI Diploma, Advanced Certificate in Leadership, Certificate in Futures and Options, Certificate in Financial Derivatives



### 5. Ms Maya Naidoo Employer appointed (Resigned July 2018)

Chartered Accountant (SA), Master of Commerce



### 6. Mr Mandla Maleka Employer appointed

Master of Economics, Bachelor of Economics (Hons), Executive Development Programme



### 7. Mr Khehla Shandu Member elected

Master of Business Administration, BTech (Electrical Engineering), Certificate: Registered Persons, Examinations – Equity Markets



### 8. Mr Muvenda Khomola Employer appointed

CA(SA), MSc in Project Management, BCom Accounting (Hons), BCom Economics



### 9. Mr Allen John Morgan Pensioner elected

BSc, BEng, PrEng, Chartered Director (SA)



### 10. Ms Paulina Ndlela Member elected – NUMSA

N3/N4 Business Studies, N5 Secretarial (Commerce), N6 Computer Science



### 11. Ms Thembeke Flaviona Madlala Re-elected trustee – Member elected

Master of Business Administration, BTech (Quality Management), Middle Management Programme, Electrical Engineering (Pr Techni Eng), Postgraduate Certificate in Project Management, Institute of Internal Auditors (IIA)



#### Resigned trustees:

Ivan Smith  
Dawn Jackson

#### KEY

Chairman	Audit and Risk Committee
Chairman	Benefits Committee
Chairman	Board of Trustees
Chairman	Human Resources and Remuneration Committee
Chairman	Legal and Governance Committee
Chairman	Strategic Investment Committee



# LEADING THROUGH GOVERNANCE continued

## EXECUTIVE COMMITTEE (EXCO)



From left to right

**1. Mr Ayanda Gaqa**  
**Head of Risk and Compliance**

Postgraduate Diploma in Financial Planning, Certified Financial Planner®, Compliance Practitioner, Certified Fraud Examiner  
Mr Gaqa joined the Fund in July 2007

**2. Mr Willem Fick**  
**Head of Information Technology**

Bachelor of Engineering – Industrial, Honours in Industrial Engineering  
Mr Fick joined the Fund in July 2017

**3. Ms Thelma Melk**  
**Head of Legal and Corporate Secretariat**

Bachelor of Law (National University of Lesotho), LLB (National University of Lesotho), Certificate in Municipal Finance (Wits Business School), Certificate in Corporate Governance (University of Johannesburg)  
Ms Melk joined the Fund in April 2018

**4. Ms Nopasika Lila**  
**Chief Executive and Principal Officer**

CA(SA), Postgraduate Certificate in Corporate Governance, Higher Certificate in Financial Markets and Instruments, Management Development Programme, Leadership Programme  
Ms Lila joined the Fund in December 2010

**5. Stephen Varndell**  
**Acting Chief Financial Officer**

CA(SA), Bachelor of Accounting Science (Hons), Bachelor of Commerce, Certificate in International Financial Reporting Standards  
Mr Varndell joined the Fund in 2007

**6. Mr Ndabezinhle Mkhize**  
**Chief Investment Officer**

BSc in Actuarial Science, Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA)  
Mr Mkhize joined the Fund in May 2014

**7. Ms Shyless Nkuna**  
**Head of Human Resources**

Master of Commerce in Business Management, BA (Hons) Psychology, BA (Psychology), Registered Psychometrist (Health Professions Council of South Africa)  
Ms Nkuna joined the Fund in April 2017

**8. Mr Kishore Joey Sankar**  
**Head of Retirement Fund Operations**

Master of Information Technology, Bachelor of Commerce in Management, Prince 2 and Information Technology Infrastructure Library (ITIL) Practitioner  
Mr Sankar joined the Fund in July 2014

The Exco comprises the Chief Executive, Chief Financial Officer, Chief Investment Officer, the Head of Retirement Fund Operations, the Head of Legal and Corporate Secretariat, the Head of Information Technology, the Head of Risk and Compliance and the head of Human Resources.

The Exco is chaired by the Chief Executive and meetings are held on a monthly basis with ad hoc meetings called when necessary.

The Exco assists the Chief Executive in exercising executive oversight and is also responsible for ensuring the effective management of the daily operations of the Fund.

Eleven Exco meetings, excluding ad hoc and special meetings, were held during FY2018.

## LEADING THROUGH GOVERNANCE continued

### LONG-TERM VALUE PROSPECTS

#### FUTURE-PROOFING THE FUND THROUGH STRATEGIC ALTERNATIVES

Our horizon-based strategy is designed to aid us in future-proofing the Fund by considering a number of options, as follows:

- **Strategic option 1:** Offering admin services (no investment solutions) to third party clients
- **Strategic option 2:** Offering admin services to third party clients
- **Strategic option 3:** Remaining as-is with the creation of a separate asset management entity (corporatisation)
- **Strategic option 4:** Forming an Umbrella Fund and allowing other entities to participate in the investment and administration advantages
- **Strategic option 5:** Becoming an investment manager for individuals, plus strategic Options 1 – 4
- **Strategic option 6:** As Option 5, but also including private wealth management solutions
- **Strategic option 7:** Offering admin and/or investment solutions via corporatised entities
- **Strategic option 8:** Decoupling both the IMU and member administration from the Fund, corporatising them into a new entity and selling them accordingly. The corporatised entity would thus provide both asset management and member administration
- **Strategic option 9:** Do nothing, i.e. maintain the status quo

### NAVIGATION OF CHALLENGES

#### SUSTAINABILITY AS A DB FUND

Our sustainability as a DB fund remains a question that requires a strategic response, as the real risk arises from the current configuration that contributions will not be sufficient to match pre-determined benefits. This is complicated by the changing age demographics of our membership, and the fact that there is greater turnover among membership of younger members, who tend to leave the Fund after only short periods of membership. (For more on these factors, see Material Matters, and Mitigating against Risk, on pages 21 and 22 respectively.)

#### INVESTMENT PROSPECTS

The low-return investment environment has persisted for the past three years. The start of the new financial year has been no exception, with domestic equities being down by more than 12% owing to declines in the share prices of companies with big market capitalisations such as Naspers, MTN, and British American Tobacco. However, these downward movements are not expected to lead to permanent loss of capital. In the

short to medium term, as the markets rebound, management aims to position the Fund towards less volatile asset classes and investment strategies that have stable returns such as the real assets (infrastructure and real estate) and equity portfolios with strong downside protection, respectively.

### PROTECTING VALUE THROUGH EFFECTIVE GOVERNANCE

#### OUR GOVERNANCE STRUCTURE

##### Duties and responsibilities of the Board

The Board is responsible for directing, controlling and overseeing the operations of the Fund in accordance with all laws applicable to the Fund, and in accordance with the Rules of the Fund. It further provides strategic guidance, direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy and decisions to management. The Board is also responsible for managing a successful and productive relationship with Eskom and relevant stakeholders.

Each individual Board member and the Board as a collective have a fiduciary duty to act in good faith, with due diligence and care, to avoid conflicts of interest and act with impartiality in respect of all the Fund's members and pensioners, and are ultimately accountable and responsible for the performance and affairs of the Fund and not to any constituency.

The Board has approved a Board Charter, which forms part of the Fund's Governance Framework that provides guidance to the trustees in discharging their duties and responsibilities. Board members also have unrestricted access to Fund information.

##### Board term of office

The term of office for the Board is four years. Board members may not serve for more than two consecutive terms.

##### Board proceedings

The Board members convene at least once a quarter and monitor management's compliance with policy, and its achievements against predetermined objectives. Additional meetings may be called when issues arise that need to be resolved between scheduled meetings.

A structured approach is followed for delegation, reporting and accountability, which includes reliance on the established Board committees, whose composition, duties, responsibilities and business are described below. The Chairman presides over the meetings of the Board, and guides and monitors the input and contribution of the Board members. Eight meetings of the Board were held during the year under review.



#### BOARD COMMITTEE FOCUS AREAS, ACTIVITIES AND ACHIEVEMENTS

The Board has established five committees to assist it with the management of its affairs in a structured way. Each committee operates within the ambit of its defined terms of reference and delegated authority, as approved by the Board, which reviews the performance and effectiveness of these committees on a continuous basis.

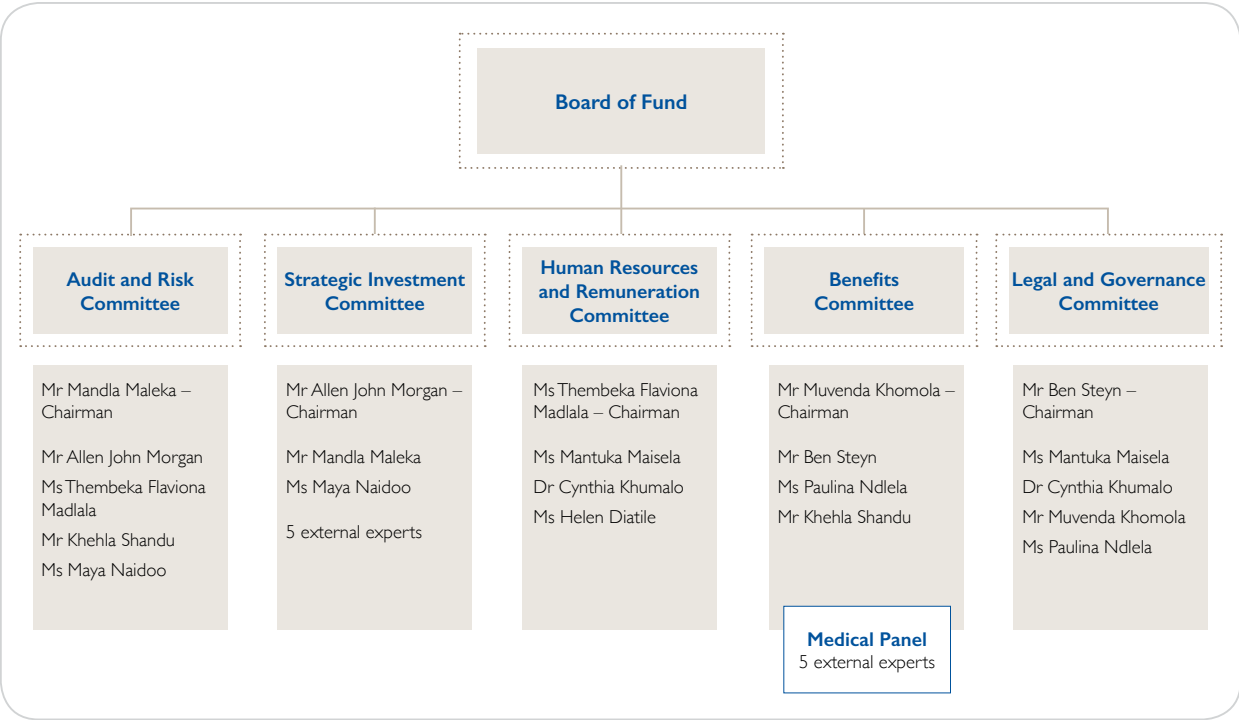
The Board also delegates authority to its committees, approving the terms of reference, lifespan, role and function of these committees. The duties and responsibilities of the members of the committees are in addition to those duties and responsibilities that they have as Board members.

Deliberations of the committees do not reduce the individual and collective responsibilities of the trustees with regard to their fiduciary duties and responsibilities, and they are bound to continue to exercise due care and judgement in accordance with their legal obligations.



# LEADING THROUGH GOVERNANCE continued

In order to establish the necessary focus on key areas of the Fund's activities, the Board constituted Board committees and established their membership as indicated below.



## BOARD COMMITTEES

### AUDIT AND RISK COMMITTEE (ARC)

The ARC comprises six Board members, including the Chairman. It is constituted as a committee of the Board and serves it in an advisory capacity. It assists the Board to discharge its duties relating to the safeguarding of Fund assets, monitoring the operation of systems and controls, review of financial information and the preparation of annual financial statements. It also plans and reviews the activities of Internal Audit.

#### ARC mandate

The mandate of the ARC includes:

- Oversight of the effectiveness of the Fund's financial, controls and risk management activity
- The combined assurance model – ensuring the model is implemented to effectively address significant risks facing the Fund
- An annual review of the expertise of the Finance function, as well as the suitability and experience of the CFO
- Reviewing and recommending to the Board the budget, and annual operational and capital expenditure
- Reviewing and monitoring the Fund budget
- Overseeing the Internal Audit function, approving the Internal Audit plan, Internal Audit Charter, and management responses to reported significant weaknesses
- Ensuring efficient and effective risk management system is in place

- Establishing and implementing of business continuity arrangements
- Approving the External Audit plan, fees and non-audit services
- Recommending the annual financial statement for Board approval
- Recommending Fund valuation to the Board
- Reviewing IT governance arrangements

The committee met its mandate for the year.

In addition to its execution of the committee mandate, the committee was occupied with the matter of eligibility, including:

- The entitlement of certain members of the Fund
- Stakeholder engagement with the FSCA in respect of the eligibility matter

Meetings are normally attended by the external as well as the internal auditors, the Chief Executive, Chief Financial Officer, Chief Investment Officer, Head of Legal and Corporate Secretariat and the Head of Risk and Compliance. Other members of staff attend by invitation. External and internal auditors have unrestricted access to the Chairman of this committee as well as to the Chairman of the Board.

Five ARC meetings were held during FY2018.

### TRUSTEES ATTENDANCE OF BOARD MEETINGS FOR THE PERIOD 2017 TO 2018

Date	4/8/2017	1/9/2017	26/9/2017	13/11/2017	7/2/2018	2/3/2018	7/5/2018	17/5/2018	18/5/2018	6/6/2018	7/6/2018
Name	B/Away	Scheduled meeting	Special meeting	Scheduled meeting	Special meeting	Scheduled meeting	Special meeting	Strategy session	Strategy session	Scheduled meeting	Scheduled meeting
JM Maisela	X	X	X	X	X	X	X	X	X	X	X
M Naidoo	X	X	O	X	X	X	O	X	X	X	X
H Diatile	X	X	X	O	O	X	O	X	X	O	O
DV Jackson	X	X	X	O	O						
MR Khomola	X	X	X	X	X	X	X	X	X	X	X
CT Khumalo			X	X	O	X	O	X	X	O	O
TF Madlala	X	X	X	X	X	X	O	O	O	O	O
DM Maleka	X	X	O	X	X	X	X	X	X	X	X
AJ Morgan	X	X	O	X	X	X	X	X	X	X	X
P Ndlela	X	X	X	X	X	X	X	X	X	X	X
D Reyneke								X	X	X	X
NK Shandu	X	X	O	X	O	X	X	X	X	X	X
IG Smith	X	X	X	O							
BI Steyn	X	X	X	X	X	X	X	X	O	O	O

Legend:  
X Attended  
O Non-attendance



## LEADING THROUGH GOVERNANCE continued

### BENEFITS COMMITTEE (BC)

The BC comprises six Board members, including the Chairman. The BC is delegated with the authority to oversee and direct the retirement fund operations on behalf of the Board. The committee also considers and approves benefit payments as per its approved terms of reference.

#### BC mandate

The mandate of the BC includes:

- Overseeing the investigation of, and recommending to Board, transactions in terms of section 37C of the Pension Funds Act, rules related to the disposition of death benefits and other benefits
- Considering and recommending for approval disbursements and or suspension of benefits, determination of benefits, benefit allocations and disputes, ill health applications and retirement on recommendation of the Medical Panel and death benefits
- Reviewing the Communications Policy and strategy, considering statistical information and reports on benefits-processing by the Fund and making recommendations to the Board for approval

The committee met its mandate for the year.

In addition to its execution of the committee mandate, the committee was occupied with the matter of eligibility, including:

- The entitlement of certain members of the Fund
- Rule amendments to articulate the membership criteria
- Stakeholder engagement with the FSCA and the principal employer in respect of the eligibility matter

The committee oversaw the activities of the Board eligibility task team.

Meetings are normally attended by the Chief Executive, Head of Retirement Fund Operations, Head of Legal and Corporate Secretariat, Legal Advisor and the Customer Services Manager as well as other members of staff who are invited to attend meetings from time to time.

Six BC meetings were held during FY2018.

#### Medical Panel (MP)

The role of the MP is to assess, in accordance with the provisions stipulated in Rule 25(4) of the Fund Rules and all its amendments, the condition of the health of members of the Fund applying for ill-health retirement benefits, and to make recommendations to the BC and the Board on the status of these members.

The MP comprises three independent medical practitioners, one Eskom Medical Advisor, who also has an alternate, the Fund's Head of Legal and Corporate Secretariat, and the Head of



Retirement Fund Operations, as well as other members of staff who are invited to contribute at meetings from time to time.

The monthly MP meetings are chaired by one of the independent medical practitioners.

Twelve meetings of the MP were held during FY2018.

### HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

The HRRC comprises five Board members (including the Chairman), one external expert as well the Chief Executive and Head of Human Resources.

#### HRRC mandate

The mandate of the HRRC includes:

- Overseeing all HR policies for recommendation to the Board
- Overseeing and recommending to the Board all HR strategies
- Reviewing the remunerations strategy to the Board for approval
- Reviewing the performance-related pay scheme for recommendation to the Board for approval
- Considering and recommending pay increases to the Board for approval

The committee met its mandate for the year.

The committee finalised the job architecture project and the Learning and Development Manual and oversaw the roll out of POPI policies.

Five HRRC meetings were held during FY2018.

### STRATEGIC INVESTMENT COMMITTEE (SIC)

The SIC comprises five Board members, including the Chairman, and five external experts. Meetings are normally attended by the Chief Executive, Chief Financial Officer, Chief Investment Officer, Deputy Chief Investment Officer, Head of Risk and Compliance and the Head of Legal and Corporate Secretariat.

#### SIC mandate

The mandate of the SIC includes:

- Approving new investments or investment commitments
- Providing direction and oversight to Fund management on strategic investments and disinvestments within the Fund

- Approving investment transactions in line with the Investment Policy Statement
- Reviewing the Investment Policy Statement of the Fund annually and making recommendations to the Board for approval
- Approving the establishment of the investment mandates in line with the Investment Policy Statement
- Approving the appointment or termination of investment managers
- Assessing investment performance and adherence to approved risk profile
- Undertaking quarterly reviews and stress testing of Fund solvency and funding levels
- Considering and approving the asset liability model capital market assumptions for recommendation to the Board

The committee met its mandate for the year.

Five SIC meetings were held during FY2018.



## LEADING THROUGH GOVERNANCE continued

### LEGAL AND GOVERNANCE COMMITTEE (LGC)

The LGC comprises five Board members. The meetings are normally attended by the Chief Executive, Chief Financial Officer, Chief Investment Officer, Head of Retirement Fund Operations, Head of Legal and Corporate Secretariat and the Head of Risk and Compliance. The committee is responsible for overseeing the legal and technical affairs of the Fund in accordance with the Fund Rules and statutory requirements.

#### LGC mandate

The mandate of the LGC includes:

- Providing oversight on the effectiveness of the legal and governance processes of the Fund
- Considering and advising the Board on the legislative developments and their impact on the Fund
- Considering rule amendments and making recommendations to the Board for approval
- Considering the effect of regulatory amendments on the Fund
- Overseeing the management of PFA complaints and making recommendations to the Board

The committee met its mandate for the year.

In addition to its execution of the committee mandate, the committee was occupied with the matter of eligibility, including:

- The entitlement of certain members of the Fund
- Rule amendments to articulate the membership criteria
- Stakeholder engagement with the FSCA in respect of the eligibility matter

The committee also reviewed and recommended POPI Act policies for roll out and implementation.

Four LGC meetings were held during FY2018.

### MANAGEMENT COMMITTEES

Exco is authorised to form management sub-committees and in particular, administration committees to assist with the execution of its duties. In exercising the powers and authorities delegated to it, Exco acts in accordance with, and subject to, the directives and requirements as laid down from time to time by the Board.

The following management committees are active at the Fund:

- Executive Committee
- Health and Safety Committee
- Information Technology Steering Committee
- Internal Investment Committee
- Management Benefits Committee
- Procurement Committee
- Risk and Compliance Management Committee

Sixteen meetings of Exco were held during the year.

### HEALTH AND SAFETY COMMITTEE (HAS)

The purpose of the HAS is to initiate, promote, maintain and review measures of ensuring the health and safety of all employees and contractors of the Fund. The committee comprises the Facilities Manager, Principal Clerk: Corporate Services, the Facilities Coordinator, and representatives from HR, Risk and Compliance, Investment Administration and Retirement Fund Operations.

The committee is chaired by the Facilities Manager and convenes on a quarterly basis.

Two HAS meetings were held during FY2018.

### INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC)

The primary focus of the ITSC is the promotion of improved communication and IT services and the identification of the partnerships required for successful IT deployment in the Fund.

The ITSC consists of the Chief Financial Officer, Chief Investment Officer, Head of Retirement Fund Operations, Head of Risk and Compliance, IT Manager and an outside expert member, with other members of staff attending by invitation.

The committee is chaired by the Chief Financial Officer and convenes on a monthly basis with ad hoc meetings called when required.

Seven ITSC meetings were held in FY2018.

### INTERNAL INVESTMENT COMMITTEE (IIC)

The IIC reviews and recommends the following for approval:

- All investments proposed for inclusion in Private Equity, Developmental Impact and Real Assets portfolios, collectively referred to as 'private markets'
- All tactical asset allocations with deviations greater than 1%, relative to the Strategic Asset Allocation
- Hedging strategies where nominal hedge amount exceeds R3 billion

The committee comprises the Chief Executive Officer, Chief Financial Officer, the Head of Legal and Corporate Secretariat, the Head of Risk and Compliance, the Chief Investment Officer and the two Deputy Chief Investment Officers. Non-members attend on an invitation basis.

Five meetings of all the IIC were held during FY2018.



### MANAGEMENT BENEFITS COMMITTEE (MBC)

The MBC is responsible for approving advances on installment lump sums registered with the Fund on behalf of the BC and the Board.

The committee comprises the Chief Executive, Legal Advisor, Head of Retirement Fund Operations, Benefits Processing Manager and the Head of Risk and Compliance, as well as other members of staff who attend meetings by invitation.

The committee is chaired by the Chief Executive with meetings being held on a monthly basis.

Twelve meetings of the MBC were held during FY2018.

### PROCUREMENT COMMITTEE (PC)

The PC is responsible for the promotion of good practice, transparency and ethical behaviour in the Fund's procurement activities in terms of the objectives of the Fund's Procurement and B-BBEE policies.

The committee comprises the Chief Financial Officer, the Head of Legal and Corporate Secretariat, the IT Manager, the Head of Risk and Compliance and the Head of Retirement Fund Operations. It is chaired by the Chief Financial Officer with committee meetings being held on a monthly basis.

Ten meetings of the PC were held during FY2018.

### RISK AND COMPLIANCE MANAGEMENT COMMITTEE (RCMC)

The RCMC is responsible for ensuring that a functional, effective and integrated risk management process is maintained for the Fund.

The committee comprises the Chief Executive, Chief Financial Officer, Chief Investment Officer, Head of Risk and Compliance, Head of Legal and Corporate Secretariat, Head of Retirement Fund Operations, the IT Manager, and one internal audit member. It is chaired by the Fund's Chief Executive with committee meetings held on a monthly basis.

Two meetings of the RCMC were held during FY2018.

# SUMMARY OF BENEFITS

The benefits reflected below are expressed in terms of the rules of the Fund applied in the financial year. The rules are reviewed by the Board, registered by the Financial Sector Conduct Authority, and approved by the South African Revenue Services (SARS) for income tax purposes. In the event of a conflict between this summary and the rules of the Fund, the relevant provisions of the rules will apply.

## 1. ELIGIBILITY CONDITIONS

All permanent employees of participating employers who are under the age of 65 are eligible for membership in the Fund.

## 2. RETIREMENT BENEFITS

### 2.1 ILL-HEALTH RETIREMENT

A member may retire at any age as a result of ill-health, provided that the Board approves a recommendation by the Medical Panel in this regard. The benefit is calculated by making provision for a pension based on a member's pensionable emoluments and pensionable service accrued up to the actual retirement date plus 75% of the service that would have been completed from that date to the pensionable age.

### 2.2 EARLY RETIREMENT

A member may retire early after reaching age 55. The benefit is a pension calculated in terms of a pension formula, reduced by the penalty factor of 3.9% per year for each year before age 63.

### 2.3 NORMAL RETIREMENT

The compulsory retirement age is 65. However, members may retire early from age 63 without penalties, subject to the employer's conditions of service. The benefit is based on 2.17% of annual average pensionable emoluments over the last year before retirement, for each year of pensionable service.

### 2.4 COMMUTATION

A member may commute up to one-third of his/her annual pension at the retirement date. The lump sum amount is calculated using fixed commutation factors. The remainder of the pension benefit will be used to pay a monthly pension to the pensioner for the rest of his/her life; and after his/her death, a reduced pension for the rest of the life of the remaining spouse.

## 3. PENSION INCREASES

Pensions may be increased on 1 January each year in accordance with the Fund's Pension Increase Policy.

## 4. DEATH BENEFITS

### 4.1 DEATH BEFORE RETIREMENT

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

#### Plus

A widow/widower's pension of the first 60% of the member's potential pension is payable. The pension is calculated as if the member had remained in service and attained age 65, based on the current pensionable emoluments.

#### Plus

A child's pension of 30% of the pension to which the member would have been entitled if he/she had remained in service until the normal retirement date, in respect of a single eligible child. The children's pension will increase to 40% in respect of two or more eligible children.

If there are no spouse's or children's benefits payable, a benefit will be paid to the member's estate equal to the greater of:

- A lump sum equal to the member's annual pensionable emoluments.

#### Plus

- 10% of the final average pensionable emoluments per year of pensionable service.

#### Or

Twice the deceased member's annual pensionable emoluments.

### 4.2 DEATH AFTER RETIREMENT

On the death of a pensioner, a lump sum equal to R3 000 is paid to the surviving spouse or the estate.

#### Plus

A pension to the surviving spouse/s equal to 60% of the deceased pensioner's pension at retirement before commutation, including any subsequent increases.

#### Plus

A further pension of 30% (one child) or 40% (two or more children) of the deceased pensioner's pension at retirement before commutation, including any subsequent increases, in respect of any eligible children.

#### But

If there is no spouse's pension payable, the percentage in respect of a single eligible child is increased to 60% of the deceased pensioner's pension at retirement before

commutation, including any subsequent increases. For two or more children, the total percentage is increased to 100% of the deceased pensioner's pension at the time of retirement before commutation, including any subsequent increases.

#### And

If there are no spouse's or children's benefits payable, a benefit equal to the excess amount of the lump sum, as specified below, is paid to the pensioner until the time of death. The lump sum comprises the following:

- A lump sum of R3 000

#### Plus

The greater of the two following calculations:

1. Twice the annual pensionable emoluments at retirement, less the pension benefits received since retirement;

#### Or

2. The annual pensionable emoluments at retirement plus 10% of the final average pensionable emoluments per year of pensionable service, less pension benefits already received.

### 4.3 DEATH OF A DEFERRED PENSIONER

The death benefit of a deferred pensioner differs materially from the above and interested parties can contact the Fund for more details.

## 5. WITHDRAWAL BENEFITS

### 5.1 WITHDRAWAL DUE TO VOLUNTARY RESIGNATION, ABSCONDING OR DISMISSAL

In case of a withdrawal benefit due to resignation, absconding or dismissal a cash benefit is payable. This is the prescribed minimum benefit in terms of the Pension Funds Act.

#### The benefit is the greater of:

First calculation: The capital value of the member's accumulated past contributions plus interest after December 2001. The interest rate must compare reasonably with the actual rate of investment return, net of fees and costs that the Fund has incurred on its assets;

#### Or

Second calculation: The fair value pension which is the amount of the pension that a member has earned for past service up to the date of leaving the Fund, based on the member's pensionable emoluments at the date of leaving the Fund. The capital value of the amount is calculated using financial assumptions, approved by the Registrar of Pension Funds.

### 5.2 WITHDRAWAL DUE TO RETRENCHMENT BEFORE AGE 50

In the event of a retrenchment, the benefit payable will be equal to the greater of:

- Either the two calculations in 5.1 above, or

Third calculation – In the event of a negotiated cash settlement or retrenchment of a member, a benefit of three times the member's own annual contributions becomes payable. The Fund must then pay to the member the greater of the first, second or third calculations.

### 5.3 WITHDRAWAL DUE TO RETRENCHMENT AFTER AGE 50

If a member has 10 years' continuous service, he/she qualifies to receive a pension instead of a lump sum benefit, as approved by the employer. The employer will compensate the Fund accordingly.

## 6. DEFERRED PENSION OPTION

A member may, instead of taking a cash benefit, elect to become a deferred pensioner and may be granted a benefit equal to the actuarial value, as determined by the actuary, in respect of completed service. The deferred benefit reverts to the deferred benefit scheme and may only be accessed from age 55.

## 7. CONTRIBUTION RATES

Most members contribute to the Fund at a rate of 7.3% of pensionable emoluments, except in the case of certain categories of members who still contribute at lower rates. A member may undertake to pay additional voluntary contributions to the Fund for the purposes of adding such additional benefits as the Fund may determine. The employer contributes at a rate of 13.5% of pensionable emoluments in respect of members.

## 8. COMMUTATION FACTORS (CF)

On retirement, a member has the option either to receive a full monthly pension or to convert a maximum of one third of his/her pension into a lump sum benefit payable at retirement in cash. There are certain assumptions underlying the methods by which the calculations are made actuarially. In line with modern practice, we have now taken steps to separate male and female CF and to ensure that they are now fairer.



# SUMMARISED ANNUAL FINANCIAL STATEMENTS

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### SUMMARISED ANNUAL FINANCIAL STATEMENTS

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## APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements of the Eskom Pension and Provident Fund are the responsibility of the Board. The Board fulfills this responsibility by ensuring the implementation and maintenance of accounting systems and practices, adequately supported by internal financial controls.

These controls, which are implemented and executed by the Fund's employees, 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 68 to 79 have been prepared for communication purposes with limited disclosure compared to the regulatory financial statements that are compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa. The regulatory financial statements have been prepared for reporting to the Financial Sector Conduct Authority. The summarised annual financial statements set out on pages 68 to 79 have been prepared in accordance with the criteria as set out in Note 1.1 of the notes to the summarised annual financial statements.

The independent auditors, PricewaterhouseCoopers Inc, have reported on the regulatory financial statements, in the course of executing their statutory duties. They have been given unrestricted access to all financial records and related data, including minutes of all relevant meetings. In addition, the independent auditors reported on whether the summarised annual financial statements are derived from the regulatory financial statements. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors on the summarised annual financial statements is presented on page 66.

The summarised annual financial statements of the Fund set out on pages 68 to 79 were approved by the Board of Fund. The summarised annual financial statements have been signed by the Chairman and two Board members on behalf of the Board.



**Ms JM Maisela**  
Chairman

20 November 2018



**Mr DM Maleka**  
Board member

20 November 2018



**Mr NK Shandu**  
Board member

20 November 2018

## STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

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



**Nopasika Vuyelwa Lila**  
Principal Officer

20 November 2018

## AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

### INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED ANNUAL FINANCIAL STATEMENTS TO THE BOARD OF FUND OF ESKOM PENSION AND PROVIDENT FUND

#### OPINION

The summarised annual financial statements of Eskom Pension and Provident Fund, set out on page 70, which comprise the statement of funds and net assets as at 30 June 2018, and the statement of changes in net assets and funds for the year then ended, and related notes, are derived from the audited regulatory financial statements of Eskom Pension and Provident Fund for the year ended 30 June 2018.

In our opinion, the accompanying summarised annual financial statements are consistent, in all material respects, with the audited regulatory financial statements, on the basis as described on page 70.

#### 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. Reading the summarised annual financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited regulatory financial statements and the auditor's report thereon. The summarised annual financial statements and the audited regulatory financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited regulatory financial statements.

#### THE AUDITED REGULATORY FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited regulatory financial statements in our report dated 29 November 2018.

#### 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 70.

#### 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 regulatory financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), engagements to report on summarised annual financial statements.



PricewaterhouseCoopers Inc.

Director: **Clinton Mitchelson**

Registered Auditor

Johannesburg

4 April 2019

## REPORT OF THE VALUATOR

FOR THE YEAR ENDED 30 JUNE 2018

### PARTICULARS OF FINANCIAL CONDITION OF THE FUND AS AT 30 JUNE 2018

An annual actuarial valuation was carried out as at 30 June 2018. 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 – R139 672 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R139 368 million.
3. The actuarial present value of promised retirement benefits – R100 951 million vested, and RO non-vested.
4. Contingency reserve account balances – R22 524 million.
5. The projected unit 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. This represents a change from the "annually costed" approach used at the previous valuation.
6. The key financial assumptions are that investment returns will exceed salary inflation by 4.50% per annum (4.80% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 6.90% per annum (7.40% at the previous valuation). The yield used to calculate the solvency reserve was equal to the assumed yield on index-linked bonds at the valuation date, adjusted for real salary increases and asset management fees. The approach is unchanged from the previous valuation.
7. Members contribute at 7.3% of pensionable salaries and the employers contribute 13.5%. There is a contribution shortfall relative to the fixed contribution rate payable in terms of the rules. At the valuation date this shortfall amounted to 0.72% of pensionable salaries (compared with a 0.60% surplus at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2018 for the purposes of the Pension Funds Act, 1956.

Prepared by me:



**David K Little**

Valuator

Fellow of the Actuarial Society of South Africa

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

20 November 2018



## STATEMENT OF NET ASSETS AND FUNDS

AS AT 30 JUNE 2018

	Note	2018 R'000	2017 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>140 681 360</b>	132 584 908
Plant and equipment	2	3 156	9 904
Investments	3	140 678 204	132 575 004
<b>Current assets</b>		<b>524 580</b>	759 094
Accounts receivable		236 732	214 024
Arrear contributions	5	271 310	531 731
Cash at bank		16 538	13 339
<b>Total assets</b>		<b>141 205 940</b>	133 344 002
<b>FUNDS, SURPLUS AND LIABILITIES</b>			
<b>Funds and surplus account</b>			
Accumulated funds		117 148 574	107 915 893
– Normal retirement		110 551 199	101 807 342
– Additional voluntary contribution scheme		636 313	580 080
– Performance bonus scheme		5 961 062	5 528 471
<b>Total reserves</b>			
Reserve accounts		22 524 000	24 112 000
<b>Total funds and reserves</b>		<b>139 672 574</b>	132 027 893
<b>Non-current liabilities</b>			
Unclaimed benefits		186 042	177 464
<b>Current liabilities</b>		<b>1 347 324</b>	1 138 645
Benefits payable	4	1 262 244	1 019 382
Accounts payable		44 463	83 383
Accruals		40 617	35 880
<b>Total funds and liabilities</b>		<b>141 205 940</b>	133 344 002

## STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Normal retirement R'000	Additional voluntary contribution scheme R'000	Performance bonus scheme R'000	Accumulated funds R'000	Reserve accounts	Total 2018 R'000	Total 2017 R'000
Contributions received and accrued	5	3 528 949	38 612	225 299	3 792 860	–	3 792 860	3 679 554
Net investment income	6	9 013 351	–	–	9 013 351	–	9 013 351	3 352 530
Allocated to unclaimed benefits		(15 091)	–	–	(15 091)	–	(15 091)	(22 250)
Other income	7	18 806	–	–	18 806	–	18 806	25 391
Less:								
Administration expenses		(207 267)	–	–	(207 267)	–	(207 267)	(196 502)
<b>Net income before transfers and benefits</b>		12 338 748	38 612	225 299	12 602 659	–	12 602 659	6 838 723
<b>Transfers and benefits</b>		(4 630 800)	(25 991)	(301 187)	(4 957 978)	–	(4 957 978)	(4 289 230)
Transfer from other funds		–	6 334	–	6 334	–	6 334	9 418
Transfer to other funds		(257 429)	–	–	(257 429)	–	(257 429)	(241 065)
Benefits	4	(4 373 371)	(32 325)	(301 187)	(4 706 883)	–	(4 706 883)	(4 057 583)
<b>Net (loss)/income after transfers and benefits</b>		7 707 948	12 621	(75 888)	7 644 681	–	7 644 681	2 549 493
<b>Funds and reserves</b>								
Balance at beginning of year		101 807 342	580 080	5 528 471	107 915 893	24 112 000	132 027 893	129 478 712
Prior period adjustments		–	–	–	–	–	–	(312)
Transfers between reserve accounts		1 603 162	(9 504)	(5 658)	1 588 000	(1 588 000)	–	–
<b>Investment return allocated</b>								
Current members		(567 253)	53 116	514 137	–	–	–	–
<b>Balance at end of year</b>		110 551 199	636 313	5 961 062	117 148 574	22 524 000	139 672 574	132 027 893

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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.

PURPOSE AND BASIS OF PREPARATION OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The summarised annual financial statements were derived from the regulatory annual financial statements which were derived from the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act.

The purpose of the summarised annual financial statements is to give the reader a broader overview of the financial position of the Fund as well as the relevant cash flows and income, and expense account movement, without providing the level of detail as per the regulatory financial statements.

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

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.

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.

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. In the open-market valuation information cannot be reliably determined; the Fund uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets for transactions of 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 dividends.

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.



# NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2018

### 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 remeasured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when 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 evidence by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) based on a valuation technique whose variables include only data from observable markets.

### Swaps

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

### Investment in participating employers

Investments in participating employer(s) comprise debt securities (i.e. 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.

### 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.

### 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.

### 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.

### 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.

### 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.

### 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 the Fund in advance for 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.

### NET INVESTMENT INCOME

Net investment income comprises dividends, interest, rentals, collective investment schemes – distribution, income from policies with insurance companies and adjustment to fair value.

### 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. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

### Interest

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

### Rentals

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

### Collective investment schemes' distribution

Distribution from collective investment schemes are recognised when the right to receive payment is established.

### Income from policies with insurance companies

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

### Interest on late payment of contributions and/or loans and receivables

Interest on late payment of contributions and/or loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

### Adjustment to fair value

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

### Expenses incurred in managing investments

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

### 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.

### 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.

## NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

### TRANSFERS TO AND FROM THE FUND

Sections 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.

### 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.

### RELATED PARTIES

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

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

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

### ACCOUNTING POLICIES, CHANGING 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.

### 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.

### 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 currently allocated to these schemes as the rules of the Fund do not currently cater for this.

### LEASES

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

## 2. PLANT AND EQUIPMENT

### 2.1. CURRENT YEAR

	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
<b>Gross carrying amount</b>					
Cost at beginning of year	13 379	112	4 374	308	18 173
Additions	714	25	678	–	1 417
Disposals	(65)	(8)	–	–	(73)
Other movements	(6 103)	–	–	–	(6 103)
<b>At end of year</b>	<b>7 925</b>	<b>129</b>	<b>5 052</b>	<b>308</b>	<b>13 414</b>
<b>Accumulated depreciation and impairment</b>					
At beginning of year	(5 477)	(77)	(2 448)	(267)	(8 269)
Depreciation charges	(1 215)	(19)	(765)	(41)	(2 040)
Accumulated depreciation on disposals	55	–	–	–	55
Other movements	–	–	(4)	–	(4)
<b>At end of year</b>	<b>(6 637)</b>	<b>(96)</b>	<b>(3 217)</b>	<b>(308)</b>	<b>(10 258)</b>
<b>Net carrying amount at end of year</b>	<b>1 288</b>	<b>33</b>	<b>1 835</b>	<b>–</b>	<b>3 156</b>

### 2.2. PRIOR YEAR

<b>Gross carrying amount</b>					
At beginning of year	10 985	–	3 526	308	14 819
Additions	2 394	–	960	–	3 354
Other movements	–	112	(112)	–	–
<b>At end of year</b>	<b>13 379</b>	<b>112</b>	<b>4 374</b>	<b>308</b>	<b>18 173</b>
<b>Accumulated depreciation and impairment</b>					
At beginning of year	(4 128)	–	(2 124)	(205)	(6 457)
Depreciation charges	(1 316)	(30)	(441)	(62)	(1 849)
Other movements	(33)	(47)	117	–	37
<b>At end of year</b>	<b>(5 477)</b>	<b>(77)</b>	<b>(2 448)</b>	<b>(267)</b>	<b>(8 269)</b>
<b>Net carrying amount at end of year</b>	<b>7 902</b>	<b>35</b>	<b>1 926</b>	<b>41</b>	<b>9 904</b>



# NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

## 3. INVESTMENTS

### INVESTMENT SUMMARY

	Local R'000	Foreign R'000	Total 2018 R'000	Total 2017 R'000
Cash	4 070 410	4 196 080	8 266 490	4 488 337
Commodities	–	–	–	143 474
Debt instruments including Islamic debt instruments	23 401 555	21 771	23 423 326	22 861 173
Investment properties and owner occupied properties*	123 500	–	123 500	121 500
Equities (including demutualisation shares)	64 374 715	21 954 189	86 328 904	80 067 939
Insurance policies	–	–	–	1 862 853
Collective investment schemes	57 712	15 131 244	15 188 956	16 628 746
Hedge funds	834 541	–	834 541	786 679
Private equity funds	2 458 078	1 719 047	4 177 125	3 282 667
Derivative market investments	5 864	–	5 864	(11 507)
Investment in participating employer(s)	2 329 498	–	2 329 498	2 343 143
<b>Total</b>	<b>97 655 873</b>	<b>43 022 331</b>	<b>140 678 204</b>	<b>132 575 004</b>

## 4. BENEFITS

### 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	43 959	2 946 887	–	(2 941 235)	–	49 611
Lump sums on retirements – Pensions commuted	93 684	771 569	–	(625 534)	–	239 719
Lump sums before retirement – Death and disability benefits	102 436	133 635	–	(76 434)	(9 388)	150 249
– Withdrawal benefits	266 000	663 537	–	(638 932)	(9 943)	280 662
Divorce benefits	8 063	112 021	–	(106 476)	–	13 608
Instalment lumpsums	505 240	33 427	45 807	(56 079)	–	528 395
<b>Total</b>	<b>1 019 382</b>	<b>4 661 076</b>	<b>45 807</b>	<b>(4 444 690)</b>	<b>(19 331)</b>	<b>1 262 244</b>
Benefits for current year (B)						4 661 076
Return allocated (C)						45 807
<b>Statement of changes in net assets and funds</b>						<b>4 706 883</b>

## 5. CONTRIBUTIONS

	At beginning of year R'000	Towards retirement R'000	Contributions received R'000	At end of year R'000
Member contributions received and accrued	86 162	1 238 437	(1 230 589)	94 010
Employer contributions received and accrued	161 134	2 290 512	(2 277 685)	173 961
Additional voluntary contributions – members	2 760	38 612	(38 033)	3 339
Performance bonus scheme member contributions	281 675	79 045	(360 720)	–
Performance bonus scheme employer contributions	–	146 254	(146 254)	–
<b>Total</b>	<b>531 731</b>	<b>3 792 860</b>	<b>(4 053 281)</b>	<b>271 310</b>
Towards retirement				3 792 860
Towards reinsurance and expenses				–
<b>Statement of changes in net assets and funds</b>				<b>3 792 860</b>

## 6. NET INVESTMENT INCOME

Income from investments	4 643 889	3 882 511
Dividends	2 956 253	2 336 634
Interest	1 684 654	1 541 839
Rentals	2 982	4 038
Profit on sale/redemption of investments	29 441 595	21 491 065
Loss on sale/redemption of investments	(22 220 339)	(18 007 186)
Fair value adjustment on investments	(2 338 045)	(3 577 712)
Less: Expenses incurred in managing investments	9 527 100 (513 749)	3 788 678 (436 148)
<b>Total</b>	<b>9 013 351</b>	<b>3 352 530</b>

## 7. OTHER INCOME

Securities lending fee	18 806	25 391
<b>Total</b>	<b>18 806</b>	<b>25 391</b>

## 8. RELATED-PARTY TRANSACTIONS

During the current financial period, 30% of the Chief Executive's remuneration amounting R2 330 000 (2017: R2 778 000) was allocated to his/her duties as the Principal Officer.

The Employer appointed Board members of the Fund make contributions to the Fund and receive benefits in line with the Rules of the Fund.

During the financial year, trustee remuneration and related expenses amounting to R6,6 million (2017: R5,4 million) was incurred in respect of all trustees. The employer appointed trustee remuneration is paid directly to the employer.

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

- The participating employers made contributions to the Fund for members' retirement to the value of R2,4 billion (2017: R2,1 billion) and refunded R468 million medical aid contributions for pensioners.
- The fund holds investments in the participating employer to the value of R2,3 billion (2017: R2,2 billion).
- The participating employers had outstanding contributions of R271 million at year end (2017: R532 million). Eskom Holdings SOC Ltd for other expenses is owed R986 000 by the Fund and owes the Fund R166 000 (2017: R544 000).

## NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

### 8. 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	2018 Transactions R'000	2017 Transactions R'000
Eskom Holdings SOC Ltd	Participating Employer	Company contribution to Fund for Employer appointed Trustees	1 341	1 404
Eskom Holdings SOC Ltd	Participating Employer	Member contribution to Fund for Employer appointed Trustees	725	773
Board of Fund member	Pensioner elected Trustee	Pension payment	2 594	2 448
Board of Fund member	Trustee	Trustee fees paid to individuals	2 073	1 526
Board of Fund member	Participating Employer	Employee elected trustee fees paid to Eskom SOC Ltd	1 807	1 531
Outside Expert	Outside expert appointed by Board of Fund	Outside expert fees paid to individuals	1 758	1 476
Outside Expert	Outside expert appointed by Eskom Holdings SOC Ltd	Outside expert fees paid to Eskom Holdings SOC Ltd	107	116
<b>Total</b>			<b>10 405</b>	<b>9 274</b>

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

Participating employers	Contributions	Fund expenses
Eskom Holdings SOC Ltd	2 185 892	467 754
Eskom Rotek Industries SOC Ltd	242 828	—
Eskom Pension and Provident Fund	8 046	—
<b>Total</b>	<b>2 436 766</b>	<b>467 754</b>

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

	2018 R'000
Remuneration	13 611
Contributions to retirement fund	1 104
Bonuses	10 001
Leave payout	229
Sign-on bonus	120
<b>Total amount contributed</b>	<b>25 065</b>

### 9. OPERATING LEASE COMMITMENTS

	2018 R'000	2017 R'000
Future minimum operating lease payments		
Within one year	29 326	25 908
Between one and five years	40 314	67 050
<b>Total</b>	<b>69 640</b>	<b>92 958</b>

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

Eight year operating lease with Omni Plus Software and Global ASP Limited for software and remote processing services. The lease expires in June 2020.

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

Five year operating lease with Barra International LLC for data processing and reporting services relating to investment risk management. The lease expires in March 2020.

### 10. SUBSEQUENT EVENTS

On 7 September 2018, the Board of Fund resolved to instruct the Fund's attorneys to file a declaratory order with court to effect the recommended actions obtained by the Fund in respect of ineligible members who had been admitted as members of the Fund.

On 30 September 2018 an employer appointed Board member resigned. On 12 November 2018 Eskom Holding SOC Limited filled all outstanding Board vacancies relating to those resulting from employer appointed trustees.

### 11. SIGNIFICANT MATTERS

#### 11.1 PRINCIPAL OFFICER

The Board appointed a new Principal Officer who will also serve as the Chief Executive to the Fund effective 1 April 2018.

#### 11.2 ELIGIBILITY OF EMPLOYEES TO PARTICIPATE AS MEMBERS OF THE FUND

The Fund became aware of several fixed term contract employees of the three participating employers who has been admitted as members of the Fund. The legal advice received indicated that this group of employees do not qualify for fund membership, and of the options available to it in law to regularise the position with regards to the employees erroneously admitted as member of the Fund. The Fund elected to apply to court for a declaratory order and is currently instituting the relevant legal proceedings.

#### 11.3 ESKOM GROUP CHIEF EXECUTIVE OFFICER (GCEO) PENSION PAY-OUT

The former Eskom GCEO was one of the employees erroneously admitted as a member of the Fund as it came to light that he was employed on a fixed term contract. As an outcome of court proceedings brought by Solidarity, DA and the EFF, the court declared the former GCEO ineligible for membership and ordered him to repay the amounts paid to him by the Fund. After failed applications for leave to appeal the judgement by the former GCEO, the Fund is accordingly taking steps to enforce the judgement.



# GLOSSARY OF TERMS

<b>ARC</b>	Audit and Risk Committee
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>BC</b>	Benefits Committee
<b>BOT</b>	Board of Trustees
<b>CE</b>	Chief Executive
<b>CF</b>	Communication Factors
<b>CFO</b>	Chief Financial Officer
<b>CIO</b>	Chief Investment Officer
<b>CPI</b>	Consumer Price Index
<b>CRM</b>	Customer Relationship Management
<b>DB</b>	Defined benefit
<b>DC</b>	Defined contribution
<b>Eskom</b>	Eskom SOC Limited
<b>Exco</b>	Executive Committee
<b>FSCA</b>	Financial Sector Conduct Authority
<b>FY2018</b>	Financial year (from 1 July 2017 to 30 June 2018)
<b>GCEO</b>	Group Chief Executive Officer
<b>HAS</b>	Health and Safety Committee
<b>HRRC</b>	Human Resources and Remuneration Committee
<b>IIC</b>	Internal Investment Committee
<b>IIRC</b>	International Integrated Reporting Council
<b>IMU</b>	Investment Management Unit
<b>IT</b>	Information Technology
<b>ITSC</b>	Information Technology Steering Committee
<b>LGC</b>	Legal and Governance Committee
<b>MBC</b>	Management Benefits Committee
<b>MP</b>	Medical Panel
<b>PC</b>	Procurement Committee
<b>PFA</b>	Pension Funds Adjudicator
<b>PO</b>	Principal Officer
<b>POPI Act</b>	Protection of Personal Information Act
<b>RCMC</b>	Risk and Compliance Management Committee
<b>RFO</b>	Retirement Fund Operations
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SIC</b>	Strategic Investment Committee
<b>TOM</b>	Target Operating Model

# EXTERNAL ASSET MANAGERS

Domestic	International
Aeon Investment Management Proprietary Limited	Aberdeen Asset Management
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	Duet Asset Management Limited
Catalyst fund Managers Proprietary Limited	Sanlam - Centre Asset Management LLC
Coronation Fund Managers Proprietary Limited	SEI investments (Europe) Limited
Drakens Capital Proprietary Limited	UBS AG
Excelsia capital Proprietary Limited	Veritas Asset Management LLP
First Avenue Investment Management Proprietary Limited	
Investec Asset Management Proprietary Limited	
Kagiso Asset Management Proprietary Limited	
Legacy Africa Fund Managers' Proprietary Limited	
Matrix Fund Managers Proprietary Limited	
Mazi Capital Proprietary Limited	
Meago Trading Proprietary Limited	
Mergence Investment Managers Proprietary Limited	
Mianzo Asset Management Proprietary Limited	
Morgan Stanley Investment Management Ltd	
Old Mutual Investment Group Proprietary Limited	
Pan African Asset Management Proprietary Limited	
Perpetua Investment Management Proprietary Limited	
RMB Morgan Stanley Ltd	
Stanlib Asset Management Proprietary Limited	

# FUND ADMINISTRATION

12-MONTH DOMESTIC LISTED EQUITIES ATTRIBUTION TO 30 JUNE 2018

Underweight outperformers (%)		Overweight outperformers (%)	
Total	(2.18)	Total	1.10
Top 5	(1.42)	Top 5	0.58
NPN	(0.80)	EXX	0.17
SOL	(0.23)	OMU	0.13
FSR	(0.15)	AGL	0.11
MRP	(0.13)	MNP	0.09
BVT	(0.12)	ARI	0.09
Underweight underperformers (%)		Overweight underperformers (%)	
Total	1.18	Total	(3.82)
Top 5	0.58	Top 5	(1.41)
VOD	0.24	BTI	(0.47)
SGL	0.15	SNH	(0.34)
PFG	0.08	AEG	(0.22)
EOH	0.06	ITU	(0.20)
NED	0.05	RNI	(0.19)

12-MONTH DOMESTIC LISTED PROPERTIES ATTRIBUTION TO 30 JUNE 2018

Underweight outperformers (%)		Overweight outperformers (%)	
Total	(1.66)	Total	1.95
Top 5	(1.28)	Top 5	1.11
FF_AB	(0.42)	CCO	0.32
RDF	(0.36)	SSS	0.23
GRT	(0.22)	FVT	0.19
ATT	(0.16)	HMN	0.19
EMI	(0.13)	SRE	0.18
Underweight underperformers (%)		Overweight underperformers (%)	
Total	0.12	Total	(0.77)
Top 5	0.12	Top 5	(0.76)
AW_AB	0.09	NRP	(0.47)
TDH	0.02	GRP	(0.17)
L2D	0.01	SAC	(0.08)
0.00	0.00	IAP	(0.04)
0.00	0.00	ILU	(0.00)

ESKOM PENSION AND PROVIDENT FUND

Fund registration number 12/8/564

REGISTERED OFFICE OF THE FUND

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POSTAL ADDRESS

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WEBSITE

www.eppf.co.za

BENEFIT ADMINISTRATOR

Self-administered

EXTERNAL AUDITORS

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Private Bag X36  
Sunninghill, 2157

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Private Bag X30, Rondebosch, 7701



# NOTES

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