

EEC REPORT TO SOCIETY



Our Shared Value Report for the year ended 31st March 2021

We are pleased to present our 2021 Shared Value report – our primary communication to our stakeholders. In this report, we provide context on why we believe the Eswatini Electricity Company (EEC) is a good long-term investment. We also reflect on the past year’s performance and look at our vision for the future.

Our report tells the story of how we create long-term value, our approach to achieving strong financial growth and how we deliver on our core purpose – to be a major player in the energy sector development, nationally and regionally. It also provides qualitative and quantitative information about how we positioned EEC for success in a rapidly changing world.

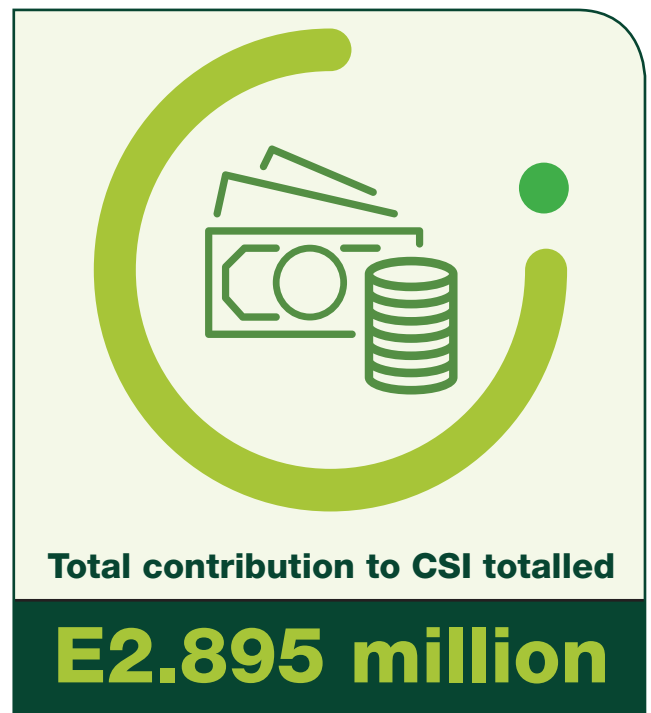
We recognize that our ability to deliver value ultimately depends on maintaining the quality of our relationships with our key stakeholders, as well as the health of the societies and the economy in which we operate. It is equally important to understand how we manage these relationships, and what we do to deliver societal value.

To this end, we unpack our system of advantage to explain how we create meaningful and tangible value in pursuit of our purpose. We acknowledge our responsibility to ensure the integrity of this report.

Delivering societal value through our core purpose

Our core purpose of providing energy for the future aligns with the United Nations (UN) Sustainable Development Goals (SDGs). These SDGs articulate what a better future means and helps us set a clear long-term plan to ensure access to affordable, reliable, sustainable and modern energy for all.

We aim to sustainably create value through our core business of increasing access to reliable and accessible energy and we continue leveraging our network expansion to help us achieve the goals envisaged by the UN. This also enables us to meet national and global development objectives, such as rebuilding economies



severely affected by COVID-19, while simultaneously promoting inclusive and sustainable action as we recover from the effects of the pandemic.

FINANCIAL CONTRIBUTION

The EEC has managed to post decent operating results in recent years despite very difficult operating conditions. However, the company’s profitability has

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been on a declining trend over the past 3 years – a 14% decrease from the 2020 profit alone. Notwithstanding the declining profit trends, the EEC’s continued contribution to the economy and society was sustained as highlighted below:

Tariff freeze

The EEC has not increased electricity tariffs over the past two consecutive years. The last tariff increase was in the financial year ended March 2019. The tariff freeze was a timely intervention introduced at the start of the Covid-19 pandemic mainly to enable the domestic, companies, and government to better cope with the health crisis. The adverse impact of the 2-years tariff freeze is already showing on the company’s financial performance.



However, of significant note is that the tariff freeze happened against very huge increases on import tariffs, especially from Eskom (15.37% in 2020 and 9.27% in 2021) that the EEC had to absorb and not pass through to customers. The economic pressure in the past 2 years has been significant, yet EEC continued to play an integral part in rendering support to people and the country’s economy by freezing electricity tariffs.

Taxation

As a good corporate citizen, the EEC contributes its fair share to the fiscus through the payment of taxes. The Company’s contribution to the public purse is largely through the Corporate Income Tax. For the year ended 31 March 2021, the company paid a total of E80 million to the Eswatini Revenue Service in respect of corporate income tax (2020: E285 million). The company also pays other direct taxes in the form of VAT, import duties, excise duties, withholding tax where applicable, etc.



Dividend to Government

EEC declared and paid a dividend to Government as the sole shareholder amounting E19 million in respect of profits for the year ended 31 March 2021 (2020: E22 million). The dividend payment is guided by the Dividend Policy on Public Enterprises for the Kingdom of Eswatini.

INVESTING IN OUR COMMUNITY

E2.895 million invested in CSR



The EEC has an obligation to plough back to the community in line with the company policy as well as the organization’s Core Value – Social Responsibility.

The EEC has an annual budget for CSI initiatives, which is enhanced by a contribution from Motraco, a company in which EEC has a shareholding.

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The continued effects of the COVID-19 pandemic necessitated the need for humanitarian organizations to provide support to various communities in the country. EEC played a significant role in supporting these organizations, despite the continued threat of the pandemic on EEC’s financial stability.

The following were the broad categories that benefited from the EEC’s CSI:

Priority Areas	Total amount invested	% Invested
Social & Economic Development	809 327.43	43%
Education	590 000.00	31%
Health	491 239.53	26%
Safety & Security	3 531.60	0%
TOTAL	1 894 098.56	100%

EEC supported government in the fight against COVID-19 by contributing E500,000 into the National Disaster Management Agency (NDMA) Resource Mobilisation Committee fundraising.

EEC further partnered with MOTRACO and donated E501,000 worth of medical equipment to the RFM Hospitals as part of the contribution in the fight against the COVID-19 pandemic.

Total contribution to CSI totalled E2.895 million (2020: E2.455mln).

INVESTING IN OUR ECONOMY

Transmission Projects (budget allocation of E439 million)



EEC continued to improve the reliability of the power transmission infrastructure to serve customer needs and narrow down the influence of the transmission infrastructure to the distribution network. There were several projects that were under implementation over the period.

The COVID – 19 pandemic was the single event that caused delays in the implementation for all projects, compounded by the global imposition of Covid – 19

There is also an ongoing feasibility study and engineering design for a new 50km 132kV overhead transmission line to reinforce the load capacity of the North-Eastern Grid comprising mainly of the sugar cane growing customers and their communities from Simunye to Balegane.

Regulations, which restricted the movement of people and goods. This forced scarcity of raw material and constrained the supply of finished goods. Engineers could not travel to witness factory acceptance tests for critical equipment thus some of the finished goods were not packaged to expectations and denied the transfer of knowledge between the client and manufacturer. Below are some of the projects the EEC invested in:

Southeast Grid Reinforcement Project

This project was initiated solely to increase the load capacity of the grid from 23,757MW to 43,928MW by 2035. The main beneficiaries of the project are sugar cane farmers from LUSIP II Extension project and the Mkhondvo – Ngwavuma Water Augmentation Scheme, surrounding communities, small to medium commercial customers, etc. The project comprises of the construction of a switchyard at Sinceni, 40km 132kV and 12km 66kV overhead transmission lines, expansion of Ncandvweni substation from 3MVA to 40MVA 132/66/11kV and 10MV substation at Ndzevane. The project was successfully completed and commissioned in March 2021 for a total cost of E200.2 million including E52.1 million was capital contribution of ESWADE for the LUSIP II Extension Project.

Edwaleni – Stonehenge 132kV Transmission Project

This project aims to address the inherent risk of failure of the existing single circuit 40km by 132kV line by constructing a second single circuit 52km 132kV line to avoid power blackout to 60MW of critical city load.

The project was planned for December 2021 but has suffered massive delays since the project contractor underwent liquidation in October 2020. It is now envisaged that completion shall be towards the end of 2022.

Network Reinforcement and Access Project 8000 homesteads to benefit 87 km of new electricity lines

This is a World Bank loan funded project that is divided into four components. Component 1 is to construct an 87km 132kV overhead transmission line from Nhlanguano to Lavumisa together with three substations at Hluthi, Matsanjeni and Lavumisa. Component 2 is aimed at increasing access to electricity in the Shiselweni Region as part of the Eswatini government's initiative to attain universal access to electricity through

the Rural Electrification Programme. The beneficiaries in Component 2 will be about 8000 homesteads that will be connected to grid electricity by the end of the implementation of this project. Component 3 is aimed at providing government with the technical support required to implement various programmes to improve the conditions for the electricity industry in the Eswatini. Component 4 is a special dispensation designed to serve as access to Emergency Funds for qualifying emergency conditions. Completion of the project is planned for December 2023.

Other Transmission Expansion Projects

The EEC continues to improve the reliability of the transmission infrastructure required to enhance service delivery. Such projects include the upgrading of Malkerns, Siphocosini and Pigg's Peak substations.

There is also an on-going feasibility study and engineering design for a new 50km 132kV overhead transmission line to reinforce the load capacity of the North-Eastern Grid comprising mainly of the sugar cane growing customers and their communities from Simunye to Balegane. The study shall also include conducting the ESIA, ESMP and resettlement action plan (RAP).



EEC has devised a generation expansion strategy that seeks to diversify electricity generation technologies. The current dominant generation technology is hydropower followed by solar photovoltaic technology. Both technologies are limited by availability of resources, which are driven by their seasonality. The hydropower generation is generally dispatched during the peak hours to curb the maximum demand and the high energy cost during the peak period, especially during the high season (June, July & August). The utility scale solar photo-voltaic is only available during daytime, meaning that the electricity requirement for the country is largely borne by imports.

Lavumisa 10MW Solar PV Plant and Sigcineni Off-Grid Solution Project
E224.5 million invested



The Lavumisa 10MW Solar PV project is part of the 2018/2021 Corporate Strategy to increase internal generation of the country and to reduce reliance on imported electricity. It also contributes to the governments Energy Policy target of reaching 50% of electricity supply from renewable energy technologies by 2030.

The total project cost is E 220 951 661,72 excluding VAT and other development costs. The project was successfully commissioned in December 2020 and is currently going through defects liability period.

The Sigcineni off-grid Project is a stand-alone mini-grid which consists of a centralised 35kW solar PV generation plant complete with 200kWh battery storages system and an AC LV reticulation network designed to service about 26 rural homesteads.

Infrastructure projects to help improve employee and customer experience



E109.8 million invested in staff houses

In order to improve the quality of service delivered to customers the EEC has rolled out E109.8 million worth of projects to increase the number of houses for operational staff and the construction of new depot offices and staff houses.

Rural Electrification
82% access to electricity
(3rd in SADC)



The rural electrification programme continued in earnest during the year. There are several ongoing projects that are geared to improve Eswatini's citizens access to electricity. The current access rate stands at 82%. Eswatini is ranked number 3 in the Southern African region on this measure.

The Total amount provided for the Rural Electrification during the year under review was E296,261,911 to benefit 18 015 homesteads.

Funding comes from our esteemed partners namely; Rural Development Fund (RDF), Micro Projects, the Ministry of Natural Resources and Energy, World Bank and the Rural Electricity Access Fund as follows:

FUNDING AGENCY	AMOUNT FUNDED	TOTAL BENEFICIARIES
RDF/Micro	126,954,504	9,368
MNRE	45,121,021	1,993
World Bank	64,521,242	3,466
Rural Access Fund	59,665,144.23	3,188
TOTAL	296,261,911	18,015

Customer Growth

The number of customers grew by 11 005 to reach 246 108 by March 2021.

INVESTING IN OUR ENVIRONMENT



51.4MW energy saving during Earth Hour

The generation, transmission and distribution of electricity is continuously evolving, but the company remains committed in complying with the country's legislations in protecting the environment in which we operate in.

Key Highlights

- The EEC received two prizes from the Temvelo and Climate Change Awards by the Ministry of Tourism and Environmental Affairs; the Energy Efficiency and Biodiversity Award and it was a second runner on the Green Parastatal Award.
- The EEC retained certification in the ISO 14001:2015 Surveillance audits in March 2021. This was through demonstrating that environmental principles had been fully entrenched within the organizations.
- About 60 employees were trained on Environmental management within the EEC.

The EEC conducts environmental impact assessments in comp-liance with requirements by the Eswatini Environmental Authority (EEA). In this reporting period, the EEC approved six environmental impact reports for depot and staff houses construction projects where no major noncompliance issues were identified.

To reduce the carbon footprint for the country, the EEC has in place a demand side management strategy, which has initiatives such as awareness raising on energy efficiency, the Earth Hour, the establishment of the Lavumisa 10MW Solar Power Plant as well as an off-grid solution at Sigcineni. Further to that, the EEC has a budget in place to cater for eventualities such as pollution and waste management procedures.

CONTACT INFORMATION

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