Notes to the financial statements continued

for the year ended 31 March 2021

29. Employee benefits

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
Non-current assets	1 317	992	1 317	992
Telkom Pension Fund asset	17	15	17	15
Post-retirement medical aid recognition of net plan asset	1 300	977	1 300	977

The increase in employee benefits, specifically the plan assets, is largely due to the actuarial gain. The actuarial gain is due to the change in experience adjustments.

Defined benefit plan actuarial (losses)/gains	(69)	1 080	(69)	1 080
Telkom Pension Fund net actuarial gain/(loss)	1	(8)	1	(8)
Telkom Retirement Fund net actuarial (loss)/gain	(212)	813	(212)	813
Medical aid net actuarial gain	145	170	145	170
Telephone rebate net actuarial (loss)/gain	(1)	105	(1)	105
Long service award net actuarial loss	(2)	–	(2)	–

The Group provides benefits for its permanent employees through the Telkom Pension Fund and the Telkom Retirement Fund. Membership to one of the funds is compulsory. In addition, certain retired employees receive medical aid benefits and a telephone rebate. The liabilities for all of the benefits are actuarially determined in accordance with accounting requirements each year. In addition, statutory funding valuations for the retirement and pension funds are performed at intervals not exceeding three years.

Actuarial valuations were performed by qualified actuaries to determine the benefit obligation, plan asset and service costs for the pension and retirement funds for each of the financial periods presented.

General information applicable to all funds
The weighted average duration of all the post-employment benefit obligations is 10 years (31 March 2020: 10 years).

The next full valuations for all funds will be performed at 31 March 2022.

The Telkom Pension Fund
The Telkom Pension Fund is a defined benefit fund that was created in terms of the Post Office Amendment Act, 85 of 1991.

The latest actuarial valuation performed at 31 March 2021 indicates that the pension fund is in a surplus position of R121 million (31 March 2020: R93 million). The recognition of the surplus is limited due to the application of the asset limitation criteria in IAS 19 (Employee Benefits). The Telkom Pension Fund is closed to new members. The pension plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risk.

The funded status of the Telkom Pension Fund is disclosed below:	Group 31 March 2021 Rm	Group 31 March 2020 Rm	Company 31 March 2021 Rm	Company 31 March 2020 Rm
The Telkom Pension Fund				
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	5	5	5	5
Service cost on projected benefit obligations	1	1	1	1
Interest on plan assets after asset restriction	(7)	(7)	(7)	(7)
Curtailment	–	–	–	–
Net periodic pension expense recognised in profit or loss	**(1)**	**(1)**	**(1)**	**(1)**
The net periodic other comprehensive income includes the following components:				
Actuarial loss/(gain) from financial assumption changes	–	(5)	–	(5)
Actuarial gain due to demographic assumption changes	(2)	(9)	(2)	(9)
Asset ceiling in terms of IAS 19.64	1	22	1	22
Net periodic pension (income)/expense recognised in other comprehensive income	**(1)**	**8**	**(1)**	**8**
Cumulative actuarial gain	(74)	(73)	(74)	(73)
The status of the pension plan obligation is as follows:				
At the beginning of the year	53	53	53	53
Interest cost	6	5	6	5
Current service cost	1	1	1	1
Employee contributions	–	1	–	1
Benefits paid	(12)	–	(12)	–
Actuarial gain	–	(7)	–	(7)
Benefit obligation at the end of the year	**48**	**53**	**48**	**53**
Plan assets at fair value:				
At the beginning of the year	146	152	146	152
Interest on plan assets	16	15	16	15
Benefits paid	(12)	–	(12)	–
Contributions	–	1	–	1
Actuarial gain/(loss)	18	(22)	18	(22)
Plan assets at the end of the year	**168**	**146**	**168**	**146**
Present value of funded obligation	48	53	48	53
Fair value of plan assets	(168)	(146)	(168)	(146)
Fund surplus	(121)	(93)	(121)	(93)
Asset ceiling in terms of IAS 19.64	104	78	104	78
Recognised net asset	**(17)**	**(15)**	**(17)**	**(15)**
Interest on plan assets after asset restriction	10	10	10	10
Actuarial gain/(loss) on plan assets	18	(22)	18	(22)
Actual return on plan assets	**28**	**(12)**	**28**	**(12)**
Plan assets balance comprises:				
Cash and cash equivalents	7	7	7	7
Equity securities	71	66	71	66
Property	3	4	3	4
Bonds	33	23	33	23
Commodities	2	2	2	2
Foreign investments	52	44	52	44
Total	**168**	**145**	**168**	**145**

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29. Employee benefits continued

Funding arrangements
The Telkom Pension Fund invests its funds in South Africa and internationally. Two fund managers invest in South Africa and globally through their balanced funds. The Telkom Pension Fund is a closed defined benefit fund which no new employees can join.

There is no material investment in Telkom shares included in the Telkom Pension Fund asset.

Principal actuarial assumptions were as follows:
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Males over 65	**16.7**	16.7	**16.7**	16.7
Females over 65	**20.9**	20.8	**20.9**	20.8
Discount rate (%)	**11.5**	12.1	**11.5**	12.1
Interest on plan assets (%)	**11.5**	12.1	**11.5**	12.1
Salary inflation rate (%)	**6.7**	7.4	**6.7**	7.4
Pension increase allowance (%)	**5.5**	5.5	**5.5**	5.5

The overall long-term expected interest on assets is 11.5%. This is based on the IAS 19 net interest requirement.

The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of employees registered under the Telkom Pension Fund	**20**	22	**20**	22
The fund portfolio consists of the following percentages:				
Cash (%)	**4**	5	**4**	5
Equities (%)	**42**	45	**42**	45
Property (%)	**2**	3	**2**	3
Bonds (%)	**20**	16	**20**	16
Commodities (%)	**1**	1	**1**	1
Foreign Investments (%)	**31**	30	**31**	30
Total	**100**	100	**100**	100

The total estimated contributions to be paid to the pension fund by the employer for the year ending 31 March 2022 is R0.5 million.

The Telkom Retirement Fund
The Telkom Retirement Fund was established on 1 July 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after 1 July 1995 were transferred to the Telkom Retirement Fund. Upon transfer, the government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to 1 July 1995, further transfers of existing employees occurred. As from 1 September 2009 all new appointments are on a defined contribution scheme. These members would be required to purchase their pensions from an insurance company.

The pensioner pool of the Telkom Retirement Fund only consists of pensioners and is funded through a liability-driven investment strategy (LDI). Pensioner increases are subject to affordability, targeting 100% of CPI.

Telkom guarantees any actuarial shortfall of the pensioner pool in the retirement fund. This liability is initially funded through assets of the retirement fund.

The Telkom Retirement Fund is governed by the Pension Funds Act, 24 of 1956. In terms of section 37A of this Act, the pension benefits payable to the pensioners cannot be reduced. Therefore, if the present value of the funded obligation was to exceed the fair value of plan assets, Telkom would be required to fund the statutory deficit.

The retirement fund exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risk.

The funded status of the Telkom Retirement Fund is disclosed below:	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
The Telkom Retirement Fund				
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	3 869	3 620	3 869	3 620
Interest on plan assets	(3 836)	(3 589)	(3 836)	(3 589)
Service cost on projected benefit obligations	500	584	500	584
Curtailment	4	8	4	8
Net periodic pension expense recognised in profit or loss	**537**	**623**	**537**	**623**
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions changes	(2 036)	2 851	(2 036)	2 851
Actuarial gain/(loss) due to experience adjustments	1 824	(1 963)	1 824	(1 963)
Actuarial loss due to demographic assumptions changes	–	(75)	–	(75)
Net periodic pension (expense)/income recognised in other comprehensive income	**(212)**	**813**	**(212)**	**813**
Cumulative actuarial loss	42	254	42	254
Benefit obligation:				
At the beginning of the year	34 972	38 218	34 972	38 218
Interest cost	3 869	3 620	3 869	3 620
Current service cost	500	584	500	584
Employee contributions	264	306	264	306
Benefits paid	(2 190)	(1 516)	(2 190)	(1 516)
Transfers in	11	9	11	9
Curtailment gain	(2 036)	(124)	(2 036)	(124)
Actuarial loss/(gain)	1 551	(6 125)	1 551	(6 125)
Benefit obligation at the end of the year	**36 939**	**34 972**	**36 939**	**34 972**
Plan assets:				
At the beginning of the year	35 420	37 466	35 420	37 466
Interest on plan assets	3 836	3 589	3 836	3 589
Change in asset restriction	(448)	–	(448)	–
Employer contributions	495	562	495	562
Employee contributions	264	306	264	306
Benefits paid	(2 190)	(1 516)	(2 190)	(1 516)
Curtailment loss	(2 041)	(132)	(2 041)	(132)
Transfers in	11	9	11	9
Actuarial gain/(loss)	1 337	(4 864)	1 337	(4 864)
Plan assets at the end of the year	**36 684**	**35 420**	**36 684**	**35 420**
Present value of funded obligation	36 939	34 972	36 939	34 972
Fair value of plan assets	36 684	35 420	36 684	35 420
Fund surplus	255	(448)	255	(448)
Asset ceiling in terms of IAS 19.64	–	448	–	448
Net liability	**255**	**–**	**255**	**–**
Interest on plan assets	3 836	3 589	3 836	3 589
Actuarial gain/(loss) on plan assets	1 337	(4 864)	1 337	(4 864)
Actual return on plan assets	**5 173**	**(1 275)**	**5 173**	**(1 275)**
Plan asset balance comprises:				
Equities	3 599	4 972	3 599	4 972
Property	1 080	1 376	1 080	1 376
Bonds	14 253	12 460	14 253	12 460
Africa	3 523	3 322	3 523	3 322
Cash	5 515	3 424	5 515	3 424
Foreign investments	8 714	9 863	8 714	9 863
Total	**36 684**	**35 418**	**36 684**	**35 418**

Notes to the financial statements continued

for the year ended 31 March 2021

29. Employee benefits continued

Funding arrangements

The Telkom Retirement Fund Pensioner portfolio's strategic asset allocation (SAA) is determined by an Asset Liability Model (ALM) based on the fund's unique liabilities, as determined by its member data and fund rules. The SAA is a reflection of the fund's targeted post-retirement interest rate (PRI), and the investment strategy is built around the target of providing consistent annual pension increases of between 70% to 100% of CPI.

	Group		Company	
Included in the fair value of plan assets:	**31 March 2021 Rm**	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Telkom shares	**25**	97	**25**	97
The Telkom Retirement Fund investment strategy has been implemented through the appointment of several asset managers with local and global segregated mandates. Within these mandates, the managers are responsible for and have sole discretion of determining the asset allocation, i.e. the mix of the various asset classes used, based on their investment views. In addition, a portion was allocated to Africa Equity and SA cash asset classes were added to further diversify the portfolio and to provide return enhancement.				
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	**16.7**	16.7	**16.7**	16.7
Females over 65	**20.9**	20.8	**20.9**	20.8
Discount rate (%)	**11.5**	12.1	**11.5**	12.1
Interest on plan assets (%)	**11.5**	12.1	**11.5**	12.1
Pension increase allowance (%)	**4.5**	5.3	**4.5**	5.3
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of pensioners registered under the Telkom Retirement Fund	**13 205**	12 683	**13 205**	12 683
The number of in-service employees entitled to retire in the Telkom Retirement Fund	**10 142**	12 301	**10 142**	12 301
The fund portfolio consists of the following percentages:				
Equities (%)	**10**	14	**10**	14
Property (%)	**3**	4	**3**	4
Bonds (%)	**38**	35	**38**	35
Africa (%)	**10**	9	**10**	9
Cash (%)	**15**	10	**15**	10
Foreign investments (%)	**24**	28	**24**	28
Total	**100**	**100**	**100**	**100**

The total estimated contributions to be paid to the Telkom Retirement Fund by the employer for the year ending 31 March 2022 is R479 million.

Medical benefits

Telkom makes certain contributions to medical funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 6.1. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 27. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 (Pre-94); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' liability are subject to a rand cap, which increases as per the board's approval.

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at 31 March 2021.

Telkom has allocated certain investments to fund this liability as set out in note 15.2. The annuity policy of the sinking fund investment is the medical plan asset. The Group is entitled to a refund of the full surplus in the annuity policy once all the beneficiaries have been paid. As such, the Group has recognised the full asset.

The medical aid plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risk.

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
Medical aid				
Benefit obligation:				
At the beginning of the year	1 702	1 984	1 680	1 962
Interest cost	180	179	180	179
Service cost	1	2	1	2
Actuarial loss/(gain)	29	(243)	29	(243)
Curtailment loss	–	(2)	–	(2)
Buy-outs paid by Telkom	(30)	–	(30)	–
Benefits paid from plan assets	(198)	(188)	(198)	(188)
Contributions paid by Telkom	(27)	(30)	(27)	(30)
Benefit obligation at the end of the year	**1 657**	**1 702**	**1 635**	**1 680**
Plan assets at fair value:				
At the beginning of the year	2 656	2 668	2 656	2 668
Interest on plan assets	303	249	303	249
Benefits paid from plan assets	(198)	(188)	(198)	(188)
Actuarial gain/(loss)	174	(73)	174	(73)
Plan assets at the end of the year	**2 935**	**2 656**	**2 935**	**2 656**
Present value of funded obligation	1 657	1 702	1 635	1 680
Fair value of plan assets	(2 935)	(2 656)	(2 935)	(2 656)
	(1 278)	(954)	(1 300)	(976)
Liability as disclosed in the statement of financial position (refer to note 27)	27	23	–	-
Asset as disclosed in the statement of financial position	(1 305)	(977)	(1 300)	(976)
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions changes	(81)	206	(81)	206
Actuarial gain/(loss) due to experience adjustments	240	(36)	240	(36)
Actuarial loss due to demographic assumptions changes	(15)	–	(15)	–
Net periodic pension income recognised in other comprehensive income	**144**	**170**	**144**	**170**
Cumulative actuarial loss	(1 655)	(1 799)	(1 661)	(1 805)
Plan assets at fair value:				
Interest on plan assets	303	249	303	249
Actuarial gain/(loss) on plan assets	174	(73)	174	(73)
Actual return on plan assets	**477**	**176**	**477**	**176**
Plan asset balance comprises:				
Cash and cash equivalents	606	267	606	267
Equity securities	882	812	882	812
Bonds	1 369	540	1 369	540
Foreign investments	78	1 036	78	1 036
Total	**2 935**	**2 655**	**2 935**	**2 655**

All equity securities and government bonds have quoted prices in active markets.

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29. Employee benefits continued

Funding arrangements

The general funding arrangements from the plan assets are to maximise long term capital growth and long term total return on Telkom's portfolio. The portfolios are managed as a segregated portfolio which includes international investments. The investment objective is to provide an absolute return, measured over a 36-month period, in excess of CPI-X plus 5% per annum. The funding arrangements of the plan assets are driven by designated asset managers to manage Telkom's portfolios by applying a flexible approach, which includes holding equities, property, fixed income or money market assets as part of the investment strategy, in variable weightings, at any point in time.

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Included in the fair value of plan assets:				
Telkom shares	**0.3**	0.3	**0.3**	0.3
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	**16.7**	16.7	**16.7**	16.7
Females over 65	**20.9**	20.8	**20.9**	20.8
Discount rate (%)	**11.5**	12.1	**11.5**	12.1
Interest on plan assets (%)	**11.5**	12.1	**11.5**	12.1
Medical inflation rate (%)	**8.7**	8.4	**8.7**	8.4
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Contractual retirement age	**65**	65	**65**	65
Average retirement age	**55**	56	**55**	56
Number of in-service members	**419**	439	**419**	439
Number of pensioners	**3 322**	3 557	**3 322**	3 557
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	**20**	10	**20**	10
Equities (%)	**30**	31	**30**	31
Bonds (%)	**47**	20	**47**	20
Foreign investments (%)	**3**	39	**3**	39
Total	**100**	**100**	**100**	**100**

The total estimated contributions to be paid to the post-retirement medical aid by the employer for the year ending 31 March 2022 is Rnil as the liability is currently significantly overfunded.

Telephone rebates
Telkom provides telephone rebates to its pensioners who joined prior to 1 August 2009. The most recent actuarial valuation was performed as at 31 March 2021. Eligible employees must be employed by Telkom until retirement age to qualify for the telephone rebates. The scheme is a defined benefit plan.

The telephone rebate benefit exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risk.

	Group		Company	
The status of the telephone rebate liability is disclosed below:	**31 March 2021 Rm**	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Benefit obligation:				
At the beginning of the year	**355**	451	**355**	451
Current service cost	**3**	3	**3**	3
Interest cost	**39**	42	**39**	42
Actuarial (loss)/gain	**1**	(105)	**1**	(105)
Curtailment loss	**(6)**	(10)	**(6)**	(10)
Past service cost	**–**	4	**–**	4
Benefits paid	**(28)**	(30)	**(28)**	(30)
Liability as disclosed in the statement of financial position (refer to note 27)	**364**	**355**	**364**	**355**
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions changes	**(14)**	69	**(14)**	69
Actuarial gain due to experience adjustments	**13**	–	**13**	–
Actuarial gain due to demographic assumptions changes	**–**	36	**–**	36
Net periodic pension (expense)/income recognised in other comprehensive income	**(1)**	**105**	**(1)**	**105**
Cumulative actuarial loss	**103**	104	**103**	104
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	**16.7**	16.7	**16.7**	16.7
Females over 65	**20.9**	20.8	**20.9**	20.8
Discount rate (%)	**11.5**	12.1	**11.5**	12.1
Contractual retirement	**65**	65	**65**	65
Average retirement age	**55**	55	**55**	55
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Number of members	**5 191**	6 088	**5 191**	6 088
Number of pensioners	**13 049**	12 983	**13 049**	12 983

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29. Employee benefits continued

	Increase/(decrease) on the post-employment liability			
	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Sensitivity analysis				
The Telkom Pension Fund				
Increase in discount rate by 0.5%	**(1)**	(1)	**(1)**	(1)
Decrease in discount rate by 0.5%	**1**	1	**1**	1
Increase in inflation rate by 1%	**3**	3	**3**	3
Decrease in inflation rate by 1%	**(3)**	(3)	**(3)**	(3)
Increase in salary inflation by 1%	**3**	3	**3**	3
Decrease in salary inflation by 1%	**(3)**	(3)	**(3)**	(3)
Change in post-retirement mortality rating from -1 to -2 years	**1**	1	**1**	1
Change in post-retirement mortality rating from -1 to 0 years	**(1)**	(1)	**(1)**	(1)
The Telkom Retirement Fund				
Increase in discount rate by 0.5%	**(1 150)**	(626)	**(1 150)**	(626)
Decrease in discount rate by 0.5%	**1 254**	914	**1 254**	914
Increase in inflation rate by 1%	**2 723**	1 997	**2 723**	1 997
Decrease in inflation rate by 1%	**(2 302)**	(1 202)	**(2 302)**	(1 202)
Increase in net TRF fund rate by 0.5%	**382**	319	**382**	319
Decrease in net TRF fund rate by 0.5%	**(376)**	(74)	**(376)**	(74)
Increase in TRF take-up ratio from 53.3% to 100%	**605**	90	**605**	90
Medical benefits				
Increase in discount rate by 0.5%	**(49)**	(49)	**(49)**	(49)
Decrease in discount rate by 0.5%	**52**	52	**52**	52
Increase in inflation rate by 1%	**86**	86	**86**	86
Decrease in inflation rate by 1%	**(77)**	(77)	**(77)**	(77)
Change in post-retirement mortality rating from -1 to -2 years	**71**	70	**71**	70
Change in post-retirement mortality rating from -1 to 0 years	**(69)**	(68)	**(69)**	(68)
Telephone rebates				
Increase in discount rate by 0.5%	**(12)**	(11)	**(12)**	(11)
Decrease in discount rate by 0.5%	**13**	12	**13**	12
Increase in inflation rate by 5%	**195**	189	**195**	189
Change in post-retirement mortality rating from -1 to -2 years	**5**	4	**5**	4
Change in post-retirement mortality rating from -1 to 0 years	**(5)**	(5)	**(5)**	(5)
Increase in normal retirement age from 55 years to 60 years	**(26)**	(29)	**(26)**	(29)
Decrease in normal retirement age from 55 years to 50 years	**22**	26	**22**	26

Share scheme

Telkom's shareholders approved the Telkom forfeitable share plan (FSP) and the additional share award (ASA) at the September 2013 annual general meeting.

The FSP is made up of the long-term incentive plan (LTIP) and the employee share ownership plan (ESOP).

In the FSP, employees acquire shareholder rights on the grant date on the forfeitable shares (these include dividends and voting rights).

An employee turnover assumption of 1.87% to 8.64% has been used in calculating the expected number of shares that will vest. The turnover relates to the various entities within the Group.

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Telkom share plan are as follows:

Telkom LTIP grants	Vesting financial year 2021	2022	2023	2024	2025
Telkom LTIP – 2016 financial year					
Vesting timelines	20%	–	–	–	–
Probability of meeting non-market related criteria	92%	–	–	–	–
Telkom LTIP – 2017 financial year					
Vesting timelines	30%	20%	–	–	–
Probability of meeting non-market related criteria	92%	92%	–	–	–
Telkom LTIP – 2018 financial year					
Vesting timelines	50%	30%	20%	–	–
Probability of meeting non-market related criteria	92%	92%	92%	–	–
Telkom LTIP – 2019 financial year					
Vesting timelines	–	50%	30%	20%	–
Probability of meeting non-market related criteria	–	92%	92%	92%	–
Telkom LTIP – 2020 financial year					
Vesting timelines	–	–	50%	30%	20%
Probability of meeting non-market related criteria	–	–	92%	92%	92%

Telkom ESOP grants	Vesting financial year 2021	2022	2023	2024	2025
Telkom ESOP – 2018 financial year					
Vesting timelines	100%	–	–	–	–
Probability of meeting non-market related criteria	92%	–	–	–	–
Telkom ESOP – 2019 financial year					
Vesting timelines	–	100%	–	–	–
Probability of meeting non-market related criteria	–	92%	–	–	–
Telkom ESOP – 2020 financial year					
Vesting timelines	–	–	100%	–	–
Probability of meeting non-market related criteria	–	–	92%	–	–

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the BCX share plan are as follows:

BCX LTIP grant	Vesting financial year 2021	2022	2023	2024	2025
BCX grant – 2018 financial year					
Vesting timelines	25%	–	–	–	–
Probability of meeting non-market related criteria	92%	–	–	–	–
BCX grant – 2020 financial year					
Vesting timelines	–	–	50%	30%	20%
Probability of meeting non-market related criteria	–	–	92%	92%	92%

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29. Employee benefits continued

BCX ESOP grant	Vesting financial year 2021	2022	2023	2024	2025
BCX grant – 2019 financial year					
Vesting timelines	–	100%	–	–	–
Probability of meeting non-market related criteria	–	92%	–	–	–
BCX grant – 2020 financial year					
Vesting timelines	–	–	100%	–	–
Probability of meeting non-market related criteria	–	–	92%	–	–

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Yellow Pages share plan are as follows:

Yellow Pages grants	Vesting financial year 2021	2022	2023	2024	2025
Yellow Pages grant – 2017 financial year					
Vesting timelines	30%	–	–	–	–
Probability of meeting non-market related criteria	–	–	–	–	–
Yellow Pages grant – 2018 financial year					
Vesting timelines	30%	30%	–	–	–
Probability of meeting non-market related criteria	–	–	–	–	–
Yellow Pages grant – 2019 financial year					
Vesting timelines	40%	30%	30%	–	–
Probability of meeting non-market related criteria	–	–	–	–	–

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Gyro share plan are as follows:

Gyro LTIP grants	Vesting financial year 2021	2022	2023	2024	2025
Gyro Grant – 2018 financial year					
Vesting timelines	50%	30%	20%	–	–
Probability of meeting non-market related criteria	92%	92%	92%	–	–
Gyro Grant – 2019 financial year					
Vesting timelines	–	50%	30%	20%	–
Probability of meeting non-market related criteria	–	92%	92%	92%	–
Gyro Grant – 2020 financial year					
Vesting timelines	–	–	50%	30%	20%
Probability of meeting non-market related criteria	–	–	92%	92%	92%

Gyro ESOP grants	Vesting financial year 2021	2022	2023	2024	2025
Gyro Grant – 2018 financial year					
Vesting timelines	100%	–	–	–	–
Probability of meeting non-market related criteria	92%	–	–	–	–
Gyro Grant – 2019 financial year					
Vesting timelines	–	100%	–	–	–
Probability of meeting non-market related criteria	–	92%	–	–	–
Gyro Grant – 2020 financial year					
Vesting timelines	–	–	100%	–	–
Probability of meeting non-market related criteria	–	–	92%	–	–

The probabilities were independently verified by the actuaries.

Certain BCX employees were granted shares in terms of a BCX share plan. Based on the BCX Group achieving the performance condition, the shares will vest between the 2021 and 2025 financial years.

Certain Yellow Pages employees were granted shares in terms of a Yellow Pages share plan. Based on Yellow Pages achieving the performance condition, the shares will vest between the 2021 and 2023 financial years.

Certain Gyro employees were granted shares in terms of a Gyro share plan. Based on Gyro achieving the performance condition, the shares will vest between the 2021 and 2025 financial years.

In order for the vesting to occur, the targets (including performance conditions) must be met. The targets are measured in each financial year after the grant date.

The weighted average remaining vesting period for all the shares outstanding as at 31 March 2021 is 0.74 years (31 March 2020: 1.41 years).

The following table illustrates the movement of the maximum number of shares that were granted to employees:

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	**31 March 2021 Rm**	31 March 2020 Rm
Beginning of the year	**12 414 814**	13 084 228	**10 580 038**	12 538 316
Vested shares during the year	**(3 193 897)**	(986 649)	**(3 044 567)**	(1 397 494)
Forfeited shares and other movements during the year	**(2 444 147)**	(4 682 867)	**(2 140 723)**	(4 068 011)
Granted during the year	**9 280 180**	5 000 102	**9 280 180**	3 507 227
Outstanding at the end of the year	**16 056 950**	**12 414 814**	**14 674 928**	**10 580 038**

In relation to market-related performance criteria, IFRS 2 requires a fair value to be placed on employee share grants/options. Fair value is measured as the market price of the entity's share grants/options adjusted for the terms and conditions applicable to the grant/option. Since employee share grants/options are not traded, there is no market price available. For this reason, the fair value of the grants/options must be determined by using an option pricing model.

Notes to the financial statements continued

for the year ended 31 March 2021

29. Employee benefits continued

Group and Company	Market share price (R)	Share price volatility	Future risk free interest rate
Telkom			
Grant 3 (2016 financial year)	64.31	35%	8.00%
Grant 4 (2017 financial year)	58.82	35%	8.50%
Grant 5 (2018 financial year)	73.70	35%	8.00%
Grant 6 (2019 financial year)			
- Vesting 30 June 2021	52.64	35%	7.40%
- Vesting 30 June 2022	52.64	35%	7.60%
- Vesting 30 June 2023	52.64	35%	8.00%
Grant 7 (2020 financial year)			
- Vesting 30 June 2022	93.82	35%	7.24%
- Vesting 30 June 2023	93.82	35%	7.37%
- Vesting 30 June 2024	93.82	35%	7.53%
Grant 8* (2021 financial year)	31.57	40%	4.10%
BCX			
Grant 2 (2018 financial year)			
- Vesting 30 June 2021	52.64	35%	7.40%
- Vesting 30 June 2022	52.64	35%	7.60%
- Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
- Vesting 30 June 2022	83.70	35%	6.95%
- Vesting 30 June 2023	83.70	35%	7.10%
- Vesting 30 June 2024	83.70	35%	7.26%
Yellow Pages			
Grant 1 (2018 financial year)	55.50	35%	8.50%
Grant 2 (2019 financial year)	73.50	35%	8.00%
Grant 3 (2020 financial year)	52.64	35%	8.00%
Gyro			
Grant 1 (2018 financial year)			
- Vesting 30 June 2020	52.89	35%	7.70%
- Vesting 30 June 2021	52.89	35%	7.80%
- Vesting 30 June 2022	52.89	35%	8.00%
Grant 2 (2019 financial year)			
- Vesting 30 June 2021	52.64	35%	7.40%
- Vesting 30 June 2022	52.64	35%	7.60%
- Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
- Vesting 30 June 2022	93.82	35%	7.24%
- Vesting 30 June 2023	93.82	35%	7.37%
- Vesting 30 June 2024	93.82	35%	7.53%

* *On 1 July 2020, Telkom granted 8 934 287 shares to a certain group of employees in terms of a Talent Share Award (TSA). The TSA scheme provides for the granting of a fixed number of shares to eligible participating employees at the vesting date. The vesting date is 30 June 2023, at which point the award vests 100% if the performance condition related to the total shareholder return has been met and if the employee is still in the employment of the Telkom Group.*

The key performance indicators related to the share scheme are Net Promoter Score targets, headline earnings per share, free cash flow, return on invested capital and total shareholder return.

The share price volatility is based on the five-year average volatility observed for the Telkom share price.