

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: PQ 21**

**DATE OF PUBLICATION:**

Ms N W A Mazzone (DA) to ask the Minister of Public Enterprises: (1) Whether any of the bonuses listed on page 108 of Eskom’s 2016-17 annual report have been paid out; (2)(a) what are the full relevant details of how Eskom’s Long-term Incentive Scheme works and (b) who were the beneficiaries of the specified scheme in the 2016-17 financial year? NW25E

**REPLY:**

**Response is according to the information received from Eskom**

**(1)**

Yes. Emoluments reflected on p108 of the Integrated Report are payments that have been audited by the Company’s External Auditors for the financial year under review and paid by the Company. The disclosure of remuneration of Prescribed Officers is prescribed by the Public Finance Management Act, the Companies Act, 2008 and the Company’s Memorandum of Incorporation (MOI).

**(2)(a)**

1. Eskom’s LTI Scheme is designed to attract, retain and reward F Band employees for meeting the organisational objectives set by the Company in conjunction with the shareholder, and based on the Company’s remuneration strategy.
2. Eskom’s LTI scheme forms part of the F Band conditions of service which includes a guaranteed package, short and long term incentives, and other standard benefits such as Medical Aid, pension benefits and life cover.

While the conditions of service for E Bands do not include participation in the LTI scheme, some selected E band employees participate in the scheme.

1. The board of Eskom determines the LTI for the Group Chief Executive (GCE) and all senior executives, i.e. F bands in the whole group.
2. Exco determines and ratifies the LTI scheme for all eligible senior managers i.e. E bands.
3. The list of eligible E bands is reviewed by the GCE, on a regular basis and he may at his election consult the Exco members.
4. Upon appointment of F Bands or offer of LTIs to eligible E Bands, all eligible executives for the LTI scheme are issued with a letter stating the conditions of the scheme which states date of offer. This is subsequently supplemented by grant certificates issued annually stating awards for the eligible executives.
5. The board, at its election may take a decision to revise upwards or backdate the offer of the shares to the executives, after the original grant has been made.
6. The Eskom LTI scheme is intentionally designed as a phantom share scheme in that:-
   1. the allocation of shares is purely monetary value, and does not translate into actual subscription of shares.
   2. the equity of the shareholder, notably the government represented by the Department of Public Enterprises, is never diluted. That is, the executives do not take ownership of the shares.
   3. the said shares allocated to the executives are also not transferable.
   4. The value of the shares is set at R1 at grant date, and escalates at the money market rate over the set period of allocation, namely 3 years. These are therefore not based on shareholder value.
   5. The holders of the shares do not carry any personal risk in terms of the performance of the company. At worst, if the “gate keepers” performance requirements are not met, there is no cash disbursed to the scheme participants.
7. The shares vest on 1 April of the new year, for the previous years’ performance.
8. The LT Incentives are determined according to long term incentive percentage value model detailed below:

Table 1: Annualised LTI Values as a % of pensionable earnings

|  |  |  |  |
| --- | --- | --- | --- |
| Executive level | **LTI as % of pensionable earnings** | | |
| **Lower Quartile** | **On target** | **Capped** |
| GCE and all F Bands | 0% | 50% | 102% |

Table 2: Annualised LTI Values in line with KPI scores

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **LTI in line with KPI Scores** | | | | |
|  | **Floor (0%)** | **Kick (60%)** | **Norm (100%)** | **Stretch (110%)** | **Ceiling (120%)** |
| E Bands score | 1 | 2 | 3 | 4 | 5 |

1. The following factors are considered in determining the incentives:-
   1. Performance conditions and targets are determined by the board over the 3 year period in line with the Corporate Plan and Shareholder Compact with an agreed weighting in each category.
   2. Conditions include financial and non-financial targets in areas such as ensuring business sustainability and reliability of electricity supply, providing for future power needs and supporting the developmental objectives of South Africa.
   3. Awards vest if and to the extent that the targets are met of the company and of the individual. Furthermore, the vesting is dependent on the scheme participant remaining in Eskom’s employment throughout the vesting period.
   4. The award lapses if employment ceases during the vesting period, other than for permitted reasons. The permission is granted by the board (for F Bands) or the GCE (for E bands) at their discretion.
   5. Upon retirement, if a participant ceases to be an employee due to normal retirement (in accordance with the Company's employment policies from time to time) or early retirement (retirement before normal retirement age which is approved of by the People and Governance Committee at its discretion), the rules will continue to apply to the participants of the LTI scheme.
   6. It must be noted that those acting in F Band positions are not eligible for LTI scheme.
   7. Key performance indicators are related to the key performance areas and criteria set out in the shareholder compact.
   8. The amount paid in relation to the level of achievement is stated
   9. Situations where no long term incentive will be paid /penalties applicable are defined
   10. A formula is established for calculating the incentives, and this is based on meeting the targets of each KPI reflected in the performance conditions.
   11. Following payment of long term incentives, an analysis is set out in the Remuneration Report of the extent to which the relevant targets were actually met.
   12. Contract employees are not eligible for the long term incentive scheme.
   13. Eskom’s long term incentive scheme stands independent of the short term incentive scheme, although the participants of the long term incentive are also participants of the short term incentive scheme. All permanent employees of Eskom are eligible for the short term incentive scheme.
   14. In line with principles of good corporate governance which include transparency as set out in King IV, details of remuneration of directors and prescribed officers (i.e Exco members), are disclosed in the annual financial statements. Exco member beneficiaries for the specific year can be found on page 108 of the 2016/17 Annual Financial Statements (AFS) (under the column ‘’LTI payments’’).

**(2)(b)**

The full list of beneficiaries (includes E and F bands) is provided as Annexure A.

The Board of Directors has been requested to review the reward and remuneration system in Eskom.

**Annexure A: The list of Beneficiaries (F and E Bands) for submission to Parliament**

**F BANDS**

|  |
| --- |
| MM Ntsokolo |
| T Govender |
| AN Noah |
| MM Koko |
| E Pule |
| AS Masango |
| S Maritz |
| SJ Lennon |
| JA Dladla |
| CR Choeu |
| D Nichols |
| F Ndou |
| Nkhabu |
| ID Du Plessis |
| HJ Steyn |
| L Maleka |
| BA Nakedi |
| FC Van Niekerk |
| V Mboweni |
| SM Scheppers |
| L Dlamini |
| W Majola |
| A Etzinger |
| CR Le Roux |
| ET Mabelane |

**E BANDS**

C Cassim

J L Kilani

JM Buys

AJ Kiewitz

I Mulla

RNM Maphumulo

M Bahna

GR Tosen

P Govender

N Singh

BS Maccoll

K Pather

GJ Bronkhorst

MP Dukashe

P Govender

N Govender

PG Le Roux

M Makwela

S Mamorare

CJH Fabricius

WJC Theron

J Machinjike

AJ Johnson

M Kibido

LA Carlo

WJJ Du Plessis

WIJ Poulton

S Daniels

R Waja

M Hughes

VS Chettiar

SP Mazibuko

A Lester

MH McGibbon

ML Mthombeni

MP Sebola

T Govender

MJ Moller

IFP Khumalo

RD Matshidze

DP Odendaal

RG Stephen

P Moyo

NK Tsholanku

H Tlhotlhalemaje

Al Minnaar

NI Anderson

A Brey

JS Cronje

J Govender

DF Joubert

S Nagar

J Smit

TG Kgabo

ML Mokgotho

TE Skinner

J L de V Pfister

TL Myburgh

U Rangasamy

B Smith

WF Bothma

AH Maharaj

S Chetty

AA De Clercq

CD Hendricks

OM Mashigo

PC Vermeulen

S Maharaj

NR Volk

AP Wild

AM Dikgale

N Mngeni

J Naidoo

M Rambharos

DL Herbst

GG Quickfall

M Van der Riel

FF Mondi

S Nassiep

ME Bezuidenhout

P Doubell

R Chetty

DW Conradie

SE Mkhabela

SE Shayi

RB Jack

RW Bailey

RM Beckmann

TA Conradie

KG Featherstone

T Govender

PA Goatley

P Gopal

R Lacock

MG Mkwai

SS Prince

CJ Prinsloo

AK Stott

A Kuzelj

T Nani

B Moya

MS Jappie

A Singh

MR Barkadien

SW Steyn

KMJ Engel

PWA Kooyman

RW Van der Wal

JC Mavimbela

A van Geuns

MG Bonga

C Spammer

TA Smit

AN Maseko

BA Ntshanqase

D Shikoana

DJ du Plessis

CS Reddy

M van Rensburg

M Mthimkhulu

RM Gamede

KC Masike

N Kleynhans

T Shunmagum

MP Makwela

TN Mkalipe

DE Ntumba

B Makuyana

SB Teasdale

ND Harris

CA Laing

AA Laher

N Otto

CH Palm

D Bhimma

y Singh

M Maroga

G Hurtford

M Sims

G Loedolff