Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Non-current assets	**1 566**	1 317	**1 566**	1 317
Telkom Pension Fund asset	**17**	17	**17**	17
Post-retirement medical aid recognition of net plan asset	**1 549**	1 300	**1 549**	1 300

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

	Group		Company	
Defined benefit plan actuarial gains/(losses)	**341**	(69)	**341**	(69)
Telkom Pension Fund net actuarial (loss)/gain	**(1)**	1	**(1)**	1
Telkom Retirement Fund net actuarial gain/(loss)	**247**	(212)	**247**	(212)
Medical aid net actuarial gain	**99**	145	**99**	145
Telephone rebate net actuarial gain/(loss)	**1**	(1)	**1**	(1)
Long service award net actuarial loss	**(5)**	(2)	**(5)**	(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 9.9 years (31 March 2021: 10 years).

The next full valuations for all funds will be performed at 31 March 2023.

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 2022 indicates that the pension fund is in a surplus position of R145 million (31 March 2021: R121 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 risks.

The funded status of the Telkom Pension Fund is disclosed below:	Group 31 March 2022 Rm	Group 31 March 2021 Rm	Company 31 March 2022 Rm	Company 31 March 2021 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)
Net periodic pension expense recognised in profit or loss	**(1)**	**(1)**	**(1)**	**(1)**
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to demographic assumption changes	(2)	(2)	(2)	(2)
Asset ceiling in terms of IAS 19.64	3	1	3	1
Net periodic pension income/(expense) recognised in other comprehensive income	**1**	**(1)**	**1**	**(1)**
Cumulative actuarial gain	(73)	(74)	(73)	(74)
The status of the pension plan obligation is as follows:				
At the beginning of the year	48	53	48	53
Interest cost	5	6	5	6
Current service cost	1	1	1	1
Benefits paid	(5)	(12)	(5)	(12)
Actuarial gain	(2)	–	(2)	–
Benefit obligation at the end of the year	**47**	**48**	**47**	**48**
Plan assets at fair value:				
At the beginning of the year	168	146	168	146
Interest on plan assets	19	16	19	16
Benefits paid	(4)	(12)	(4)	(12)
Actuarial gain	10	18	10	18
Plan assets at the end of the year	**193**	**168**	**193**	**168**
Present value of funded obligation	47	48	47	48
Fair value of plan assets	(193)	(168)	(193)	(168)
Fund surplus	(146)	(121)	(146)	(121)
Asset ceiling in terms of IAS 19.64	129	104	129	104
Recognised net asset	**(17)**	**(17)**	**(17)**	**(17)**
Interest on plan assets after asset restriction	12	10	12	10
Actuarial gain on plan assets	10	18	10	18
Actual return on plan assets	**22**	**28**	**22**	**28**
Plan assets balance comprises:				
Cash and cash equivalents	5	7	5	7
Equity securities	91	71	91	71
Property	6	3	6	3
Bonds	35	33	35	33
Commodities	1	2	1	2
Foreign investments	55	52	55	52
Total	**193**	**168**	**193**	**168**

Notes to the financial statements continued

for the year ended 31 March 2022

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 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Males over 65	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Salary inflation rate (%)	**6.0**	6.7	**6.0**	6.7
Pension increase allowance (%)	**5.5**	5.5	**5.5**	5.5

The overall long-term expected interest on assets is 10.75%. 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	**18**	20	**18**	20
The fund portfolio consists of the following percentages:				
Cash (%)	**2**	4	**2**	4
Equities (%)	**47**	42	**47**	42
Property (%)	**3**	2	**3**	2
Bonds (%)	**18**	20	**18**	20
Commodities (%)	**1**	1	**1**	1
Foreign Investments (%)	**29**	31	**29**	31
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 2023 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. Pensioner increases are subject to affordability, targeting 70% to 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 were 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 risks.

The funded status of the Telkom Retirement Fund is disclosed below:	Group 31 March 2022 Rm	Group 31 March 2021 Rm	Company 31 March 2022 Rm	Company 31 March 2021 Rm
The Telkom Retirement Fund				
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	4 071	3 869	4 071	3 869
Interest on plan assets	(4 077)	(3 836)	(4 077)	(3 836)
Service cost on projected benefit obligations	541	500	541	500
Curtailment	–	4	–	4
Net periodic pension expense recognised in profit or loss	**535**	**537**	**535**	**537**
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	(49)	(2 036)	(49)	(2 036)
Actuarial gain due to experience adjustments	282	1 824	282	1 824
Actuarial gain due to demographic assumptions changes	13	–	13	–
Net periodic pension income/(expense) recognised in other comprehensive income	**246**	**(212)**	**246**	**(212)**
Cumulative actuarial loss	(525)	(771)	(525)	(771)
Benefit obligation:				
At the beginning of the year	36 939	34 972	36 939	34 972
Interest cost	4 071	3 869	4 071	3 869
Current service cost	541	500	541	500
Employee contributions	292	264	292	264
Benefits paid	(2 157)	(2 190)	(2 157)	(2 190)
Transfers in	40	11	40	11
Curtailment gain	–	(2 036)	–	(2 036)
Actuarial loss	884	1 551	884	1 551
Benefit obligation at the end of the year	**40 610**	**36 939**	**40 610**	**36 939**
Plan assets:				
At the beginning of the year	36 684	35 420	36 684	35 420
Interest on plan assets	4 107	3 836	4 107	3 836
Change in asset restriction	–	(448)	–	(448)
Employer contributions	543	495	543	495
Employee contributions	292	264	292	264
Benefits paid	(2 157)	(2 190)	(2 157)	(2 190)
Curtailment loss	–	(2 041)	–	(2 041)
Transfers in	40	11	40	11
Actuarial gain	2 730	1 337	2 730	1 337
Plan assets at the end of the year	**42 239**	**36 684**	**42 239**	**36 684**
Present value of funded obligation	40 610	36 939	40 610	36 939
Fair value of plan assets	42 239	36 684	42 239	36 684
Fund surplus	(1 629)	255	(1 629)	255
Asset ceiling in terms of IAS 19.64	1 629	–	1 629	–
Net liability	**–**	**255**	**–**	**255**
Interest on plan assets	4 107	3 836	4 107	3 836
Actuarial gain on plan assets	2 730	1 337	2 730	1 337
Actual return on plan assets	6 837	5 173	6 837	5 173
Plan asset balance comprises:				
Equities	6 517	3 599	6 517	3 599
Property	1 902	1 080	1 902	1 080
Bonds	18 673	14 253	18 673	14 253
Africa	3 139	3 523	3 139	3 523
Cash	1 233	5 515	1 233	5 515
Foreign investments	10 775	8 714	10 775	8 714
Total	**42 239**	**36 684**	**42 239**	**36 684**

Notes to the financial statements continued

for the year ended 31 March 2022

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, and the investment strategy is built around the target of providing consistent annual pension increases of between 70% to 100% of CPI.

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Included in the fair value of plan assets is:				
Telkom shares	**26**	25	**26**	25
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	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Pension increase allowance (%)	**4.48**	4.5	**4.48**	4.5

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	**12 956**	13 205	**12 956**	13 205
The number of in-service employees entitled to retire in the Telkom Retirement Fund	**10 630**	10 142	**10 630**	10 142
The fund portfolio consists of the following percentages:				
Equities (%)	**15**	10	**15**	10
Property (%)	**5**	3	**5**	3
Bonds (%)	**44**	38	**44**	38
Africa (%)	**7**	10	**7**	10
Cash (%)	**3**	15	**3**	15
Foreign investments (%)	**26**	24	**26**	24
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 2023 is R552 million.

Medical benefits

Telkom makes certain contributions to medical aid 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 6.3. 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 2022.

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

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Medical aid				
Benefit obligation:				
At the beginning of the year	**1 657**	1 702	**1 635**	1 680
Interest cost	**173**	180	**173**	180
Service cost	**1**	1	**1**	1
Actuarial (gain)/loss	**(111)**	29	**(111)**	29
Buy-outs paid by Telkom	**–**	(30)	**–**	(30)
Benefits paid from plan assets	**(197)**	(198)	**(197)**	(198)
Contributions paid by Telkom	**–**	(27)	**–**	(27)
Benefit obligation at the end of the year	**1 523**	**1 657**	**1 501**	**1 635**
Plan assets at fair value:				
At the beginning of the year	**2 935**	2 656	**2 935**	2 656
Interest on plan assets	**324**	303	**324**	303
Benefits paid from plan assets	**(197)**	(198)	**(197)**	(198)
Actuarial (loss)/gain	**(12)**	174	**(12)**	174
Plan assets at the end of the year	**3 050**	**2 935**	**3 050**	**2 935**
Present value of funded obligation	**1 523**	1 657	**1 501**	1 635
Fair value of plan assets	**(3 050)**	(2 935)	**(3 050)**	(2 935)
Fund surplus	**(1 527)**	(1 278)	**(1 549)**	(1 300)
Liability as disclosed in the statement of financial position (refer to note 27)	**26**	27	**–**	–
Asset as disclosed in the statement of financial position	**(1 553)**	(1 305)	**(1 549)**	(1 300)
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(18)**	(81)	**(18)**	(81)
Actuarial (loss)/gain due to experience adjustments	**(8)**	240	**(8)**	240
Actuarial gain/(loss) due to demographic assumptions changes	**125**	(15)	**125**	(15)
Net periodic pension income recognised in other comprehensive income	**99**	**144**	**99**	**144**
Cumulative actuarial loss	**(1 556)**	(1 655)	**(1 562)**	(1 661)
Plan assets at fair value:				
Interest on plan assets	**324**	303	**324**	303
Actuarial (loss)/gain on plan assets	**(12)**	174	**(12)**	174
Actual return on plan assets	**312**	**477**	**312**	**477**
Plan asset balance comprises:				
Cash and cash equivalents	**613**	606	**613**	606
Equity securities	**990**	882	**990**	882
Bonds	**1 383**	1 369	**1 383**	1 369
Foreign investments	**64**	78	**64**	78
Total	**3 050**	**2 935**	**3 050**	**2 935**

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

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

Funding arrangements

The general funding arrangements from the plan assets is 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 is 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 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Included in the fair value of plan assets is:				
Telkom shares	**0.8**	0.3	**0.8**	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	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Medical inflation rate (%)	**8.0**	8.7	**8.0**	8.7

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	**56**	55	**56**	55
Number of in-service members	**399**	419	**399**	419
Number of pensioners	**3 076**	3 322	**3 076**	3 322
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	**20**	20	**20**	20
Equities (%)	**32**	30	**32**	30
Bonds (%)	**46**	47	**46**	47
Foreign investments (%)	**2**	3	**2**	3
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 2023 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 2022. 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 risks.

	Group		Company	
The status of the telephone rebate liability is disclosed below:	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Benefit obligation:				
At the beginning of the year	**364**	355	**364**	355
Current service cost	**2**	3	**2**	3
Interest cost	**39**	39	**39**	39
Actuarial (gain)/loss	**(1)**	1	**(1)**	1
Curtailment loss	**–**	(6)	**–**	(6)
Benefits paid	**(27)**	(28)	**(27)**	(28)
Liability as disclosed in the statement of financial position (refer to note 27)	**377**	**364**	**377**	**364**
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(19)**	(14)	**(19)**	(14)
Actuarial gain due to experience adjustments	**15**	13	**15**	13
Actuarial gain due to demographic assumptions changes	**5**	–	**5**	–
Net periodic pension income/(expense) recognised in other comprehensive income	**1**	**(1)**	**1**	**(1)**
Cumulative actuarial loss	**104**	103	**104**	103
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	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Contractual retirement age	**65**	65	**65**	65
Average retirement age	**56**	55	**56**	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	**5 039**	5 191	**5 039**	5 191
Number of pensioners	**13 058**	13 049	**13 058**	13 049

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

	Increase/(decrease) on the post-employment liability			
	Group		Company	
Sensitivity analysis	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
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%	**(1 239)**	(1 150)	**(1 239)**	(1 150)
Decrease in discount rate by 0.5%	**1 351**	1 254	**1 351**	1 254
Increase in inflation rate by 1%	**2 933**	2 723	**2 933**	2 723
Decrease in inflation rate by 1%	**(2 485)**	(2 302)	**(2 485)**	(2 302)
Increase in net TRF fund rate by 0.5%	**427**	382	**427**	382
Decrease in net TRF fund rate by 0.5%	**(421)**	(376)	**(421)**	(376)
Increase in TRF take-up ratio from 55.6% to 100%	**651**	605	**651**	605
Medical benefits				
Increase in discount rate by 0.5%	**(45)**	(49)	**(45)**	(49)
Decrease in discount rate by 0.5%	**48**	52	**48**	52
Increase in inflation rate by 1%	**76**	86	**76**	86
Decrease in inflation rate by 1%	**(69)**	(77)	**(69)**	(77)
Change in post-retirement mortality rating from -1 to -2 years	**66**	71	**66**	71
Change in post-retirement mortality rating from -1 to 0 years	**(64)**	(69)	**(64)**	(69)
Telephone rebates				
Increase in discount rate by 0.5%	**(13)**	(12)	**(13)**	(12)
Decrease in discount rate by 0.5%	**14**	13	**14**	13
Increase in inflation rate by 5%	**212**	195	**212**	195
Change in post-retirement mortality rating from -1 to -2 years	**6**	5	**6**	5
Change in post-retirement mortality rating from -1 to 0 years	**(6)**	(5)	**(6)**	(5)
Increase in normal retirement age from 56 years to 60 years	**(28)**	(26)	**(28)**	(26)
Decrease in normal retirement age from 56 years to 50 years	**24**	22	**24**	22

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 1.33% to 7.69% 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:

	Vesting Financial Year					
Telkom LTIP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Telkom LTIP – 2018 financial year						
Vesting timelines	30%	20%	–	–	–	–
Probability of meeting non-market-related criteria	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 LTIP – 2022 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	92%	92%	92%

	Vesting Financial Year					
Telkom ESOP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
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%	–	–	–	–
Telkom ESOP – 2022 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:

	Vesting Financial Year					
BCX LTIP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
BCX grant - 2019 financial year						
Vesting timelines	50%	30%	20%	–	–	–
Probability of meeting non-market-related criteria	92%	92%	92%	–	–	–
BCX grant – 2020 financial year						
Vesting timelines	–	50%	30%	20%	–	–
Probability of meeting non-market-related criteria	–	92%	92%	92%	–	–
BCX grant – 2022 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	92%	92%	92%

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

	Vesting Financial Year					
BCX ESOP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
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%	–	–	–	–
BCX grant – 2022 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:

	Vesting Financial Year					
Yellow Pages grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Yellow Pages grant – 2018 financial year						
Vesting timelines	30%	–	–	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–
Yellow Pages grant – 2019 financial year						
Vesting timelines	30%	30%	–	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–
Yellow Pages grant – 2021 financial year						
Vesting timelines	–	–	100%	–	–	–
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:

	Vesting Financial Year					
Gyro LTIP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Gyro grant – 2018 financial year						
Vesting timelines	30%	20%	–	–	–	–
Probability of meeting non-market-related criteria	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 grant – 2022 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	92%	92%	92%

Gyro ESOP grants	Vesting Financial Year 2022	2023	2024	2025	2026	2027
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%	–	–	–	–
Gyro grant – 2022 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 2022 and 2027 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 2022 and 2024 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 2022 and 2027 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 2022 is 1.06 years (31 March 2021: 0.74 years).

The following table illustrates the movement in the maximum number of shares that were granted to employees:	Group 31 March 2022	Group 31 March 2021	Company 31 March 2022	Company 31 March 2021
Beginning of the year	**16 056 950**	12 414 814	**14 674 928**	10 580 038
Vested shares during the year	**(3 179 763)**	(3 193 897)	**(3 047 640)**	(3 044 567)
Forfeited shares and other movements during the year	**(1 359 779)**	(2 444 147)	**(916 540)**	(2 140 723)
Granted during the year	**11 504 147**	9 280 180	**6 744 638**	9 280 180
Outstanding at the end of the year	**23 021 555**	**16 056 950**	**17 455 386**	**14 674 928**

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 2022

29. Employee benefits continued

Group and Company	Market share price (R)	Share price volatility	Future risk-free interest rate
Telkom			
Grant 5 (2018 financial year)			
- Vesting 31 March 2020	73.70	35%	8.00%
- Vesting 31 March 2021	73.70	35%	8.00%
- Vesting 31 March 2022	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)			
- Vesting 30 June 2023	31.57	40%	4.10%
Grant 9 (2022 financial year)			
- Vesting 30 June 2024	48.11	40%	4.98%
- Vesting 30 June 2025	48.11	40%	5.51%
- Vesting 30 June 2026	48.11	40%	6.01%
Grant 10 (2022 financial year)			
- Vesting 30 June 2024	47.12	45%	5.99%
- Vesting 30 June 2025	47.12	45%	6.53%
- Vesting 30 June 2026	47.12	45%	6.94%
BCX			
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	83.70	35%	6.95%
- Vesting 30 June 2023	83.70	35%	7.10%
- Vesting 30 June 2024	83.70	35%	7.26%
Grant 4 (2022 financial year)			
- Vesting 30 June 2024	48.11	40%	4.98%
- Vesting 30 June 2025	48.11	40%	5.51%
- Vesting 30 June 2026	48.11	40%	6.01%
Yellow Pages			
Grant 2 (2019 financial year)	73.50	35%	8.00%
Grant 3 (2020 financial year)	52.64	35%	8.00%
Grant 4 (2021 financial year)	48.11	40%	4.98%
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%
Grant 4 (2022 financial year)			
- Vesting 30 June 2024	48.11	40%	4.98%
- Vesting 30 June 2025	48.11	40%	5.51%
- Vesting 30 June 2026	48.11	40%	6.01%
Grant 5 (2022 financial year)			
- Vesting 30 June 2024	47.12	45%	5.99%
- Vesting 30 June 2025	47.12	45%	6.53%
- Vesting 30 June 2026	47.12	45%	6.94%

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.