

Scope of Work: Board Profiling (Skills Review)

1. Introduction

Eskom Holdings SOE Limited is a wholly state-owned entity which has been in existence since 1912. It is owned by the Government of the Republic of South Africa under the ministry of the Department of Public Enterprises. Unlike many global utilities Eskom is a vertically integrated company responsible for the Generation, Transmission, and the Distribution of electricity in South Africa. It supplies 95% of the electricity in South Africa and is one of the biggest utilities in the world in terms of the generation capacity and its transmission network. Eskom was awarded a Top Utility Company of the Year in 2002.

However, Eskom in the recent past has seen a significant deterioration in performance in most areas including technical operations performance, financial performance, and the governance controls which underpins sustainability of any organisation. The state capture years has exacerbated the deterioration of the entire organisational performance and have permeated to unprecedented levels of loadshedding ever experienced by South Africans.

It is against this backdrop that a new non-executive board of directors was appointed by the Minister of Public Enterprises on the 1st of October 2022, replacing the erstwhile board. When the new board assumed office one of the key questions was whether the new board was correctly constituted to deal with the challenges that are facing Eskom.

One of the first issues the board had to grapple with, is the adequate constitution of the board, both in the requisite qualifications, skill, competency, management, and leadership experience required to give sufficient and effective oversight to such a complex organisation. For the board to arrive at the conclusion that there is sufficient diversity and objectivity they requested the services of an independent institution to assess whether the board is adequately constituted with a healthy balance of technical, commercial, financial, human resources, leadership, management and ethical skills, knowledge, and competency to deal with the complexity of an institution such as Eskom

2. Background:

According to King IV report on Corporate Governance in South Africa, under principle 7, “the governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.” As such Boards need to collectively, from the individuals it appoints, have all the key technical knowledge areas covered as is required from a governance perspective and company specific business and industry.

The requirement for a properly constituted Board is further highlighted by the Institute of Directors South Africa (IoDSA) under the section of the Director Competency Framework which outlines the core technical and personal competencies expected of a competent director. Further to these, the experience of applying the technical knowledge and managing social contexts, is also required by a director to be truly effective in his/her role on the Board. Focus is also placed on ensuring that the Board is constituted of ethical directors.

The service provider should guide the Board on whether there is a “gold standard” in terms of a skills mix benchmarking against the matrix used by top 10-25 utilities across the world. The objective of this exercise is to ascertain whether the current board of directors meet the gold standard. The company or service provider must also make recommendations to the board on whether it is necessary to supplement skills/ expertise that might have been identified as part of this process, as well as approval by the Board including individual director training and continuous development program to address any gaps that might have been identified.

3. Expected Deliverables:

Deliverable	Quantity
A comprehensive review of the skills and expertise of the Board of a large utility. This will include a review of the Board's current composition, the skills and experience of each Board member, and a comparison to the skills and experience of Boards of similar companies nationally and internationally	12 Board members
A detailed matrix of the Board's skills and expertise, benchmarked against the skills and expertise of similar companies nationally and internationally	1 Matrix containing the skills of all 12 Board members but the number of companies to be benchmarked to be advised by proposed suppliers
A report summarizing the findings of the review, including any recommendations for skills or experience gaps that should be addressed	1 Report
An executive summary of the report, suitable for presenting to the Board.	1 Executive Summary
A presentation highlighting material findings of the report, remedies to address the short comings and the proposed industry best practice methodologies in addressing the gaps in the quickest and most effective way.	1 Presentation

4. Other Necessary Items

- i. Access to the Board members, either in person or via other means, to discuss their skills and experience.
- ii. Access to the Board's records, including meeting minutes, CVs and qualifications, company financial statements, and other relevant documents.
- iii. Access to the records of previous experiences in other companies, where they have performed in-depth technical application of the knowledge, skill, and expertise in order to compare their Boards' skills and experience at a comparable level of tactical, complexity and strategy required by a board member.
- iv. Access to other sources of information, such as industry publications and reports, that may be relevant to the review.