



## MEDIA STATEMENT

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### **Eskom to take bold steps to shift the company's reputation towards a positive change**

**Thursday, 16 November 2017:** Eskom would like to thank the National Energy Regulator of South Africa (NERSA) and civil society at large for their engagement with its revenue application. NERSA's national public hearings have offered Eskom an opportunity to share the merits of its one-year tariff application from April 2018 to March 2019.

During this process, Eskom has shared an honest representation of our business and what we would require to remain on a firm operational footing. The fulfilment of these requirements will enable us to deliver on our primary mandate of providing electricity in an efficient and sustainable manner while we continue to play an important role in sustaining the economy of South Africa.

Speaking at the last leg of the public hearings in Gauteng earlier today, Eskom Interim Group Chief Executive Sean Maritz said that the company's Executive Committee has resolved to take bold action in order to shift the organisation's reputation towards positive change.

"In so doing, we have adopted a five-path plan to rebuild a robust governance process and preserve our core value of integrity. This includes strengthening our general internal ethics and fraud framework where we have reviewed and approved our ethics and fraud management policy. We have started on an education drive called "The Way", for the Eskom Board, leadership and employees on their responsibilities towards ethical conduct and reporting. This includes providing safe avenues for staff to blow the whistle on governance irregularities and crime. We are making enhancements to our declaration of interest policy, systems and processes, focusing on consequence management.

"We are also implementing independent audits on leadership where members of the Executive Committee, Divisional Executives and Senior General Managers will undergo regular independent lifestyle and conflict of interest audits. They also commit to co-operate with all independent inquiries on corruption, when required to do so.

"We are terminating all irregular supplier contracts and work. I can confirm that the McKinsey contract was terminated in July 2017. The contract with Impulse International has been suspended, pending the outcome of a forensic investigation. There are no dealings with Trillian contractually or otherwise. A legal verification was instituted on McKinsey, Trillian and Impulse after respective investigations conducted by independent investigators. Independent audits on the Tegeta contracts have been clarified as being within range of other similar contracts and all control gaps have since been tightened.



“We are enhancing the internal commercial governance process and have reviewed and strengthened our delegation of authority, ensuring that decision-making powers fall within appropriate levels of management. Having also recently created additional governance structures for tender approvals, we are thereby creating the opportunity to increase the focus and time for robust scrutiny.

“We are instituting disciplinary charges and taking legal action if required. To date, we have suspended eight members of leadership who have allegedly been involved in governance irregularities. Four of whom are from my Executive team. We have also instituted criminal charges against certain Eskom management in this regard,” Maritz said.

In terms of enhancing our operations, two separate dedicated teams have been established. The first is focused on a recovery programme in closing out the audit qualification. The second, established two years ago in line with our design-to-cost strategy, is driving the internal efficiency and cost-containment programme in our business. The company’s cost-cutting measures are bearing fruit, with a saving of R47 billion realised from the financial year 2012/2013 to this financial year 2017/2018.

In addition, we continue with our intense debt collection strategy to recover unpaid debt from all customers, including Soweto and defaulting municipalities.

“Despite all the governance setbacks, we need to be reminded that this is a revenue application, and decisions made by NERSA are decisions that will impact the sustainability of Eskom and the ability to provide reliable electricity. I have full faith that NERSA will make the right decision for this country. I equally assure you that Eskom will move towards a successful future and free of corruption,” Maritz concluded.

**ENDS**