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## SCOPE OF WORK

**Appointment of A Service Provider for An Assessment of Adequacy Of Control Measures At Eskom to Ensure Compliance To King IV And The Evaluation Of The Performance Of The Board, The Board Chairman, Individual Board Members And The Board Committees For A Period Of Three (3) Years.**

### 1. Background:

The King IV Code (2016) in principle 9 requires that the Board conduct a formal evaluation every second year. The board evaluation provides a platform for directors to review and strengthen relevant board and leadership practices, and to ensure that issues are identified and addressed timeously. In short, evaluations provide the board with the opportunity to identify opportunities for improvement and thereby enhance Board performance.

The Eskom Shareholder (Minister DPE) requires a Board Evaluation to be conducted on an annual basis. The report is discussed at the Annual General Meeting (AGM) and used by the shareholder to re-appoint or rotate Directors.

Eskom subsidiary Board are evaluated every second year in line with the King IV requirements.

In line with the outcomes of the Zondo Commission, Eskom Board needs to also conduct an independent review and evaluation of the adequate application of the King IV principles at Eskom. The outcome of such objective evaluation of the effective application of the King IV principles at Eskom must be reported to the Executive Authority and Parliament, and published in the Eskom Integrated Report and website, for public information.

The appointed service provider will provide Board evaluation services for the Eskom Holdings Board as well as the Eskom Subsidiaries in line with the King IV requirements as well as those requirements set by the shareholder.

### 2. Deliverables

#### 2.1 The deliverables will include:

- A project plan approved by the Group Company Secretary.
- Evaluation questionnaires conducted online via a secure platform.
- Interview of each participant.
- Analysis of written and oral responses from the questionnaires and interviews.
- Review the effectiveness of the following documents and processes:
  - Meeting packs of the Board and committees' meetings
  - The agenda and minutes of the Board and committees' meetings
  - On-going development and education for directors; and
- A comprehensive written report addressed to the Chairman of the Board that identifies inter alia:
  - Strengths and weaknesses
  - Areas that require improvement and
  - Recommendations.

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The process should include evaluation of the following:

- The Eskom Board and wholly owned subsidiary Boards which include:
  - ESCAP SOC Ltd (Escap)
  - Eskom Enterprises SOC Ltd (EE), including Eskom Rotek Industries SOC Ltd. (ERI)
  - Eskom Development Foundation NPC (ESDEF)
  - Eskom Finance Company SOC Ltd. (EFC)
  - National Transmission Company of South Africa (NTCSA)
- To review Eskom compliance to the King IV to ascertain the extent to which the company is complying with the recommended principles and practices of the code of good corporate Governance. This includes the assessment of the Eskom Board committees and subsidiary Board Committees where applicable.
- Chairman of the Eskom Board as well as Chairmen of subsidiary Boards
- Individual Directors (self-assessment and peer review)
- Subsidiary Board will be formally evaluated every other year, however, the requirement is for the Eskom Holdings Board to be evaluated on an annual basis.

**2.2 Board Effectiveness review must be conducted by means of a methodology based on good governance practices, which focuses on the following:**

- Board composition
- Board stakeholder engagement
- Governance structure, review of the Board Committees
- Board agenda and Board agenda plan
- Board reporting- the information received by Board.
- Board dynamics and relationship with management
- Chair's leadership
- Performance evaluation


**2.3 Integral techniques** must include documentation review, interviews with directors, interviews with management, and observation in line with good governance practices.

**2.4 The project schedule** must include the following:

- Project Plan approve by the Company Secretary
- Documentation review
- Interviews
- Observation
- Analysis and feedback reporting to the Board and Company Secretary.

**2.5 Reporting requirements** must include the following:

- An assessment of adequacy of control measures at Eskom to ensure compliance to King IV
- Detailed analysis of the strengths and weaknesses of the Board.
- Recommendation for improvement.

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## 2.6 Compliance requirements:

The process for evaluating the Boards must be done in line with good governance practices and in alignment with the requirements of:

- King IV™
- The State-Owned Entity Board Evaluation Framework, issued by Department of Public Enterprises
- Additional legislating requirements of the entities.

Any other service provider who can provide Board evaluation services as per the set requirements.