

LEADING WITH CONVICTION

Navigating towards a sustainable future

In the ever-evolving landscape of finance and investment, the Eskom Pension and Provident Fund (EPPF) is committed to values that extend beyond the balance sheet.

The EPPF's objectives are not confined to financial returns. We believe that true prosperity demands a positive societal and environmental contribution. Impact investing is not a mere addendum but a fundamental part of every investment decision the Fund makes.

Our strategy on impact investing is embedded in a broader approach to sustainability. This is set out in the Fund's Sustainability Policy, announced at an event in July 2023. Pillars of the policy are social equality, environmental regeneration, and economic parity.

The EPPF recognises that our members are at the heart of our endeavours and we strive tailor our impact investing strategy to reflect their values and preferences. This requires adaptability to ensure investments maintain a resonance with members over time, as the society around them changes.

Presently the Fund's impact investing addresses pressing challenges in the areas of education, transportation, healthcare, and housing. This response is not only a moral duty but a contribution to the long-term sustainability of the EPPF. While we make a difference to the lives of many South Africans, we also address some of our own organisational risks. Investments in companies and sectors that prioritise environmental, social and governance considerations are often more resilient and less susceptible to regulatory and reputational risks. In South Africa, regulatory bodies are increasingly emphasising the need to consider the impact of investments.

The Fund's Sustainability Policy resonates with the ideals of our staff and contributes to our ability to attract and retain top talent. Our consideration of environmental and social concerns and economic justice is not a passing trend but a long-term strategy for value creation that fills the Fund with pride.



A glimpse of EPPF 2.0

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

These are: Eskom's unbundling; legal and regulatory changes; the prevailing political, social and economic landscape; technological advances; and member demographics and preferences.

To mitigate the impact of these factors, we have identified strategic focus areas which coalesce into five major themes:

(1) **Creating peace of mind for our members regarding the sustainability of the Fund**

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

(2) **Serving our members with care, empathy and excellence**

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

(3) **Positively affecting our communities and stakeholders**

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

(4) **Leading effectively**

As one of the largest retirement funds regulated by the Financial Sector Conduct Authority (FSCA), the EPPF must remain at the forefront of local and global developments. We must demonstrate thought leadership, governance role modelling, and an ability to influence stakeholders and shape discourse. We will continue to make the necessary investment in our people for them to fulfil this role.

(5) **Securing our future**

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

These five major themes collectively guide the EPPF's strategic focus, ensuring our preparedness for the future and our commitment to members and stakeholders.

An overview of investment impact in 2022

INVESTED FOR ECONOMIC STIMULUS



R8.2bn

indirect economic stimulus

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

Job creation



21 272

direct jobs created



4.2m

indirect jobs



47%

of jobs held by PDIs



40%

of jobs held by women



26%

of jobs held by youth



R10.1bn

local procurement spend

Sector-specific impact



19 829

affordable housing units delivered

R3.9bn

loan book value



22 983

learners supported (school enrolment, learning materials and accommodation)

1 504

educators employed



1 012

megawatt installed energy capacity

3 million

megawatt hour of energy produced



34 975

patients accessed quality healthcare

2 652

medical staff employed



R1.8bn

worth of loans to farmers

R636m

provided to previously disadvantaged farmers



9 185

taxis acquired through SME funding

±1 million

commuters serviced each day



More than

1 million m²

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



More than

R2bn

committed to previously disadvantaged asset managers

Aiming for net zero and a just transition

In an era defined by environmental challenges, the Fund has taken a stance on climate action. We are committed to combatting global warming, aligned with international initiatives such as the Paris Accord, and strongly supportive of a just transition for our members and society at large.

At the heart of EPPF's climate strategy is the ambition to limit global warming to 1.5 degrees Celsius, in accordance with that pivotal global agreement, the Paris Accord. Equally important is the concept of a "just transition" from an economy based on fossil fuels to one utilising more sustainable forms of energy. The Fund recognises the importance of leaving no one behind in this historic drive to save our global environment: the principles of fairness and inclusivity must apply at every point in the journey.

The Fund has also set clear targets to translate its climate commitment into action. We moved to the forefront of climate-conscious investment in South Africa when we became the second asset owner in the country to join the Net Zero Asset Owners Alliance. Membership of this alliance provides the Fund and our members access to a global network that promotes best practices, transparency, collaborative learning, and cooperation. It will assist us to remain well-informed and aligned with international standards.

The Fund is currently conducting a rigorous baselining process to determine the EPPF's emissions profile. The result of the exercise will allow the Fund to set short- and long-term reduction targets towards reaching net zero by 2050.

In addition, EPPF collaborates with other asset owners and managers to foster a just and sustainable transition for South Africa. By working together, we hope to drive change at the asset level that not only addresses climate-related risks but also contributes to a more equitable and socially sustainable future.

Representation of women

EPPF's commitment to advancing women's representation in the financial sector is a central pillar of its sustainability approach. The Fund, in collaboration with Gordon Institute of Business Science (GIBS), conducted a qualitative study – "Diversity in Asset Management" – to understand the challenges faced by women in the industry.

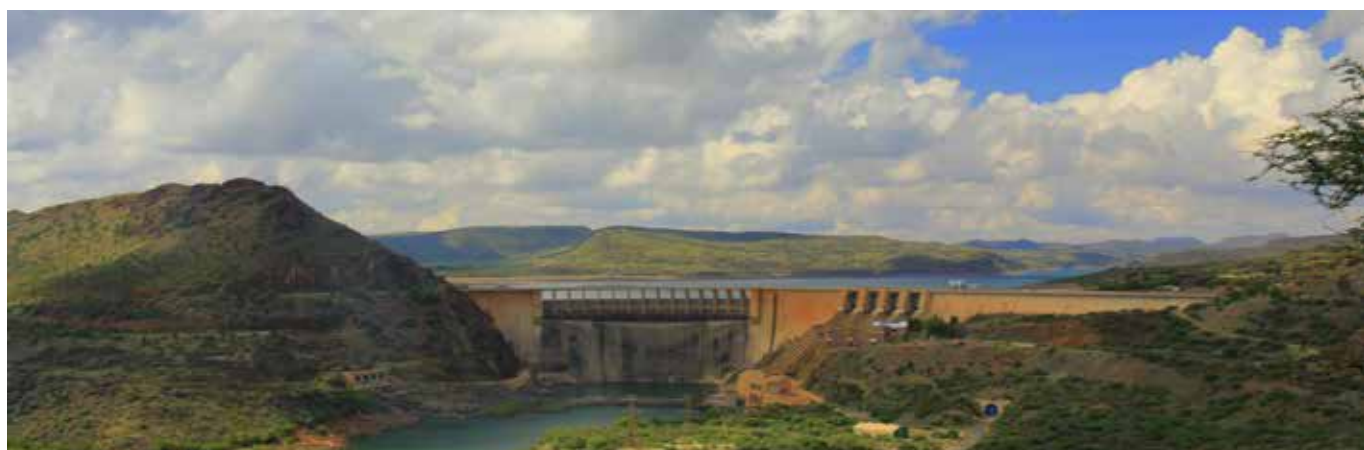
In response, the EPPF has implemented a multi-pronged strategy, which includes:

- Building on success:
 - A development programme for woman managers.
 - Active participation in industry development programmes.
 - Advocacy for gender diversity in fund management and companies.
 - Coordinating awareness campaigns with universities.
 - Setting targets for supporting woman-led and -owned businesses in portfolios.
- Introducing employee-centric programmes:
 - On-site early childhood development centres.
 - Primary healthcare facilities for employees and their families.
 - Hybrid work solutions to accommodate caregiving responsibilities.
 - Inclusive team building activities.
 - Funding for ongoing training programmes.
 - Concierge and well-being services for the entire family.

The Fund's initiatives reflect its dedication to gender diversity, a more inclusive finance sector, and fostering an environment that empowers women in the industry.

Due diligence – no fronting or greenwashing

As part of its engagement with investee companies, the Fund will be vigilant on issues of green washing. Greenwashing is when the investee company makes false, unsubstantiated, or outright misleading statements or claims about the sustainability of its business operations.



SDGs our investment guide

Through focused, responsible investing the Fund makes a contribution to South Africa's effort to achieve global and national development targets. We also strive to measure this impact through methods that are aligned with international best practice.

As a signatory to the UN Principles for Responsible Investing (PRI), the EPPF adheres to a set of global guidelines that promote responsible investment practices. The Fund also subscribes to the Code for Responsible Investing in South Africa (CRISA).

Our impact investing mandate is closely aligned with the National Development Plan (NDP) and the UN Sustainable Development Goals (SDGs). The SDGs were adopted by the UN General Assembly in 2015 and represent a worldwide call to action to address global challenges and create a more equitable, sustainable world. EPPF recognises that the SDGs are interconnected, and achieving progress in one area often triggers progress in others.

At present, the Fund contributes to nine of the 17 SDGs. Our emphasis on infrastructure investment lends an element of sustainability to our action. Infrastructure forms the backbone of a healthy economy, supporting workers and promoting the productivity of both capital and labour. This, in turn, leads to job creation, poverty alleviation, and a more equitable society.

Infrastructure investments also play a pivotal role in meeting sustainable energy needs and enhancing societal well-being. The multiplier effect is profound, as infrastructure enhances accessibility, facilitates trade, improves mobility, generates employment, and ultimately boosts overall economic growth.



Fund administration

Eskom pension and provident fund

Fund registration number 12/8/564

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