

About this report

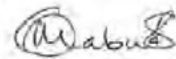
Board responsibility and approval

The Board is accountable for the integrity and completeness of the integrated report and any supplementary information, and is assisted by the Audit and Risk Committee and the Social, Ethics and Sustainability Committee.

The Board has applied its collective mind to the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the International <IR> Framework. In considering the completeness of the material items dealt with and the reliability of information presented, based on the combined assurance process followed, the Board approved the 2017 integrated report, annual financial statements and supplementary information on 15 June 2017.



Mr Zethembe Khoza
Interim Chairman



Ms Chwayita Mabude
Interim Chairman: Audit and Risk
Committee



Dr Pathmanathan Naidoo
Chairman: Social, Ethics and
Sustainability Committee

Reporting boundary and frameworks

This integrated report reviews our operational, environmental, social and financial performance for the year from 1 April 2016 to 31 March 2017, and follows our 2016 integrated report. Material events up to the date of approval have been included. For a comprehensive overview of our financial performance, the integrated report should be read in conjunction with our full set of group annual financial statements.

Our group annual financial statements are available online at www.eskom.co.za/IR2017

The report examines our performance and considers the impact of stakeholders on our ability to create value, as well as our impact on them. Unless otherwise indicated, the information presented is comparable to that of prior years, with no significant restatements. The information in this report refers to the performance of the group, which includes the business of Eskom Holdings SOC Ltd, operating in South Africa, and its major operating subsidiaries, unless otherwise stated.

Our business model on pages 8 and 9 provides more detail on our value creation process

Basis of preparation

Our integrated report is based on the principles contained in the International Integrated Reporting Framework (the International <IR> Framework) published by the International Integrated Reporting Council (IIRC). The report seeks to provide a balanced and transparent assessment of how we create value, considering both qualitative and quantitative matters that are material to our operations and strategic objectives, which may influence our stakeholders' decision-making.

The determination of material matters is set out on page 27

Although this is our primary report to stakeholders, aimed at providers of financial capital, it provides information of interest to all stakeholders. We aim

to address mainly material matters, both positive and negative, in this integrated report.

The content is further guided by legal and regulatory requirements, such as the Companies Act, 2008 and the King Code on Corporate Governance in South Africa (King III), as well as global best practice. We are assessing the impact and preparing to apply the recently issued King IV™ in the coming year. The report also contains some GRI G4 disclosures.

The GRI G4 indicator table is available as a fact sheet at the back of this report

Assurance approach

Our combined assurance model relies on three lines of defence. The Audit and Risk Committee and Board rely on combined assurance in forming their view of the adequacy of our risk management and internal controls.

Our strategic risks are discussed on page 29

The entire report has been internally assured by our Assurance and Forensic Department. The sustainability KPIs contained in the shareholder compact were subject to external assurance; all but four have received reasonable assurance.

The combined assurance of our suite of reports is set out on page 33

The independent sustainability assurance report is included on pages 122 to 125

The consolidated annual financial statements have been audited by the group's independent auditors, SizweNtsalubaGobodo Inc. who issued a qualified opinion relating to compliance with PFMA and completeness of irregular expenditure. The consolidated annual financial statements are fairly presented, except for the qualification.

Refer to the annual financial statements for the audit opinion

Material stakeholder matters

Material matters are those that are both of importance to stakeholders and could have a substantial impact on our business, with the potential to significantly affect the achievement of our strategic objectives and consequently, our ability to create value.

Materiality determination process

The first step in the materiality determination process is to identify relevant matters based on their ability to affect our value creation process. We perform the process annually. Our starting point is those matters reported in the prior year, which we then update based on a review of changes during the current year.

As part of that review, we consider topics discussed at Board level, the outcome of the risk management process, as well as issues raised through various stakeholder platforms – lenders and investors, key customers, customer surveys, matters raised in Parliament and by the media, and more generally via the Stakeholder Relations Department.

We then evaluate the impact of the matters identified on the execution of our strategy, future performance and value creation by considering the effect of the matter, taking account of both the likelihood of the matter occurring, as well as the magnitude of its impact.











Matters are then prioritised based on their relative importance. Although we consider all matters raised by stakeholders, only those deemed to be material matters are covered in detail in our report. Other concerns are addressed through various other platforms.

The process is overseen by Exco and ratified by the Board.

Current year material matters

The majority of the material matters described in our 2016 integrated report remain relevant, even though the level of importance to stakeholders or the impact on our value creation may have changed. Some new issues have been raised, or increased in importance.

The following have been identified as material matters in this report:

Material matter	Current impact on value creation	Timeframe of impact
 Regulatory environment and uncertainty of the electricity price path, including the treatment of RCAs	Negative	Short, medium and long term
 The impact of stagnant or declining sales on Eskom, combined with the impact of increased electricity prices on the economy	Negative	Short to medium term
 Financial performance, cost management and liquidity	Positive	Short to medium term
 Funding plan and the impact of credit ratings downgrades, together with Government support	Both positive and negative	Short, medium and long term
 Arrear customer debt – mainly municipalities and residential customers – and the impact of disconnections on customers	Negative	Short to medium term
 Surplus capacity, which is due to improved plant performance, new capacity being brought online by the new build programme and connecting IPPs, coupled with stagnant sales, which may require the decommissioning of older power stations	Both positive and negative	Medium to long term
 Environmental performance, including emissions, water use and environmental contraventions, which may affect our capacity and compromise our licence to operate	Negative	Short to medium term
 Energy mix and carbon footprint of our fleet, including renewables and nuclear energy, coupled with concerns around water scarcity and climate change	May be either positive or negative	Medium to long term
 Skills and transformation of our workforce	Positive	Medium to long term
 Governance and procurement practices	Perceived as negative	Short, medium and long term

Our strategic risks, which are largely aligned to the material matters, are set out on page 29 with their associated risk rating and treatment strategy

