

Telkom SA SOC Ltd

Integrated Report

for the year ended
31 March 2022



Telkom

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Report boundary and approval

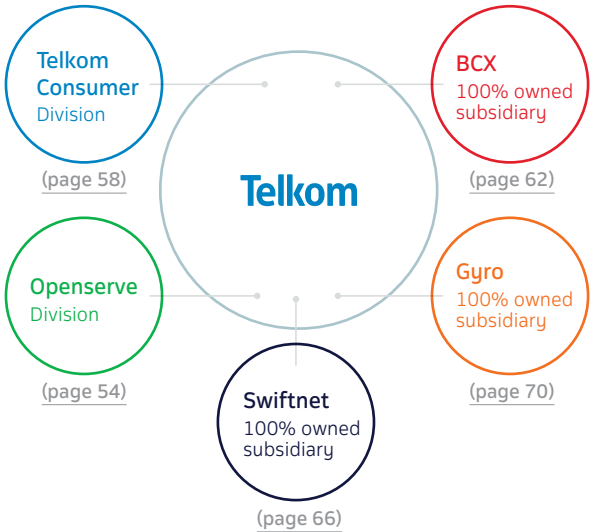


We aim to provide our stakeholders with transparent, relevant and integrated information to enable them to make better and more informed decisions about Telkom. We report our performance according to six capitals to provide a balanced view of our value creation.

This integrated report (the report) covers the financial year 1 April 2021 to 31 March 2022 (FY2022 or the year) and includes significant subsequent events up to the date of approval of the report. Refer to [page 2](#) for more information about how the report was prepared.

The reporting boundary covers **Telkom SA SOC Ltd**, which represents the Telkom Group (Telkom or the Group), which comprises Telkom Company (the Company) and its subsidiaries. The Company consists of the **Corporate Centre** and two divisions, namely **Telkom Consumer** and **Openserve**. The Group's subsidiaries are **BCX**, **Gyro**, **Trudon** and **Swiftnet**. These divisions and subsidiaries are Telkom's business units. Refer to [page 6](#) for Telkom's operating structure.

Telkom's operating model



Board approval

The Board of Directors (the Board) acknowledges its responsibility for the integrity of Telkom's integrated report. The Board confirms that it collectively reviewed the report's contents and leveraged the assurance obtained from its internal and external assurance providers, including assessments on risk and internal controls.

The Board is confident that the report addresses all material matters and concluded that the information herein is materially presented according to the IIRC <IR> Framework¹. The Board approved the report on 14 July 2022.

Chairperson Group Chief Executive Officer Group Chief Financial Officer	Sello Moloko Serame Taukobong Dirk Reyneke
Board Members Olufunke Ighodaro Navin Kapila Sibusiso Luthuli Ethel Matenge-Sebesho Kholeka Mzondeki Fagmeedah Petersen-Cook	Keith Rayner Sibusiso Sibisi Herman Singh Rex Tomlinson Louis Von Zeuner Sung Yoon

Enhancing our environmental, social and governance (ESG) disclosures

In October 2021, Telkom embarked on a process to formalise its environmental, social and governance (ESG) Strategy. The ESG vision is to create sustainable economic, environmental and social value for all. The Board approved the ESG Strategy in FY2022. Refer to [page 46](#) for the strategy.

The Group has set out a purpose-led ESG Strategy with six clear focus areas and goals that seek to enable the long-term success of the organisation, our country and its people. In addition, Telkom created a strong foundation to deliver on its ESG ambition by leveraging the capabilities of its business units.

Telkom's ESG Strategy is aligned to creating shared value for all, underpinned by responsible and sustainable practices. One of the six focus areas in the ESG Strategy, is Investing with Purpose, and it is centred on the way Telkom delivers and enables meaningful social impact. The Group acknowledges that socio-economic value is created, protected and enabled throughout the business. Refer to the social and relationship capital section on [page 84](#) for more information.

The Group adopted the various sustainability frameworks and participates in indices as set out below.

The United Nations' Sustainable Development Goals



Telkom identified four Sustainable Development Goals (SDGs), with selected SDG targets, which present the most material opportunities for Telkom to enhance its positive impact and minimise its negative impact. These SDGs align with Telkom's business approach to sustainability issues and opportunity realisation. The four SDGs that we can materially impact are:



The relevant SDG icon indicates where related information is discussed throughout this report. Refer to the SDG appendix on [page 150](#) for more information.

Telkom indirectly support and influence the following SDGs:



² The Science Based Targets initiative (SBTi), the global body enabling businesses to set emissions reduction targets in line with climate science

³ The SBTi is unveiling a new strategy to increase minimum ambition in corporate target setting from 'well below 2°C' to '1.5°C' above pre-industrial levels. The new strategy is being rolled out in response to increasing urgency for climate action and the success of science-based targets to date. For further information refer to: <https://sciencebasedtargets.org/news/sbti-raises-the-bar-to-1-5-c>

Task Force on Climate-related Financial Disclosures



The Task Force on Climate-related Financial Disclosures (TCFD) is important to Telkom to improve our understanding of the long-term climate-related risks and opportunities. There is growing pressure on companies from the government, consumers and investors to respond to climate change. We incorporated disclosure recommendations regarding risk, strategy and governance in FY2021. In FY2022, we adopted the metrics and targets in the disclosures.

By signing the Science Based Targets initiative (SBTi)² commitment, Telkom joined visionary corporate leaders in taking ambitious climate action by setting a net zero target in line with a 1.5°C future³. Telkom committed to setting a science-based emission reduction target aligned with SBTi's target-setting criteria. Refer to the natural capital section on [page 90](#).

A TCFD summary is included on [page 94](#).

Global Reporting Initiative Standards



Telkom aligned its definitions of sustainable key performance indicators (KPIs) to the Global Reporting Initiative Standards' relevant definitions. This facilitates comparability.

CDP



Telkom continues to participate in CDP (formerly the Carbon Disclosure Project). This participation provides feedback on how well the Group manages its energy and carbon emissions inventory to reduce Telkom's environmental impact within its operational boundary.

Telkom's response remained unchanged in the B category in FY2021. We improved in the governance and Scope 1 and 2 emissions sections. The B score is higher than the African regional average and the media, telecommunications and data centre services sector average, which scored a C. We are working on the FY2022 submission and will report on these in FY2023.

Telkom set science-based emissions targets for the first time in FY2022. For more information on emissions, refer to the natural capital section on [page 90](#).

FTSE4Good ESG Index Series



Telkom remains a constituent of the FTSE4Good Index series following its June 2021 review. The 67 constituents are companies that reflect strong ESG risk management practices as measured by an overall ESG rating.

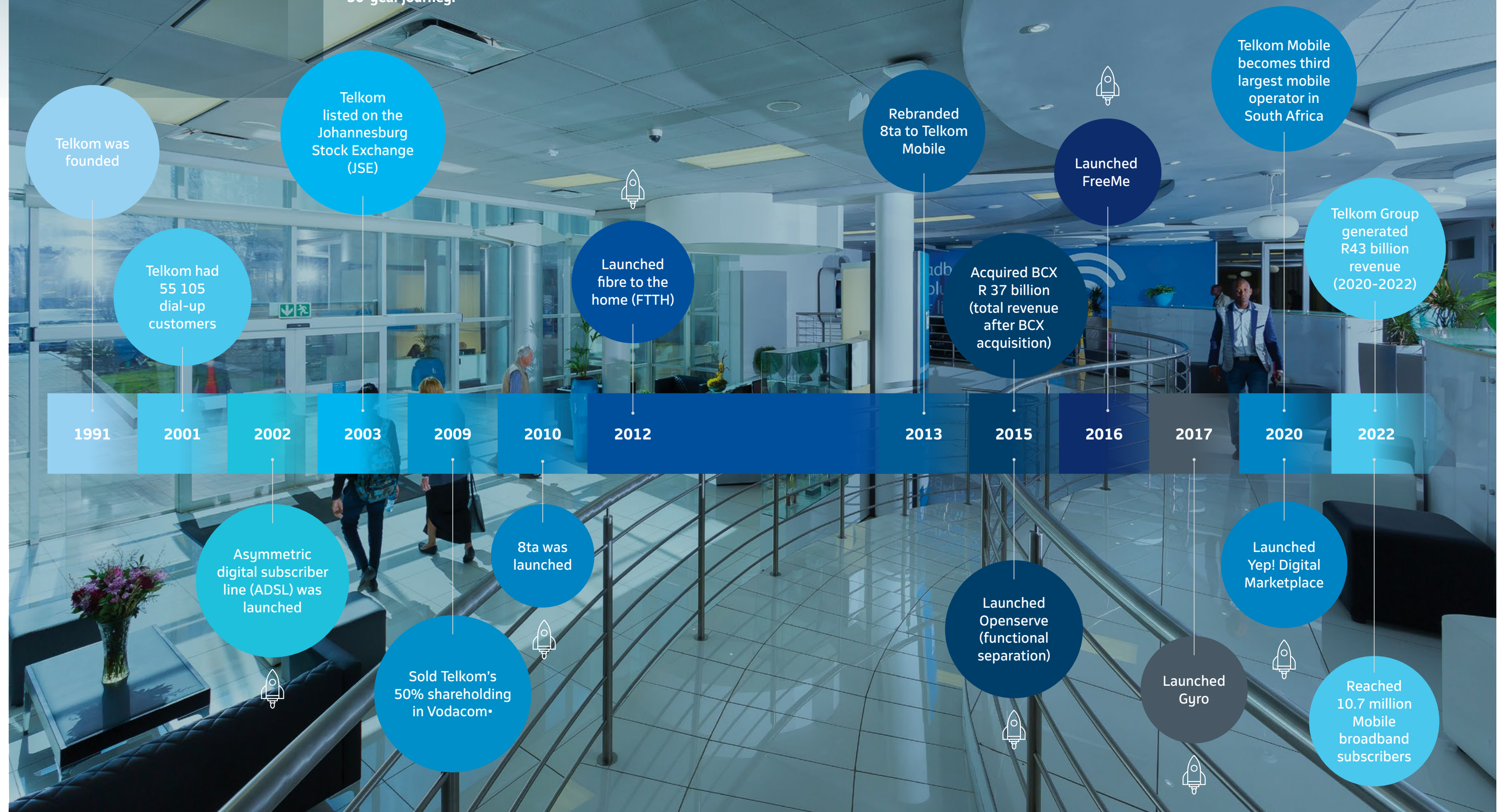
EY Excellence in Integrated Reporting Awards

In 2021, Telkom's FY2020 integrated report ranked excellent in the annual awards for the fifth consecutive year. This ranking is awarded to entities that progressively achieve a higher level of adherence to the spirit of integrated reporting. The awards consider the top 100 JSE-listed companies (based on market capitalisation).

¹ Value Reporting Foundation's International Integrated Reporting <IR> Framework, 2021.

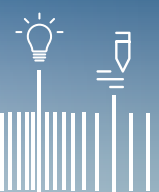
Celebrating 30 years

Telkom celebrated its 30th birthday. The Company was corporatised on 1 October 1991 when the Department of Posts and Communications was divided into Telkom SA SOC Ltd and SA Post Office. Here is a look back at the highlights of Telkom's 30-year journey.



* Refer to page 6 and page 154 for the full breakdown of government subsidiaries and shareholding, respectively.

A Telkom snapshot



Overview of our business

Telkom's business units

Integrated performance snapshot

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Overview of our business

Telkom is a leading information and communications technology (ICT) services provider in South Africa. We offer end-to-end ICT solutions including high-speed fibre, mobile and data services, information technology (IT) services, financial services, property management and mast and tower solutions.

The South African Government owns 40.5% of Telkom¹; 49.2% of our shares are held by institutional shareholders²; 3.7% are treasury shares³; and 6.6% by non-institutional shareholders⁴.

¹ The Department of Communications and Digital Technologies is the shareholder representative of the South African Government with responsibility for state-owned enterprises in this sector.

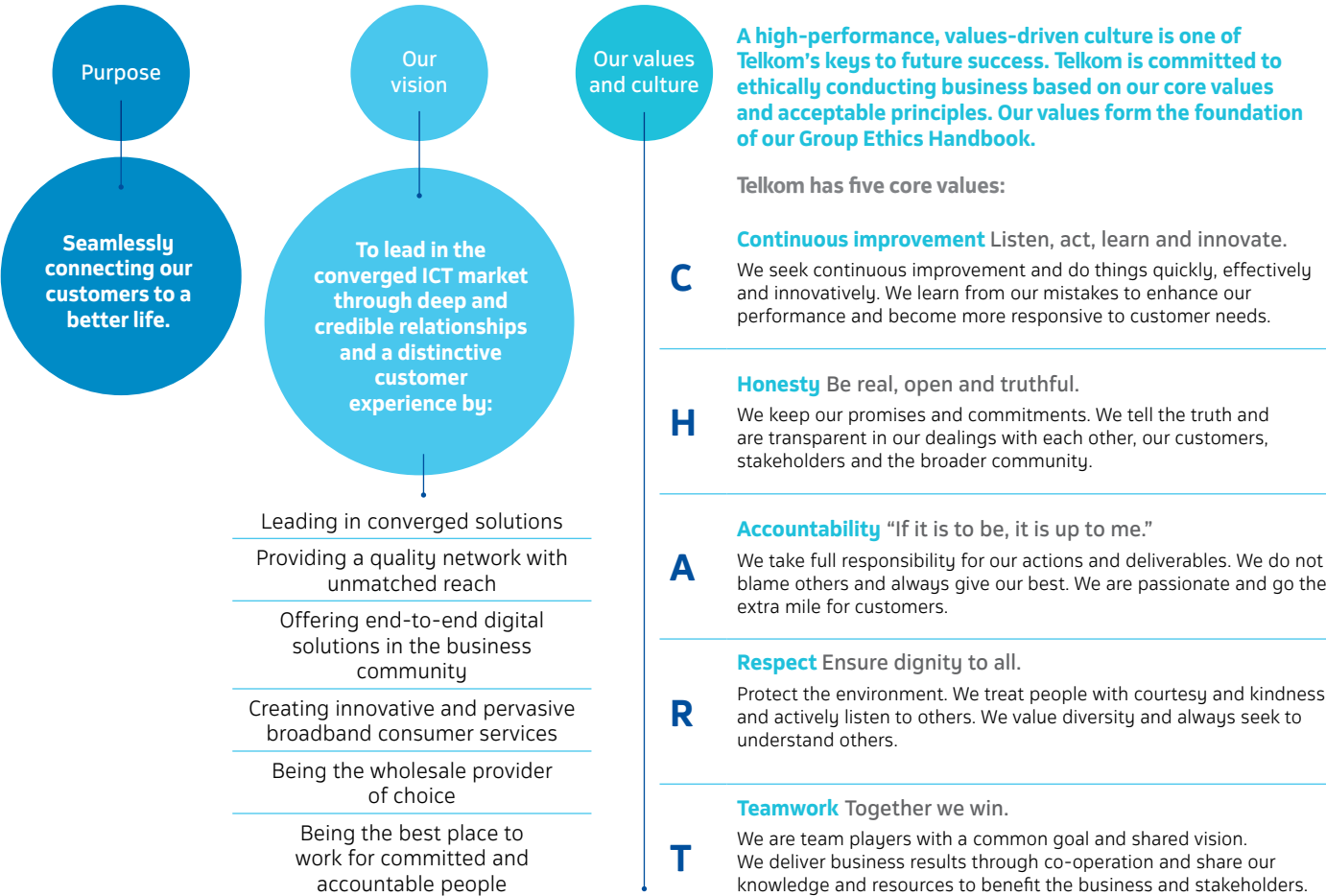
² Institutional shareholders consist of various companies, the majority of which are based in South Africa, USA, UK and Europe. Refer to pages 154 to 155 for further details.

³ The treasury shares belong to Telkom and have not been issued to the public.

⁴ Non-institutional shareholders consist of private and individual investors not in the company sector.



Telkom's purpose, vision and values



Telkom's operating structure, products and services

This matrix sets out our operating structure and the products and services provided by our business units.					
Products and services provided by Telkom's five business units	Openserve	Telkom Consumer	BCX	Gyro	Swiftnet
Connectivity Connectivity through ducted and aerial copper and fibre, satellite, mobile and wireless transmission.					
Infrastructure Property, masts and towers solutions to Telkom and third-party clients, data centres and fibre.					
The state-of-art next-generation network Networks that employ latest state-of-art and high-speed broadband technology.					
Converged ICT solutions Providing converged business ICT services and products which include cloud, software defined wide area network (SD-WAN), augmented reality, virtual reality, blockchain, AI and robotics, as well as converging consumer ICT services such as fibre, mobile, content and financial services.					
Digital presence and e-commerce The e-commerce platform supports integrated business solutions for small and medium business customers.					

Telkom's business units

Openserve

Openserve is South Africa's leading wholesale infrastructure connectivity provider with the largest open-access network across South Africa.

Refer to page 54 for Openserve's performance

 Althon Beukes (CEO)	Customer/market segmentation Our open-access model allows us to provide broadband voice, enterprise, optical and carrier solutions to wholesale customers across the following segments: - Consumer addresses the broadband connectivity needs of end-customers through multiple internet service providers (ISPs) - Enterprise enables business-to-business connectivity through high-bandwidth connectivity products and solutions - Carrier comprises customer-specific high-capacity backhaul and managed connectivity services for network service providers - Global provides network infrastructure connectivity, for example, submarine cables and satellites - Interconnect provides national and international operators with voice connectivity	Products and services - Broadband solutions - Enterprise solutions - Optimal and carrier solutions - Global solutions - Interconnect solutions - Voice services	Differentiators - The state-of-the-art next-generation network spans across core, aggregation and access, with layer 0 restoration capabilities, making the network a unique wholesale market differentiator - Largest wholesale open-access infrastructure connectivity provider in South Africa with national and regional fibre routes, enabling the deployment of fibre-based access, enterprise and backhaul technologies - The leading high-speed fixed broadband connectivity provider in South Africa - Digital experience centre providing a unified channel that transforms operations to focus on a differentiated customer experience - Extensive experience and skills capacity across network communication and connectivity services and digital enablement
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Telkom Consumer

Telkom Consumer is spearheading in providing high-speed broadband in mobile through LTE Pro and in fixed through fibre offering/s to its multitude customers via reliable, stable, high quality converged communications.

Refer to page 58 for Telkom Consumer's performance

 Lunga Siyo (CEO)	Customer/market segmentation Telkom Consumer is driving forward in the following segments: - Connecting homes with high-speed broadband through fibre - Affordable mobile voice and broadband services - Growing non-connectivity revenue via impetus gained in digital and financial services revenue - Catering for small and medium-sized businesses across the country covering a vast plethora of services and industries Services powered and provided by: - A state-of-the-art mobile network - ISP and content platform	Products and services - Broadband (mobile, fixed, nomadic) - Voice - Value-added services (content and gaming) - Financial services	Differentiators - Data-centric mobile network - Latest technology adoption for fixed, mobile enabling content, gaming, etc. - 5G trialled successfully - One the biggest fibre backhaul for the mobile networks
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BCX

BCX is a state-of-the-art technology company that provides ICT solutions and an integrated portfolio of technology solutions in South Africa.

Refer to page 62 for BCX's performance

 Jonas Bogoshi (CEO)	Customer/market segmentation Our BCX customer segments comprise: - Corporate (retail, mining, banking, financial services and healthcare) - Public sector - Large business	Products and services Our diversified technology product portfolio provides a wide range of solutions, namely: - Converged communications solutions including voice, SD-WAN suite, ethernet and over-the-top (OTT) solutions - Digital platform solutions including digital, enterprise applications and customised industry-specific offerings - Cloud platform solutions including enterprise cloud and infrastructure, field services management and cybersecurity	Differentiators - Provide end-to-end ICT solutions - Market leader with a strong presence in connectivity, end devices, applications and other IT services markets - Largest Tier 4* data centre footprint - Industry-specific expertise - Strategic vendor relationships - Customised applications * Tier 4: Multiple active power and cooling distribution paths, redundant components, fault tolerant, 99. 99% availability.
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Swiftnet

Swiftnet comprises masts and towers.

Refer to page 66 for Swiftnet's performance

 Lesiba Maloba (CEO)	Customer/market segmentation Our Swiftnet customer segments comprise: - Mobile network operators - Wireless ISPs - Broadband providers - Public sector	Products and services Masts and towers with multi-tenant leases on existing and new towers - Large independent, South African-based masts and towers portfolio - National footprint of properties, masts and towers
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Gyro

Gyro manages the property portfolio of Telkom that is currently utilised for operations.

Refer to page 70 for Gyro's performance

 Lesiba Maloba (CEO)	Customer/market segmentation Our Gyro property segments comprise: - Data centres - Offices - Retail - Industrial - Residential	Products and services Property development includes new developments, and repurposing and refurbishing existing buildings Property services with real estate and tower management services include: - Asset management - Development management - Programme and project management - Property management - Facilities management - Space user-demand management	Differentiators - Capacity and readiness to become the preferred real estate solutions provider for non-mainstream large space users and real estate portfolio owners - Leveraging the Group's technologies to implement smart-enabled buildings and next-generation property and facilities management solutions
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Integrated performance snapshot

Financial capital



Productive capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital



The financial capital available to maintain and grow our business.
Refer to [page 20](#).

Revenue

R'million

FY2020 43 043
FY2021 43 222

FY2022 42 756
↓
% change (1.1)

Earnings before interest, tax, depreciation and amortisation (EBITDA)¹

R'million

FY2020 10 720
FY2021 11 973

FY2022 11 908
↓
% change (0.5)

Headline earnings per share (HEPS)¹

Cents per share

FY2020 366.0
FY2021 561.5

FY2022 575.3
↑
% change 2.5

Free cash flow (FCF)

R'million

FY2020 1 782
FY2021 2 063

FY2022 (2 080)²
↓
% change (200.8)

Basic earnings per share (BEPS)¹

Cents per share

FY2020 279.0
FY2021 529.1

FY2022 536.6
↑
% change 1.4

Capital expenditure (capex)

R'million

FY2020 7 755
FY2021 8 448

FY2022 7 484
↓
% change (11.4)

Fixed and mobile network includes copper and fibre-optic cables that support fixed-line services to retail, business and wholesale customers. Three major earth stations provide satellite services to Africa. Towers transmit our radio spectrum³ and support the delivery of mobile voice and data services.

Data centres that provide hosting, disaster recovery services and cloud services to business customers.
Refer to [page 62](#).

Active fibre connectivity rate

%

FY2020 48.2
FY2021 51.1

FY2022 46.3
↓
% change (4.8)

Active mobile subscribers

Million

FY2020 12.0
FY2021 15.3

FY2022 16.9
↑
% change 10.5

Mobile broadband subscribers

Million

FY2020 8.2
FY2021 10.3

FY2022 10.7
↑
% change 3.8

³ Spectrum comprises the set of invisible radio frequencies that travel through the air.

The intangible assets associated with our brand, our legal licences to operate, our collective expertise and processes, and the strategies, policies, procedures, standards and codes that govern how we do business.
Refer to [page 74](#).

Over the reporting period, the focal areas for IT were:

Improved customer experience

Accelerated digitalisation

Hybrid workplace

Effective governance and risk

A total investment of R831 million was made towards initiatives linked to the abovementioned areas in response to changing technology demands.

Contributors to human capital include our employees with their skills, competencies, experience, motivation to innovate and be productive, and their health and wellbeing.
Refer to [page 78](#).

Group employees

Number

FY2020 15 099⁴
FY2021 12 039

FY2022 11 898
↓
% change (1.2)

Lost-time injury frequency rate

Rate

FY2020 0.68
FY2021 0.56

FY2022 0.70⁵
↑
% change 25.0

Learnerships and internships

Number

FY2020 1 146
FY2021 669

FY2022 992⁶
↑
% change 38.8

⁴ At the end of FY2020 VSPs and VERPs were offered in Openserve and Telkom Consumer, and 2 271 employees exited the Group in FY2021.

⁵ Refer to Human capital on [page 78](#) and the full breakdown of TIFR and LTIFR on [page 83](#).

⁶ For further details on Telkom's learnerships and internships, refer to [page 81](#).

Social and relationship capital reflects our contribution to South African society.
Refer to [page 84](#).

FutureMakers Independent Field Technician (IFT) procurement spend

R'million

FY2020 140
FY2021 105

FY2022 203⁷
↑
% change 93.3

Investment in Telkom Foundation

R'million

FY2020 75
FY2021 53

FY2022 77
↑
% change 45.2

Total jobs on the FutureMakers Programme

Direct jobs

Total jobs per annum

FY2020 1 475
FY2021 991

FY2022 772⁸
↓
% change (22.1)

Indirect jobs

Total jobs per annum

FY2020 4 157
FY2021 4 177

FY2022 26 463⁸
↑
% change 533.5

⁷ Refer to Social and relationship capital on [page 84](#), and the full breakdown of FutureMakers procurement spend on [page 85](#).

⁸ The increase in indirect jobs is due to including all income opportunities created on platforms we invested in. Refer to Social and relationship capital on [page 84](#), and the full breakdown of direct and indirect jobs on [page 85](#).

This includes using natural resources, comprising renewable energy sources, such as solar energy, water and other non-renewable resources. It includes our impact on the environment from electronic and electrical waste (e-waste) and carbon emissions.
Refer to [page 90](#).

Total carbon footprint⁹

tCO₂e

FY2020 656 660
FY2021 628 920

FY2022 1 136 574
↑
% change 80.7

Water consumption

Kilolitres

FY2020 1 199 525
FY2021 1 040 535

FY2022 997 617¹⁰
↓
% change (4.1)

E-waste recycled

Tonnes

FY2020 9 076
FY2021 1 000

FY2022 1 870¹¹
↑
% change 87.0

⁹ Refer to [page 92](#) for full details on the total carbon footprint as well as Scope 1 and Scope 2 emissions, excluding Yellow Pages.

¹⁰ For further details, refer to management of Telkom's water consumption on [page 93](#).

¹¹ For further details on e-waste recycling, refer to managing hazardous waste on [page 93](#).

¹ Excludes the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in the comparative year.

² Includes spectrum payment R1.1 billion

Leadership reflections on FY2022

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Chairperson's report: How our leadership supports value creation

Sello Moloko
Chairperson

While the global economy rebounded from the worst effects of COVID-19, South Africa's economic rebuild has been slow and uncertain. Despite local headwinds, Telkom continued to execute its strategy steadily. While the competitive landscape is tough, growth opportunities still exist.

Even though the local economy recovered by 4.9%, the economy is still 1.7% smaller than before the pandemic. South Africa is being weighed down by rising unemployment, weak consumer spending and socio-political instability. In addition, the continued power supply interruptions are choking economic growth and having a profoundly negative impact on our customers and our business.

The civil unrest we witnessed in July 2021 has its roots in the inequality of our society. If this is not addressed, we can expect anger and lawlessness to rise up at any time. We require urgent structural reform to restore growth and alleviate our many socio-economic misfortunes.

Group revenue was down 1.1%, putting pressure on profitability and FCF. In addition, the enterprise environment has remained constrained, impacting revenues for BCX and our Small Business segment. Competition continues to intensify in the areas of mobile and fixed wireless access and fibre to the home (FTTH).

The Board periodically reviews the Group's Strategy to ensure its continued relevance in an operating environment that is increasingly complex and demanding. Our strategic investments in FY2022 included allocating capital to fibre rollouts to replace legacy copper networks. We focused on deploying our broadband strategy, including increasing minimum entry speeds for broadband. We are pleased to see growing customer demand for these services.

Some key achievements for FY2022 include the modest growth of mobile and a significant increase in fibre broadband customers. We added MTN as a second roaming partner in addition to Vodacom. This provides increased flexibility and broadens our coverage footprint. We also acquired additional spectrum.

We play a leading role in South Africa's digital revolution. We are present in our customers' lives through their work, online education and entertainment. This positions us for long-term sustainability.

Telkom's vision is to lead in the converged ICT market through deep and credible relationships and a distinctive customer experience. In FY2022, the Board's key focus areas supported the Group's Strategy, while ensuring appropriate risk management to protect the Group's long-term sustainability and value creation. These focus areas will remain pertinent for FY2023.

Pursuing our Value Unlock Programme



In September 2021, we communicated our intention to unbundle and list Swiftnet on the JSE by the end of our financial year. The listing would unlock value for shareholders, allowing Telkom the flexibility to rebase our balance sheet and reinvest in our business.

In preparation for the listing, Swiftnet approved a Swiftnet MOI and governance prescripts to support the entity.

In March 2022, the Board resolved to postpone the listing based on global events, specifically the conflict in Ukraine, and the equity market conditions.

Telkom is trading at a deep discount to its intrinsic value. Therefore, we are committed to realising the Value Unlock Programme. The Board will provide further updates on the proposed Swiftnet listing and how we plan to drive maximum shareholder value.

Approving the ESG Strategy



As highlighted in the FY2021 report, ESG practices and disclosure are becoming increasingly important to investors. While Telkom has a proud legacy of good corporate citizenship, we recognised that we needed a holistic strategy to formalise our approach to each aspect of ESG. In March 2022, the Board approved the first ESG Strategy and implementation roadmap. This strategy encapsulates our goal of providing ICT solutions that create sustainable economic, environmental and social value.

The strategy has six priority themes with defined goals and tangible initiatives. It is gratifying to see how many initiatives are already in place to support this strategy. Notably, the strategy also commits Telkom to being carbon neutral by 2035 and net zero by 2040. The ESG Strategy is discussed on [page 50](#).

The Risk Committee approved the amended risk appetite statements to address the risks related to ESG and create value for shareholders. Refer to the risk report on [page 38](#).

Next page

- Engaging the regulator on spectrum allocation
- Customer centricity
- Succession planning
- Board skills
- Supporting an ethical culture



In January 2022, Telkom received notice that the Special Investigating Unit (SIU) would launch an investigation into contracting processes in respect of telex and advisory services, and alleged maladministration in the disposals of iWayAfrica, Africa Online Mauritius and Multi-Links Telecommunications. Some of these matters date back to 2006. We are engaging with the SIU on the investigation, including clarity on the ambit of its authority, with a view to bringing the matter to a speedy resolution.

In July 2021, we bade farewell to Alphonzo Samuels who resigned as a Non-executive Director. We thank Alphonzo for his contribution to Telkom during his tenure as the CEO of Openserve. That same month, we appointed Olufunke Ighodaro and Ethel Matenge-Sebesho as new Board Members. Olufunke Ighodaro is a commercially astute and experienced business leader, and brings extensive leadership experience across several business disciplines. Ethel is a seasoned Director with many years of experience in leadership positions.

Four Non-executive Directors will be stepping down at the next AGM; with three Non-executive (namely Kholeka Mzondeki, Fagmeedah Peterson-Cook and Navin Kapila) retiring by rotation and will not be available for re-election. Mr Rex Tomlinson has decided to step down. The Board appointed five new Non-executive Directors; Brian Kennedy, Mteto Nyati, Ipeleng Selele and Prudence Lebina (all appointments will be effective 15 July 2022) and Sung Yoon (appointed 1 May 2022). Appointments will be confirmed at the annual general meeting (AGM) taking place on 24 August 2022. Refer to [pages 170 and 171](#) for further details on the Directors' CVs.

Telkom's leadership transition was dealt with in an orderly and professional manner, as befits the calibre of the two gentlemen involved.

This year we said farewell to Siphso Maseko, our outgoing GCEO, and welcomed Serame Taukobong as our new GCEO.

Siphso joined Telkom in April 2013 and was instrumental in reshaping and streamlining the business to compete more effectively in a liberalised telecommunications market. He had an immeasurable impact and placed Telkom on a firm footing. Siphso remained a Telkom employee until June 2022 and supported Serame and the Board in an advisory capacity. On behalf of the Board, I thank Siphso for his commitment to a smooth leadership transition and his phenomenal tenure at Telkom.

Serame is a worthy successor. Our recruitment process included an intensive talent assessment both within and outside the business. Serame, one of South Africa's most respected telecommunications Executives, was the logical choice for the position. He joined Telkom as CEO for Telkom Consumer in 2018. Under his leadership, the growth of that business unit was nothing short of remarkable. The customer base grew three-fold to 15 million while its revenue almost doubled to R20 billion within three years. Serame steps into his new role at a challenging time, and at an inflection point in the South African telecommunications industry.

The health and wellbeing of employees are top priorities. As far as possible, we currently allowed employees to work from home and supported them through various wellness programmes. We continue to encourage our employees to get vaccinated. I am pleased to report that our employee relations are strong, with high levels of trust and engagement. I thank all employees for their resilience and steadfastness in supporting our vision.

Addressing shareholder concerns regarding remuneration

At the 2021 AGM, the remuneration implementation report resolution failed to meet the required 75% threshold as recommended by King IV.

The Board and Remuneration Committee engaged with shareholders on the resolutions prior to the AGM. Their concerns regarding remuneration were around:

- The retention payment to the outgoing GCEO
- A request to see the inclusion of FCF as a measurement in the long-term incentive
- The preference to include ESG as a measure in the short and long-term incentives

The Board believes that the right remuneration decisions were made, but that our disclosures regarding the rationale behind our decisions could be improved. More detail regarding shareholder concerns and our response is in the remuneration report on [page 115](#).

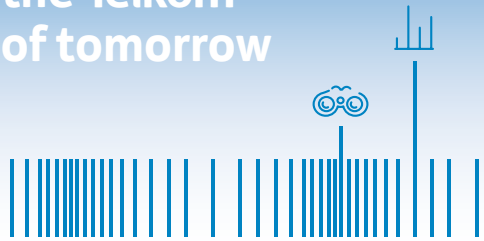
This year has been difficult for both Telkom and the country. We have lost many wonderful colleagues to COVID-19, and this loss is felt within the business. I extend my deepest condolences to our employees who are mourning loved ones and colleagues.

On behalf of the Board, I acknowledge our Group Exco Members for their extended commitment during a challenging year. We also thank our customers for their loyalty, and our service providers for supporting our operational activities.

Finally, I thank my fellow Board Members for their leadership, dedication and expertise in ensuring that the Board and its Committees fulfil their mandates and enable Telkom to connect our customers to better lives.

Sello Moloko
Chairperson

Group Chief Executive Officer's report: Building the Telkom of tomorrow



Serame Taukobong
Group Chief Executive Officer



Telkom's separation journey is positioning our respective businesses for success

Our focus in recent years has been our Value Unlock journey. This included informing the market about the value of our different business units, and defining their borders so that investors could appropriately assess their value. On reflection, this necessary process required an inward focus, which has resulted in an internally driven organisation.

Now that we have established these strong standalone entities, we need to focus externally to compete aggressively in a market of vertically integrated companies. Over the next three to five years, we will execute as a united Telkom. This includes leveraging our strengths across a range of communications and infrastructure solutions. We are an infrastructure player that competes in several markets, provides high-end solutions and offers the highest customer value possible. We certainly have the potential to be the number one or two player across the respective ICT markets.

We continue to deliver against our Strategy

In September 2021, we reviewed our Group strategy and our five strategic pillars, namely portfolio diversification, integrated solutions, victory in broadband, operational efficiency, and technology innovation (PIVOT). We concluded that while specific tactics and actions are changing, our strategy framework remains relevant. This strategy is discussed on [page 46](#).



Our **portfolio diversification** pillar speaks to our desire to expand and invest in e-commerce, big data, gaming and financial technology (fintech). We have developed our fintech building blocks over the past few years, and as at the end of FY2022, this segment of the Telkom Consumer business had generated R800 million revenue with a loan book advance of R2 billion and 5.3 million customers. We will step up our efforts in building this digital business to diversify our revenues.

Under **integrated solutions**, we aspire to comprehensively address our customers' ICT needs by offering end-to-end converged propositions ranging from connectivity to IT solutions. We provide one-stop solutions from the broad range of products and services available within the Group. This includes the combination of high-speed connectivity services using mobile, wireless, satellite or fibre technology with ISP, content and financial services. For business and enterprise, this also includes hardware and software products, unified communications, software-defined networking, storage and cloud solutions, underpinned by cybersecurity and data analytics capabilities. This enables our customers to source all their ICT services as pre-integrated solutions through a single channel, with tailored service level agreements to support their specific needs.

Victory in broadband is the backbone of our strategy, supporting Telkom's aspiration to become the leading broadband service provider in South Africa. Over the past few years, we have invested in both mobile and fibre infrastructure assets to prepare for 5G, and our combined asset base sets us apart from our competitors. As at the end of FY2022, we have more than 11 million total broadband subscribers – mobile 10.5 million and fixed broadband >500k; and 79% of our fixed-line broadband customers are using **10 Mbps and higher**, supporting higher, data consumption. Openserve is one of the market leaders in the South African fixed market with approximately 840k homes passed and a leading fibre to the home (FTTH) connectivity rate of more than 46%.

This year has been a milestone year in terms of **victory in broadband** with the additional mobile spectrum we secured. We obtained 20 MHz of 800 MHz and 22 MHz of 3500 MHz for **R2.1 billion**. Telkom's total spectrum portfolio now stands at 170 MHz across all bands. The newly acquired spectrum will enable us to offer a credible 5G proposition. The sub 1 GHz enables us to deploy network more efficiently and increase coverage.

By connecting the home to fibre, we win a long-term customer and secure a stable digital platform to offer more services.

Our drive to promote **operational efficiency** has yielded positive results for Telkom. Despite our legacy business with high margins declining, Telkom has been able to maintain its EBITDA around 27%. This was achieved through our sustainable Cost Management Programme, which seeks to contain opex growth below inflation and optimise our cost to serve. We will continue to seek operational efficiencies and exploit our scale in infrastructure to lower the cost to serve our customers.

Under the **technology innovation** pillar, we have been modernising and building a state-of-the-art network. As at the end of FY2022, we had grown our mobile stations by **13.7%** to **7 313** while **4.5G²** sites had grown by **42.4%** to **6 451**. We continue to aim to maintain a fibre backhaul ratio of **70%** to **80%**. This paid off well, allowing us to effect quick backhaul upgrades at sites where additional traffic was anticipated. As at the end of FY2022, **68%** of our base stations had fibre backhaul. We will continue to invest in our own network while utilising roaming agreements to supplement our network footprint, providing our customers with national coverage.

Below is the profile of the infrastructure assets we have significantly invested in over the past few years.

InfraCo¹ presents significant Value Unlock opportunities



Tower assets

5 960	Full portfolio of towers
3 916	Productive portfolio
2 675	Growth towers: 1 or fewer tenants
1 241	Mature towers: 2 or more tenants
42%	Anchor tenancy (Mobile and Openserve)



~2.5 m	Premises covered by fibre-ready nodes
839 691	FTTH
46.3%	Connectivity rate
NOC	World-class managed services operations centre
Top 3	Undersea landing stations in South Africa

¹ Broadband Infraco SOC is a licensed state-owned company in the telecommunications sector whose legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007.
² 4.5G is essentially LTE Advanced or LTE Advanced Pro.

Gyro

10	Data centres carrier-neutral
3 out of 4	Certified tier 4 data centres in South Africa
Size	~ 11 MW IT ~ 6 500 m ²
78%	Occupancy rate

We are committed to our Value Unlock Strategy, which is premised on our market capitalisation not representing our intrinsic value. Over and above affirming value, we want to commercialise our infrastructure assets to drive sustainable long-term growth.

Performance overview

Telkom grew its earnings with underlying HEPS and BEPS increasing by 2.5% and 1.4%, respectively, despite a challenging operating environment. This was due to a significant decline in finance charges and fair value movements compared to the prior year. Underlying Group EBITDA was relatively flat, despite a 1.1% decline in Group revenue to R42.8 billion.

Openserve's stabilisation path continues and is well underway in turning around several years of revenue declines. The Openserve business evolved as customers migrated over the years from legacy to next-generation. Today, more than half of its revenue is derived from the new business. However, a pricing gap remains between the new business and the legacy business. Revenue was relatively flat for the first time after several years of significant decline in the legacy business. This was underpinned by growth in high-capacity links for carriers, an increase in demand for fibre services, and a slowdown in fixed voice churn. Openserve continued with its growth trajectory in the fibre market, increasing homes passed with fibre by 52.7% and homes connected with fibre by 38.4%. This is in line with its strategy to accelerate the FTTH footprint while simultaneously focusing on connecting homes. In the second half of the year, overall fixed broadband customers increased for the first time in several years despite the decline in ADSL customers.

Swiftnet, our masts and towers business, increased revenue by 4.4% to R1 292 million, driven by commercialising the existing portfolio, new tower builds and the rollout of In Building Solutions (IBS). This performance includes the impact of terminations and continued focus on modernisation from our Mobile Network Operator (MNO) customers. We expect modernisation to continue over the next year, coupled with the deployment of new base station sites as the MNOs deploy their respective newly acquired permanent spectrum allocations. In the current year, the number of productive sites increased by 5.9% to 3 916. Swiftnet's profitability was impacted by the change in cost allocation methodology in the second half of the year. Global events impacting capital markets led us to review the timing of the separate listing of Swiftnet on the JSE. In March 2022, the Board resolved to postpone the separate listing.

The Mobile business continues to drive growth in Telkom Consumer. The total Mobile revenue growth of 6.3% was achieved against the backdrop of an intensely competitive landscape and challenging economic environment. As the overall macro-economic constraints materialise, the pre-paid surge has slowed as the share of wallet spend has plateaued. We grew our pre-paid customer base by 12% to 14.3 million with the average revenue per user (ARPU) normalising to pre-COVID-19 levels in line with management expectations. In the post-paid market, the base increased by 3.4% to 2.7 million and high levels of ARPUs were maintained at R212. The legacy fixed-line business remains under pressure, due to migration from traditional fixed-voice to newer technologies. The impact of the post-pandemic recovery is still evident in small and medium businesses. We remain encouraged by the growth in our non-connectivity/application services which saw double-digit growth in FY2022.

BCX remains under pressure due to the lingering impact of the lockdown and the global supply chain constraints and shortages of semiconductor chips. The second half of the year saw good growth resulting from investments in new capabilities, progress made with strategic programmes, and renewed activity in the market. Revenue declined by 2.6%, mainly impacted by the IT segment, which faced supply chain pressure while the Converged Communications business stabilised and then started to gain momentum. This bodes well following the 6.1% revenue decline reported in the first half of the year. The improvements in performance seen in the last quarter across the business signal a more positive outlook for the next financial year.

We have ensured that our ESG Strategy aligns to Telkom's overall business strategy

Our ESG Strategy was developed considering all aspects and all parts of our business. The ESG Strategy is supported by our Group Exco and Senior Leadership and was endorsed by the Board. Our ESG Strategy aligns with the overall business strategy and our purpose of seamlessly connecting our customers to a better life. Our core strategy is underpinned by our drive to create sustainable economic, environmental and social value. We strive to deliver digital solutions which enable socio-economic upliftment. We deploy our network and manage our business in a responsible way, always considering how our business could contribute to climate change. We expand and operate our business, including networks, new products and services, in a way that respects our natural environment and encourages shared value for all.

We manage our business in such a manner as to ensure that we are a key trusted partner for our customers, enterprises and government.

The strategy process also highlighted just how much is already under way at Telkom, including the Telkom Foundation's work in education and enabling learning to continue during COVID-19. The strategy draws Telkom's existing ESG-related projects under one banner, breaking down silos and allowing us to consciously drive and track the strategy.

In the South African context, the "S" in ESG is where we can have significant impact. Providing access to the digital world, including online education and career opportunities, will profoundly change the lives of many South Africans.

Delivering on our ESG Strategy will not be a box-ticking exercise. We are embedding the strategy throughout the Group and setting up quantifiable measures to track our progress. The next step is for the Board to link ESG performance measures to management's short and long-term incentives for FY2023 and for Group Exco to implement accordingly.

Telkom is using latest technology to enhance customer experience

In a highly competitive landscape, the customer experience we deliver affects our reputation, customer attraction and retention. We continually invest in products, services, systems and employee training to ensure our customer expectations are met. In FY2022, we made solid progress in improving customer service. This progress is visible in the uptick of our Orange Index scores, which measure client retention. We focused on first-time call resolution and reducing customer effort to resolve customer issues as fast as possible. Through empowering our employees, we have seen a dramatic improvement in first-time call resolution, up to 87% now.

Self-service is an increasingly important component of the customer experience. We communicate with customers on the platforms they prefer. Our customers can resolve their queries at any time through WhatsApp, without the need to contact a call centre. In July 2021, we launched a chatbot¹ on Twitter to respond to customer social media queries and complaints, and more recently during May 2022 we launched our bot on Facebook too. We are always interested in adopting new technologies that match our customers' behaviours.

Delivering sustainable shareholder returns is a key focus area going forward

A solid financial framework to support the Group strategy and deliver sustainable shareholder returns is essential. We will enhance our financial framework in FY2023 and we expect the Group to return to growth. Telkom Mobile secured third position in the (local) market. Going forward, we expect Telkom Mobile to grow in line with its industry peers. In addition, we expect Openserve to start growing in the next financial year, supporting top-line growth. Given the deceleration in growth in Telkom Mobile and the continuous decline in the legacy business, we expect Group revenue to grow at mid-single digits percentage over the medium term. Our sustainable cost management is also expected to deliver mid-single digit EBITDA growth over the same period.

The release of spectrum provides upside to our growth ambitions in the long term. Telkom Mobile obtained 50 MHz contiguous spectrum in 3500 MHz to support its data-led strategy. The industry will require a significant amount of masts, towers and fibre backhaul to connect to the base stations. Our infrastructure businesses, Openserve and Swiftnet, are well positioned to capture this opportunity. We expect to continue to invest in the business, with a capex to revenue ratio of 16% to 18% per annum, and to maintain a healthy balance sheet of net debt to EBITDA of 1.2x (including the acquisition of spectrum).

¹ A chatbot computer program designed to simulate conversation with human users, especially over the internet

FY2022 was a reset year following changes in the global market and regulatory environment, an intensely competitive landscape and the weak macro-environment. We concluded that our strategy framework remains relevant, and that our broadband-led strategy is the backbone of our PIVOT strategy. Over the past few years, Telkom invested in 5G infrastructure assets, and these set us apart from our competitors. In some of our businesses, we want to strengthen scale and capability to drive growth. Here, we are exploring local and international partnerships.

Telkom remains committed to the Value Unlock Strategy, which is premised on Telkom's market capitalisation not representing its intrinsic value. Our key focus is to drive maximum shareholder value. The suspension of the separate listing of Swiftnet due to volatile capital markets was to protect shareholder value. Our strategic approach going forward is to affirm the valuation of these businesses and their contributions to the valuation of Telkom while ensuring long-term sustainable growth for the Group. To this end, we will continue to explore all strategic options that support our Value Unlock Strategy, which seeks to maximise shareholder value. In support of this approach, we will place more emphasis on driving execution and delivery against our Value Unlock Strategy.

Returning cash to shareholders remains a key element of our capital allocation framework. Telkom is in year two of the three-year dividend suspension period. The Board remains committed to reinstating the dividend policy at the end of FY2023 in line with the Board commitment on suspension of the dividend policy in FY2020. The Board is reviewing the dividend policy. It is imperative for Telkom to generate sustainable positive FCF to reward shareholders. In FY2022, acquisition of spectrum took priority in line with the capital allocation framework principles of prioritising growth.

We are looking forward to a more stable regulatory environment

Despite a challenging regulatory environment, we are hopeful that all of our interactions with regulators will result in a more transparent, stable and equitable regulatory environment.

Spectrum auction

Telkom acquired 20 MHz of 800 MHz and 22 MHz of 3500 MHz for R2.1 billion. Telkom made a payment of R1.1 billion in FY2022, with the remainder of the payment being due when the sub 1 GHz spectrum, currently occupied by broadcasters, becomes available. However, this licensing process was subject to a court challenge by Telkom, which has since been settled. Telkom opted for a forward-looking settlement with ICASA, addressing Telkom's principal complaints regarding ensuring fair competition in the sector while providing a level of regulatory certainty.

Telkom will use the newly acquired spectrum to support its strategy of building a data-led network. Given South Africa's dual economies, Telkom believes that 4G and 5G will co-exist for some time and is expanding its network based on current data traffic and readiness for 5G deployment. Today, 93% of Telkom's data traffic is on a 4G network and 68% of Telkom Mobile sites use fibre backhaul, giving Telkom the edge for 5G deployment. The acquisition of 22 MHz of 3500 MHz enabled us to secure a consolidated 50 MHz of contiguous spectrum, giving us high spectral efficiency for optimal 5G deployment.

Based on ICASA's undertaking to consider the competitive effect of spectrum-sharing arrangements, Telkom withdrew the referral of the Vodacom and Rain spectrum arrangement to the Competition Tribunal. Telkom is of the view that a broader public process by the sector regulator would be far more effective in addressing the implications of the licensing of spectrum on competition, including spectrum arrangements. In line with the settlement, ICASA undertook to conduct the necessary consultative processes and complete the licensing process within FY2023.

Appreciation

I am thankful to our stakeholders who have continued to support us during uncertain and difficult times.

Our employees continued to perform strongly and have adjusted to new ways of working, including a hybrid model of working from home and the office. Our recent wage negotiations in March and April 2022 went smoothly and swiftly. This demonstrates that our labour unions understand the pressures our Group is facing and the positive co-creative relationship we enjoy.

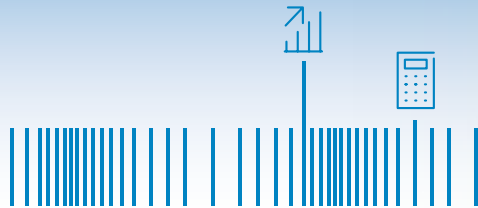
On a personal note, I thank Sipho Maseko for his commitment to a seamless leadership transition. Sipho was instrumental in both value creation and setting up our Value Unlock journey. Thanks to his guidance, Telkom is a leaner and more efficient organisation primed for the future.

I also thank our Board for their ongoing support and responsiveness. They dedicated significant time at several extraordinary Board meetings to consider pressing matters.

Finally, our customers, communities and dealers continue to support Telkom. This ongoing belief in our brand provides a solid foundation for future growth.

Serame Taukobong
Group Chief Executive Officer (GCEO)

Group Chief Financial Officer's report: FY2022 performance



Dirk Reyneke
Group Chief Financial Officer



Salient features

Group operating revenue decreased 1.1 % to R42.8 billion	
EBITDA decreased 0.5%¹ to R11.9 billion	
Headline earnings per share (HEPS) increased 2.5%¹ to 575.3 cps	
Basic earnings per share (BEPS) increased 1.4%¹ to 536.6 cps	
Free cash flow decreased 200.8% to a negative R2.1 billion²	
Net debt to EBITDA decreased 0.3 times to 1.2 times²	

¹ Excludes the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in the comparative year.
² Includes spectrum funding of R1.1 billion.

Group performance remained under pressure in FY2022, primarily due to the lingering impact of the COVID-19 lockdown, global supply chain constraints and shortages of semiconductor chips. This was exacerbated by an intensely competitive trading environment.

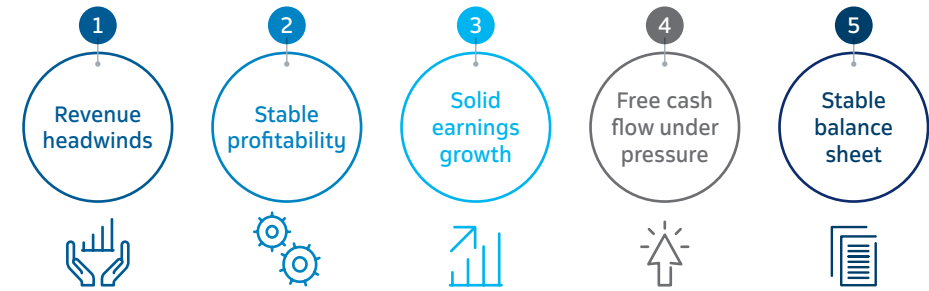
Despite the revenue headwinds, our profitability and earnings remained stable, underpinned by our sustainable cost management. We are pleased that our balance sheet remains stable.

A solid financial framework is imperative going forward to support the Group Strategy and deliver sustainable returns for shareholders.

Exceptional item impacting financial performance

VSP, VERP and S189	No further restructuring costs were recorded in FY2022. An expense of R270 million was recognised in FY2021, with a related tax impact of R76 million.
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Key themes from Telkom's financial performance



1

Revenue headwinds

Group top line under pressure

Group revenue declined marginally by 1.1% to R42 756 million, supported by the Mobile business. Despite the intense competition and challenging economic environment, Mobile's service revenue increased by 3.3% to R17 505 million, underpinned by strong customer growth and stable post-paid ARPU. The customer base grew by 10.5% to 16.9 million at a blended ARPU of R90, with a post-paid ARPU holding firmly at R212.

This performance was offset by a decline in the fixed and IT businesses, which remain under pressure due to the challenging operating environment and a decline in the fixed business as customers continue to migrate to modern technologies such as fibre and LTE. Although these businesses' top lines declined compared to FY2021, the rate of decline improved compared to the first half of the year.

The stability in the fixed business is attributable to a decline in fixed voice churn and an increase in usage, as there was improved economic activity in FY2022 compared to FY2021.

Masts and towers revenue increased by 4.4% to R1 292 million. The growth in revenue was driven by commercialising the existing portfolio, new tower builds, and the rollout of IBS. Commercially non-productive towers were decommissioned as we continued to optimise the operational efficiency of the portfolio.

The impact of the post-pandemic recovery is still evident in small and medium businesses. We remain encouraged by the growth in our non-connectivity/application services with a 13% growth to R827 million in our mobile financial service and micro-content services.

As a result of our deliberate strategy of investing in new revenue streams, we evolved our business from a legacy to a next-generation business. The next-generation revenue streams now contribute more than 70% to Group revenue.

2

Stable profitability

Revenue headwinds offset by strong cost control

Underlying Group EBITDA is stable at R11 908 million and the EBITDA margin expanded by 0.2 ppts to 27.9%. This was underpinned by our sustainable Cost Management Programme, which aims to contain opex growth below inflation and optimise cost to serve. Opex declined by 4% year on year despite an average Group-wide salary increase of 6%, which was effective from 1 April 2021.

Mobile's cost to serve was optimised despite the increase in costs associated with the post-paid market such as distribution channel costs. The improvement in cost to serve was enabled by optimised roaming costs as we maintain stringent roaming traffic thresholds and migrate traffic to our network, supported by the ongoing network investment.

The reduction in opex and optimisation of our cost to serve resulted in a reduction in our total cost to revenue ratio, which reduced by 0.1 ppts to 73.7% as shown below.

EBITDA analysis

	FY2020	FY2021	FY2022
EBITDA (Rm)	10 720	11 973	11 908
EBITDA margin	24.9%	27.7%	27.9%
Total cost to revenue ratio*	76.8%	73.8%	73.7%

* Total cost includes direct and operating expenses.

3

Stable earnings growth

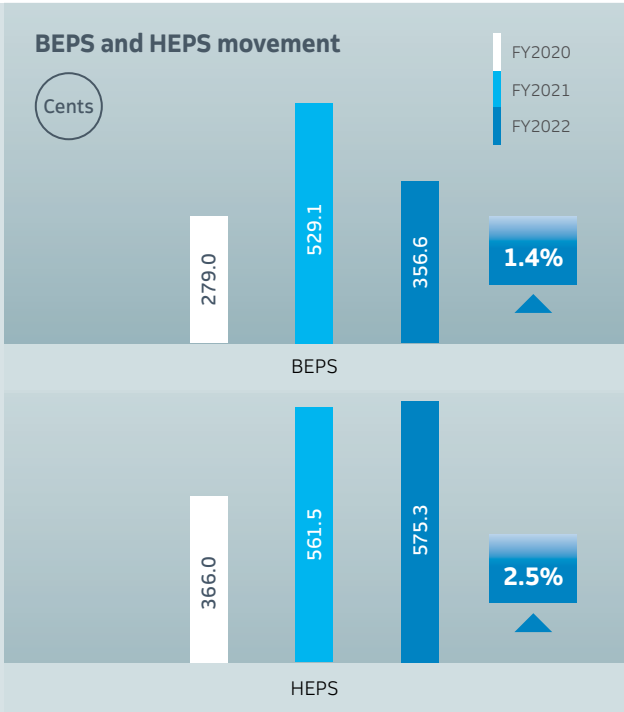


Stable profitability and lower finance charges drive earnings growth

Reported HEPS increased by 10.2% to 575.3 cents while reported BEPS increased by 9.5% to 536.6 cents compared to FY2021. Excluding the VSP, VERP and S189 costs in FY2021, underlying HEPS increased by 2.5%¹ and BEPS by 1.4%¹ year on year. This was due to a significant decline in finance charges and fair value movements compared to the prior year.

Finance charges and fair value movements declined by 16.2% to R1 279 million, largely as a result of lower finance charges. Lower interest rates as well as the settlement of the SARS liability in the prior year resulted in finance charges reducing by 17.7% to R662 million. Our funding strategy allowed us to balance our cost of debt ratio to 53:47 floating to fixed. This ensures that the risk of changes in interest rates remains balanced.

¹ Excludes the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in the comparative year.



4

Free cash flow under pressure



Spectrum investment, prior year capex overhang and revenue decline negatively impacted free cash flow (FCF)

Cash preservation remains key in the current volatile economic environment. We generated negative FCF of R2 080 million largely due to R1 142 million invested in spectrum. Excluding the impact of spectrum acquisition, we generated an underlying negative FCF of R938 million. The decline in underlying FCF is largely due to the capex overhang of R1 070 million relating to prior year capex that was settled in the current year, revenue decline and working capital movements. Working capital deteriorated in the current year, despite R1 009 million of handset financing. The deterioration in working capital is largely due to timing of cash flows, as a result of an increase in post-paid mobile handset sales and purchases following the gradual re-opening of the economy post the COVID-19 lockdown.

FCF movement	FY2022 Rm	Restated FY2021 Rm	Change %
Cash generated from operations	9 886	14 383	(31.3)
spectrum costs paid	(1 076)	(856)	(25.7)
Repayment of lease liability	235	332	(29.2)
Interest received	(1 188)	(1 291)	8.0
Finance charges paid	(764)	(2 194)	65.2
Taxation paid			
Operating free cash flow before capital expenditure	7 093	10 374	(31.6)
Spectrum acquisition	(1 142)	-	(100.0)
Cash paid for capital expenditure	(8 031)	(8 311)	3.4
Free cash flow	(2 080)	2 063	(200.8)
Free cash flow excluding spectrum	(938)	2 063	(145.5)

5

Stable balance sheet



The balance sheet remains stable with adequate capacity to fund our strategy

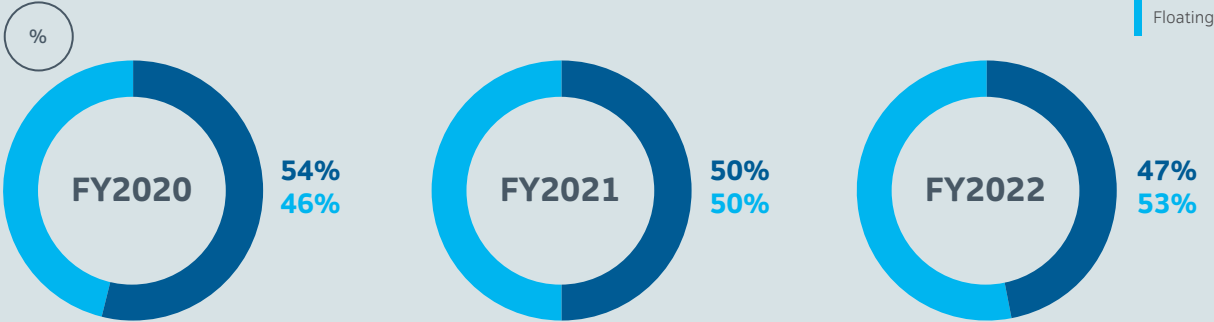
In FY2022, we settled a R193 million debt in line with our debt maturity profile. This is over and above the R1 400 million matured debt repaid in the prior year. We have adequate balance sheet capacity to fund our strategy despite the acquisition of spectrum of R1 142 million in the current year, which resulted in net debt to EBITDA increasing to 1.2x. Excluding spectrum, net debt to EBITDA is 1.1x driven by a 35.2% decrease in the cash balances at the end of the year and additional leases to support Mobile, thus increasing IFRS 16 lease liabilities.

	FY2022 Rm	FY2021 Rm	Change %
Cash balances	3 239	5 002	(35.2)
Interest-bearing debt	11 932	10 866	(9.8)
Operating balance	10 866	12 005	9.5
Net funding repaid	(193)	(1 132)	(83.0)
Spectrum funding	1 150	-	(100.0)
Other	109	7	(1 457.1)
Lease liabilities	5 374	4 972	(8.0)
Opening balance	4 972	4 775	(4.1)
IFRS 16 lease liability raised	402	197	(104.1)
Net debt	14 067	10 836	(29.8)
Net debt/EBITDA times	1.2	0.9	(0.3)
Net debt/EBITDA times excluding spectrum funding	1.1	0.9	(0.2)
Average cost of debt (%)	6.5	6.2	(0.3)

5

Stable balance sheet continued

Fixed to floating debt ratio



GCFO's key focus areas

Financial framework to drive sustainable growth

FY2022 has been a reset year following changes in the global market, regulatory environment, intense competitive landscape, and weak macro-environment. A stable financial framework to support the Group Strategy and deliver sustainable returns for shareholders is key going forward. We will focus on enhancing our financial framework where the Group is expected to return to growth from FY2023.

Our Mobile business has grown ahead of the market and secured a third-market position. Going forward, we expect Telkom Mobile to grow in line with its industry peers while we expect overall fixed data revenues to start growing from FY2023.

We will continue to focus on the following to maintain a stable financial framework:

- Existing revenue streams
- Our sustainable Cost Management Programme
- Capex to fund growth
- Stable balance sheet
- Value Unlock

Growth in Mobile, fibre and the masts and towers business enables us to grow and defend our revenues.

Tight control on cost escalation through our sustainable Cost Management Programme, with a focus on legacy and roaming costs allows us to contain opex below inflation and optimise our direct costs.

We will continue to maintain a disciplined capital allocation framework, thus growing shareholder value over the long term. In allocating capex, we will prioritise capex investments that give us a reasonable return, i.e. WACC + 2% – 3%.

Protecting our balance sheet remains a key focus area to fund growth and withstand the volatile trading environment.

Outlook

Medium-term guidance

Given the slowdown in growth in the Mobile business and continuous decline in the legacy business, Group revenue will grow at mid-single digits over the medium term to FY2025. Underpinned by our ongoing sustainable cost management, we aim to grow Group EBITDA at mid-single digits over the medium term to FY2025. We expect to continue to invest in the business with a capex to revenue ratio of between 16% and 18% per annum and to maintain a healthy balance sheet with net debt to EBITDA of 1.2x (including the acquisition of spectrum).

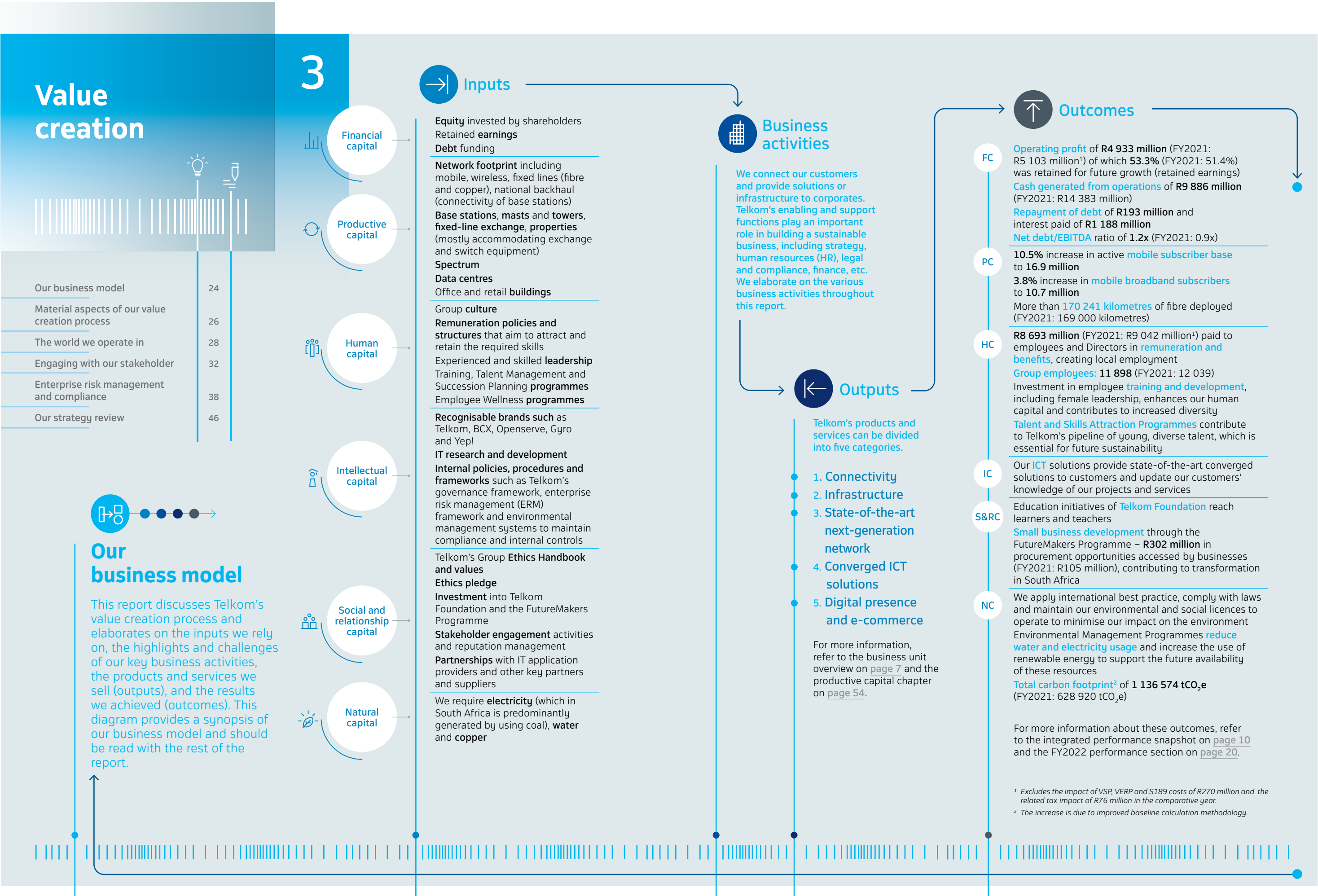
FY2023 – FY2025 Guidance*	
Revenue (CAGR)	Mid-single digits
EBITDA (CAGR)	Mid-single digits
Capex to revenue ratio per annum*	16% – 18%
Net debt to EBITDA (times)	Less or equal to 1.2x

* Excluding spectrum acquisition

Dividend policy

Returning cash to shareholders remains a key element of our capital allocation framework. Telkom is in year two of the three-year dividend suspension period. The Board remains committed to reinstate the dividend policy at the end of FY2023 in line with the Board commitment on suspension of the dividend policy in FY2020. The Board is reviewing the dividend policy. It is imperative for Telkom to generate sustainable positive FCF to reward shareholders. In the current year, acquisition of spectrum took priority in line with the capital allocation framework principles of prioritising growth.

Dirk Reyneke
Group Chief Financial Officer (GCFO)

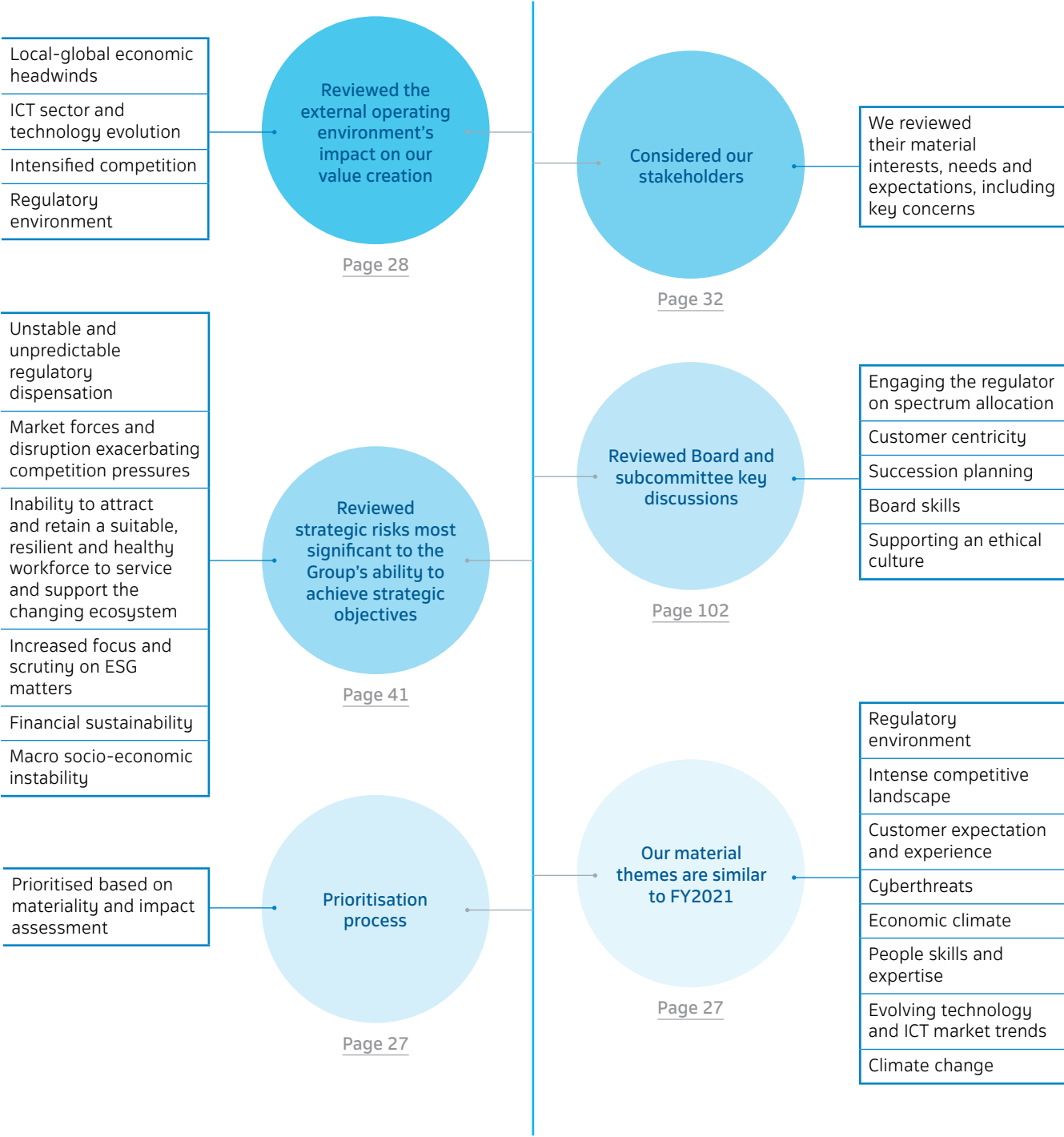


Material aspects of our value creation process

We define our material themes as the factors that substantively affect our ability to create value for stakeholders over time. Management’s materiality determination process and the material themes were approved by the Group Exco, the Audit Committee and the Board.

Materiality determination process

We consider internal and external factors, relying on established processes to identify and confirm our material themes. This process is set out below, with cross-references to where more information can be found.



Material themes

Our material themes represent a prioritised view of our material matters and were considered in compiling this report. The current impact of these matters are reflected in our FY2022 performance discussed on page 27 and the GCEO’s report on page 16.

Regulatory environment	1	Telkom operates in a highly regulated environment affected by policy uncertainty and inconsistency, and continuously evolving regulations and legislation. We are also affected by international regulatory trends, irrespective of the different operating contexts, the South African political environment, and the resources required to implement new or changing regulations.	The world we operate in, page 28 Strategic risks, page 40
Intense competitive landscape	2	The competitive landscape includes OTT players and other non-traditional entrants disrupting the market, and the convergence of telecommunications, technology, media and consumer electronics. This provides us with collaboration opportunities with OTT players and requires Telkom to sharpen its focus on capital allocation, cost optimisation, business growth, innovative products and services, and customer satisfaction.	The world we operate in, page 28 Strategic risks, page 40
Customer expectations and experiences	3	Our customers expect a differentiated value proposition where they receive value for money. Their experience is influenced by price, available products and services, service speed and reliability, data security, and IT system stability. In the context of Telkom's competitive landscape, customer experience affects our reputation and customer attraction and retention. Therefore, Telkom must appropriately invest in products and services, systems and employees to ensure customer expectations are met.	Stakeholder engagement, page 32 Strategic risks, page 40 Productive capital, page 52
Cyberthreats	4	Cyberattacks and data breaches can potentially impact Telkom's service levels, leading to customer dissatisfaction, reputational damage, business disruption and loss of revenue. This requires continuous focus on information security and business continuity plans. Cyberthreats provide the Group with opportunities to develop new customer solutions (information security).	Strategic risks, page 40 Intellectual capital, page 74
Economic climate	5	Local and international economies influence Telkom's ability to grow the business, the cost of doing business and customers' spending power. This is affected by muted South African economic performance, the South African political environment and geopolitical pressures, investor and business confidence, financial risks related to liquidity and foreign exchange and interest rate exposure, effectiveness of cost optimisation efforts, and socio-economic factors, such as the high youth unemployment rate. This is exacerbated by the impact of COVID-19.	The world we operate in, page 28 Strategic risks, page 40
People skills and expertise	6	Telkom requires skilled employees in ICT, digital and other areas to develop products and solutions to generate future revenue and provide the expected level of service to customers. We compete for scarce, specialised and technical skills with traditional and non-traditional players, locally and internationally. Gender and race diversity, the premium paid for skills and experience, and the anticipated future skills pipeline (fourth industrial revolution) impact our attraction and retention of talent. Telkom empowers and enables employees to work from home and continues to focus on skills development.	Stakeholder engagement, page 32 Strategic risks, page 40 Human capital, page 78
Evolving technology and ICT market trends	7	Telkom needs to remain abreast of advances in ICT and disruptive technology. We need to ensure long-term viability by developing innovative products and services and enhancing the Group's networks and infrastructure. This requires appropriate infrastructure, network investment and skilled employees to support product development and delivery. Focus areas include our ongoing investments in fibre and mobile infrastructure while optimising the return on invested capital (ROIC).	The world we operate in, page 28 Strategic risks, page 40 Strategy review, page 46 GCFR report, page 20
Climate change	8	Telkom needs to mitigate and adapt to climate change impacts (specifically extreme weather conditions) and use our resources responsibly to protect our business and the environment. These impacts can occur on our direct operations (operational impacts) or from poor customer service stemming from acute and chronic weather conditions (reputational and strategic impacts). Incurring penalties and fines will impact our reputation as a good corporate citizen.	Strategic risks, page 40 Natural capital, page 90

The world we operate in

We keep abreast of local and global trends to assess their potential impact on our markets and customers. We review our strategy to capture new opportunities and mitigate emerging risks created by changes in our operating context.

Key external themes	Estimated timeframe in which it will significantly impact Telkom ¹			Related material theme
	Short-term	Medium-term	Long-term	
1 Local-global economic headwinds				- Economic climate - Climate change
2 ICT sector and technology evolution				- People skills and expertise - Evolving technology and ICT market trends
3 Intensified competition				- Intense competitive landscape - Customer expectations and experiences
4 Regulatory environment				Regulatory environment

¹ For this report, short term is the next financial year (ending 31 March 2023), medium term is the period to 31 March 2025 and long term is beyond April 2025.

1

Local-global economic headwinds

Context

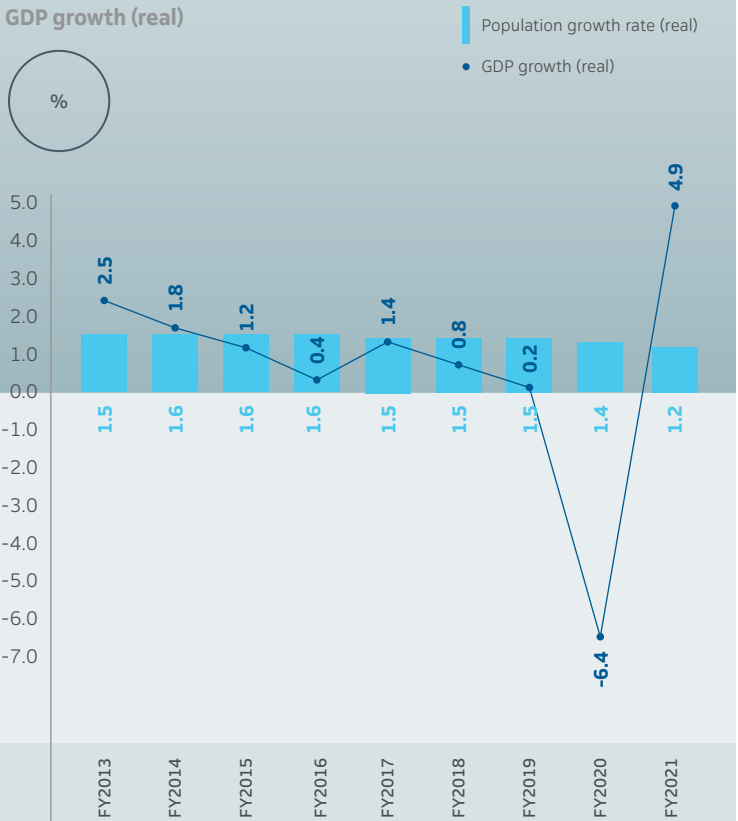
South Africa had a strong economic recovery from the ongoing COVID-19 pandemic, despite the unrest, cyberattacks and strikes during July 2021. Real gross domestic product (GDP) growth increased to 4.9% in 2021, following the large decline of 6.4% in 2020. GDP is expected to grow by 1.7% in 2022. This slowdown in growth is due to a fading rebound from the COVID-19 pandemic, alongside stagnant global economic growth due to the conflict in Eastern Europe and rising global inflation. Real GDP is expected to grow by 1.8% in 2023, but this may be impacted by extreme weather conditions (e.g. severe droughts or high-intensity tropical cyclones) linked to climate change.

Implications for our strategy

We consider the risk of higher borrowing and input costs due to higher inflation and high commodity prices. We focus on sustainable cost management and targeted capital investments to mitigate the downside risk of lower economic growth and climate change considerations. Risks associated with climate change are integrated into Telkom's risk identification, management and assurance processes.

Further reading
Page 28
Page 46

Recovery of South Africa's GDP growth rate in 2021 | Year-on-year growth (%)



Source: Stats SA National Accounts and Mid-year population estimates.

2

ICT sector and technology evolution

Context

It is expected that remote working practices will continue to support hybrid work from home/office policies in FY2023 and beyond. Despite some return of face-to-face interactions, there is still demand for good quality, high-speed broadband services that enable streaming and video-heavy collaboration tools.

Customers still demand fibre and mobile services that can adapt flexibly to their requirements. New business models are emerging as the role of service providers evolves beyond network security to end-to-end security. The growth in cloud services (41% growth in 2021) leads to a decline in traditional on-premises enterprise technology products and services. As a result, integrated cloud/SD-WAN solutions are becoming increasingly important enablers for integrated security, home broadband and office applications. This increases the demand for people with skills in emerging technologies such as cloud, data analytics, automation and AI.

Implications for our strategy

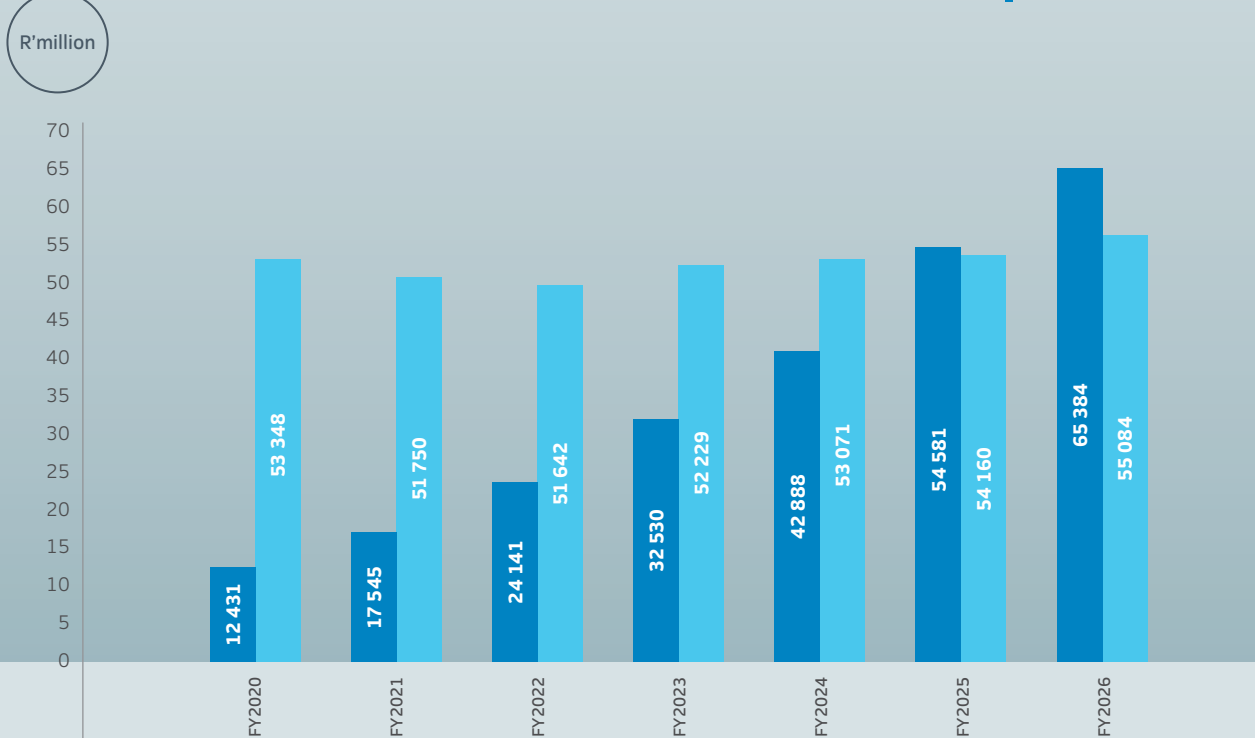
Telkom ensures that the end-to-end communications network (access, aggregation and transmission) is constantly available and can scale appropriately in line with increased subscribers and exponential traffic growth.

We develop integrated solutions for selected vertical markets, including health and retail. These combine connectivity and information security with tailored ICT applications to expand South Africa's digital footprint. There are opportunities to use aggregation nodes and new network topologies to bring data centres and cloud-based computing power closer to the edge.

We seek an optimal balance between crafting meaningful partnerships and developing internal skills and capabilities to meet customer expectations. Over the past year we have hired additional data analysts, AI specialists, cloud architects and cybersecurity experts to boost our capabilities in these areas.

Further reading
Page 46
Page 74
Page 84

The growth in total IT services is forecast to be driven by cloud services growth from 2022 to 2026 | South Africa IT services revenue



Source: ICT market sizing, BMI-T March 2022

Intensified competition

Context

The South African ICT sector remains highly competitive, with an increasing focus on customer experience. The increasing demand for communications, particularly data services, resulted in price reductions across major network providers (fixed and mobile). The ongoing state of emergency resulted in customers seeking cost-effective connectivity to live, work and play at home. As fixed and mobile network operators invest heavily in network infrastructure, capacity and coverage are enhanced. They seek ways to monetise their investments through competitive and disruptive pricing.

We expect competition from the two leading mobile operators to increase further, following the release of additional spectrum in the March 2022 spectrum auction.

Implications for our strategy

Telkom's data-led strategy remains the central focus and we maintain a value-led pricing strategy across all product portfolios. The continued investment in fixed and mobile network technologies aims to provide customers with quality network experiences at affordable prices. Many of Telkom's segmented customer value propositions have been replicated by competitors, enforcing the notion that Telkom continues to lead the data market.

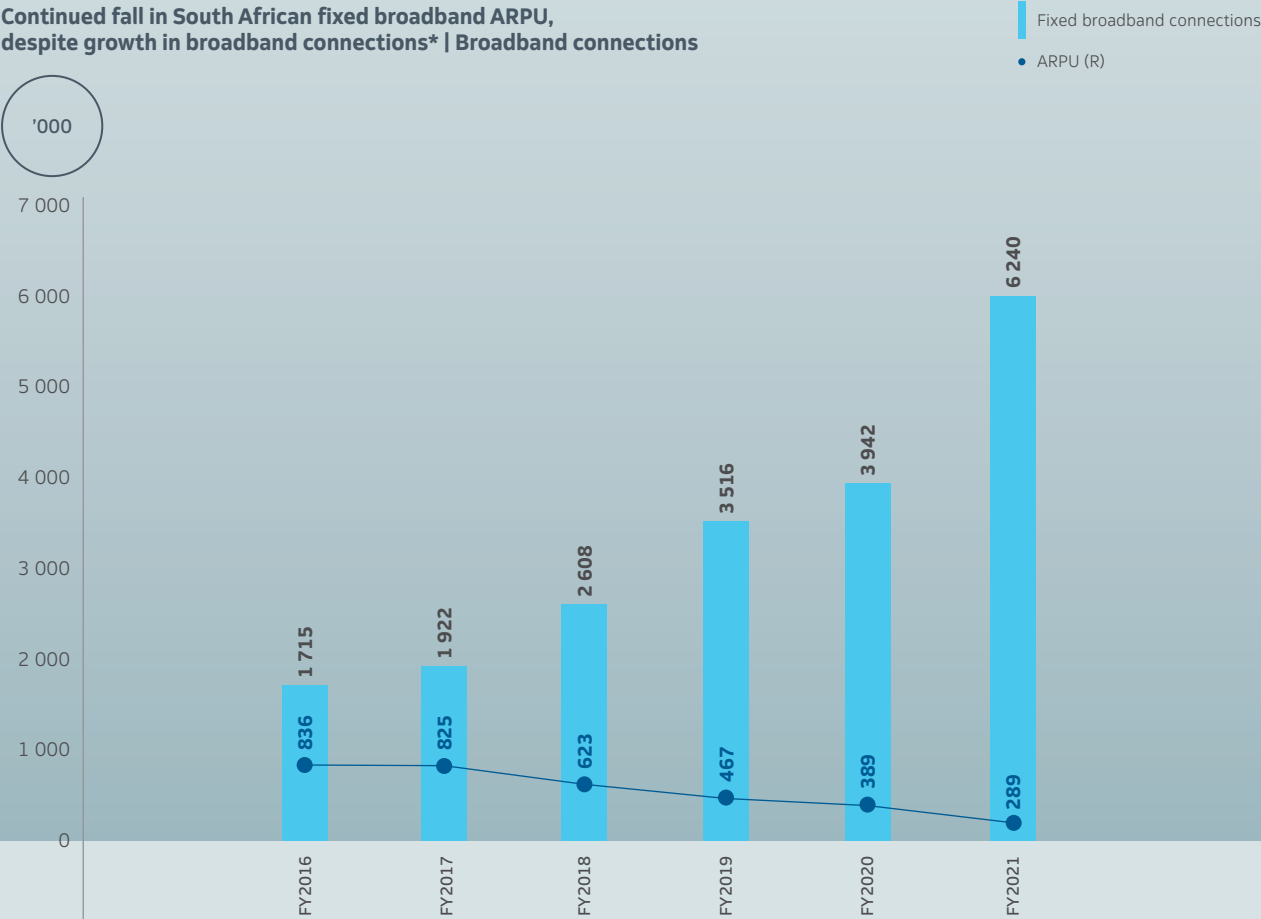
As data becomes more affordable and pricing parity is reached, differentiation through value-added services and non-connectivity revenue remains critical. We are working tirelessly to offer customers true fixed and mobile convergence to expand our integrated product offerings. We are pleased to note that our efforts to improve customer experience are bearing fruit, with Telkom recording the largest year-on-year improvements in reputational and operational net sentiment relative to the other local wireless network providers (2021 South African Telecommunications Sentiment Index, Deloitte).

Further reading

[Page 46](#)

[Page 54](#)

Continued fall in South African fixed broadband ARPU, despite growth in broadband connections* | Broadband connections



Source: Omdia 2021

Regulatory environment

Context

The release and licensing of additional high-demand spectrum are key to determining the future structure of South Africa's mobile communications market as it continues the transition from mobile voice to mobile data services (see adjoining chart). After following a legal process to ensure that the high-demand spectrum is licensed pro-competitively, Telkom reached an out-of-court settlement with ICASA on 8 April 2022. In terms of the settlement, ICASA has undertaken to auction the unsold 800 MHz lot and any other spectrum that is presently available for licensing (except for the spectrum set aside for the WOAN) before the end of the current financial year. Here it will consider the spectrum holdings emanating from the recently concluded auction, including the imbalances in the sub 1 GHz bands and the impact of the outcome of the auction on competition in the mobile market. Furthermore, ICASA has undertaken to conduct an inquiry into the existence of a secondary market for spectrum. This will include assessing whether there is a need for regulatory intervention.

ICASA published the mobile broadband services regulations and reasons document on 31 March 2022. These regulations serve to monitor the activities of our competitors in the markets in which they have found to have significant market power, namely the markets for mobile retail services, wholesale site infrastructure access (including access to DAS) and national roaming. Telkom trusts that the regulations will assist in achieving a more level playing field where it can compete more equitably.

ICASA's current call termination review will determine the call termination rates for the next three years. Telkom hopes that the new glide path will assist in supporting pro-competitive outcomes in the voice market.

Implications for our strategy

Telkom remains steadfast in its belief that enabling competition in the electronic communications sector is paramount for the health of the sector and the economy at large. To achieve this, the licensing process of spectrum needs to be carried out in a responsible and pro-competitive manner. We remain cooperative in seeking a solution that ensures the future process of assigning high-demand spectrum will result in a market structure that supports fair and effective competition with the larger mobile operators. Similarly, Telkom is supportive of a pro-competitive approach to the mobile broadband services inquiry and call termination rate review.

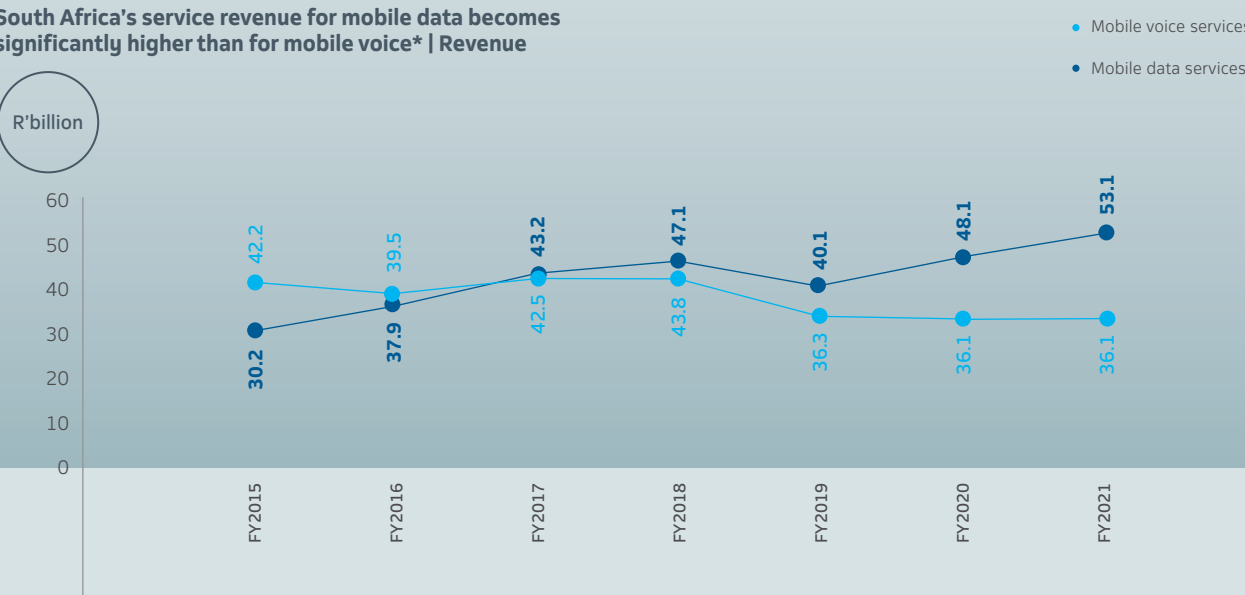
Telkom trusts that the call termination review will prove that retaining the current approach to mobile termination asymmetry is pro-competitive and that the reintroduction of regulated international termination rates will assist with curbing by-pass fraud.

Further reading

[Page 34](#)

[Page 41](#)

South Africa's service revenue for mobile data becomes significantly higher than for mobile voice* | Revenue



Source: ICASA – The state of the ICT sector in South Africa, March 2022

Engaging with our stakeholders

Strong and constructive stakeholder relationships built on trust, respect, transparency, constructive engagement and ethical business practices are important to Telkom.

Telkom commits to open communication and engagement with its stakeholders on diverse matters. We strive to engage with and respond to our stakeholders' concerns appropriately and timeously. We aim to create value for Telkom and society through active stakeholder engagement.

Our stakeholder engagement framework and policy guide how we manage our stakeholder engagements. The Stakeholder Management Programme is structured to identify stakeholders, engage with them, and understand their challenges and expectations. Telkom considers these in its strategic and operational objectives and targets.

Our key stakeholder groups are consistent with FY2021 and we engaged them regularly through appropriate channels.



Stakeholder governance structure



Monitoring and reporting

We assess the effectiveness of stakeholder engagements and relations through KPIs that are linked to value creation and relationship quality. We ensure this is measured accurately and consistently across the Group. These assessments allow management to channel time and effort to those relations that are considered relatively weak.

During the FY2022 we focused on our most material stakeholder concerns and interventions. This focus will continue in FY2023. The key concerns during the year were:

- Leadership transition (Chairperson's report [page 15](#) and Remuneration report [page 135](#))
- Telkom's lack of revenue growth (GCEO's report [page 16](#))
- Spectrum auction and legal action (GCEO's report [page 17](#))
- Customer experience, including resolution of complaints and issues (productive capital starting on [page 54](#))
- Value Unlock Programme, including Swiftnet's proposed transaction (GCEO's report [page 17](#) and Strategy [page 48](#))

The value we create for stakeholders

Customers	Customers underpin our existence and drive our reputation and brand. They consume the products and services that generate our revenue. Customer requirements guide product or service development in terms of new trends.	
Needs and expectations	- A relationship of trust and transparency - Reliable, affordable and value-rich products and services and solutions that support cost management - Timeous resolution of complaints and issues that reflects quality service, and responsive communication on relevant products and services - Effortless transactions and secure information	
The value Telkom creates	- Offering our customers the most compelling voice and data value propositions on the market, be it budget-friendly for individuals, or high-value data packages enabling businesses to stay connected while on the move - Expanding our network footprint and increasing capacity to ensure a better network quality experience - Selling space on our communications towers enables communications businesses to access their customers without incurring passive infrastructure development costs - Engaging our expertise and experience to design, implement and manage our customers' operational ICT environments through optimisation of cost and complexity, providing a launchpad for their digital transformation - Investing in e-commerce marketplace platforms to assist small and medium businesses to grow, which supports local employment and economic growth	
Telkom's desired outcomes	- Affordable products and services and a compelling value offering - High-quality and improved network coverage - Good customer experience, customer retention and an increase in market share	
Further reading	Customers' needs and expectations are valuable to our strategy and to our business units' strategic focus areas (page 8). Refer to the productive capital chapter on page 54 for more insight into how we performed in line with our strategy to meet customers' needs and expectations.	

Investor community	The investor community creates access to equity and debt markets. It drives demand for Telkom shares, thereby impacting our market capitalisation.	
Needs and expectations	- Long-term sustainable return on investment - Clearly articulated investment case - Stabilised debt levels - A relationship of trust and transparency and access to management - Improved ESG disclosures	

Investor community continued

The value Telkom creates	Telkom provides a sustainable return on the investments of financial capital providers through dividend payments, share price appreciation, capital and interest payments on bonds and interest repayment on loans.
Telkom's desired outcomes	- Access to equity and debt markets - Investor confidence and a fair valuation of share price - Positive credit rating - Returns to shareholders
Further reading	This report aims to provide insight into our value creation and prospects. Refer to the GCEO's report on page 16 , and the GCFO's report on page 20 for an overview of this year's performance. Telkom's Strategy is explained on page 46 , and our approach to enhancing ESG disclosures on page 50 .

Government and regulators	Government policies, legislation and regulators impact the cost of doing business and our ability to derive a reasonable return on investment. Regulators issue critical licences such as those necessary to use radio frequency spectrum. Non-compliance with legislation and regulations can result in penalties and fines. 
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Needs and expectations	- A relationship of trust and transparency - Compliance - Quality and affordable products and services across South Africa - Effective competition in the market and confidence of capital providers in the market - Licensing of spectrum and the WOAN - Support provided to consumers during the COVID-19 pandemic - Social impact
The value Telkom creates	- Contributing to the fiscus through financial contributions such as tax payments, licence fees and contributions to the Universal Service and Access Agency of South Africa - Enabling government's social and economic development mandate through investment in networks and infrastructure - Shaping government policies through robust engagement with government, regulators and competition authorities, and participating in industry forums - Supporting local procurement and employment and value-adding corporate social initiatives (refer to communities on page 87 and suppliers and business partners on page 36)
Telkom's desired outcomes	- Fair regulations and policies that encourage investment - Effective competition
Further reading	Telkom continues to engage the various government authorities and regulators. Refer to the GCEO's report on page 16 for more information about our approach to spectrum. There is continued support for consumers during COVID-19, including specific promotions, zero-rating access to educational sites, etc.

Employees	Employees possess the intellectual capital required for all core and supporting business processes. They are our strategic partner in ensuring the Group's sustainability through performance, culture and skills. 
Needs and expectations	- A relationship of trust and transparency - Job security and adequate development and career progression - Fair remuneration and recognition and reward for performance - A non-discriminatory, safe and flexible work environment
The value Telkom creates	- We provide employment and career development opportunities in a non-discriminatory environment, supported by an integrated, accessible and flexible Employee Wellness Programme that extends to our employees' families. Our remuneration includes various benefits to enhance value to our employees - Learning and Development Programmes are aimed at fostering employee engagement, broadening our employees' skill base and developing skills for future leadership
Telkom's desired outcomes	- Productive, innovative and competent workforce - Talent attraction and retention - Ethical leadership
Further reading	Telkom has a comprehensive and strategic approach to managing and supporting its human capital. Refer to page 78 for more information.

Organised labour	Organised labour supports sound labour practices and assists in communicating labour-related matters. It is a strategic partner in shared value between Telkom and our employees. This relationship can influence the Group's strategic plans and operations through industrial action. 
Needs and expectations	- A relationship of trust and transparency - Proactive consultation on business changes that impact employees and collaboration on agreements - A stable workforce - Continuous commitment to drive skills development, especially considering new technologies and employment equity progress - The impact of retrenchments and outsourcing agreements on employment and terms and conditions of employment
The value Telkom creates	- Employees are allowed to exercise their right to freedom of association - Access to the workforce - Support for shop stewards - Facilitation of fee deduction
Telkom's desired outcomes	- Constructive relationships - Satisfactory solutions to disputes
Further reading	We maintain positive relationships with trade unions to ensure open and effective communication and negotiations. Refer to page 82 in our human capital chapter for more information on organised labour.

Suppliers and business partners	Our value-adding partnerships with our suppliers and business partners allow us to deliver high-quality products and services to customers. Suppliers underpin our value chain and directly influence raw materials and other input costs. Business partners often represent Telkom to customers. Suppliers and business partners impact our ability to meet customers' expectations.	
Needs and expectations	- Increased two-way communication and resolving complaints and issues timeously - Joint contractual obligation management - Performance visibility and feedback - Adherence to payment terms and effortless transactions	
The value Telkom creates	- Generating revenue for suppliers and business partners, and strengthening their brand through their association with Telkom - Product and service development as relevant and applicable - Development initiatives provided to subcontractors - Supporting local procurement and employment through enterprise and supplier development (ESD) initiatives	
Telkom's desired outcomes	- A sustainable supply chain - Supporting local procurement and employment, and uplifting small and medium businesses - Leading broad-based black economic empowerment (B-BBEE) status - Joint market opportunities	
Further reading	We have a procurement support desk and conduct supplier surveys to ensure we understand this stakeholder group. Refer to the social and relationship chapter on page 84 for more information about how we support ESD through our FutureMakers unit and our B-BBEE credentials.	

Communities	Our communities drive our social licence to operate. We have a responsibility to contribute to the socio-economic environment we operate in. Civil society and forums can impact our operations.	
Needs and expectations	- Affordable products and services - Access to communication - Meaningful education and technology impact - Financial support, local job creation and local business opportunities	
The value Telkom creates	- The nature of Telkom's products and services allows it to add value to communities in a broad context - Our infrastructure allows any person to transact through electronic banking, either from an ATM or a point of sale - Providing affordable internet connectivity to individuals and small, medium, and micro-enterprises (SMMEs) supports local employment and economic growth. This is further enhanced by Skills Development and ESD Programmes - Telkom Foundation and other initiatives support communities, with a focus on education	
Telkom's desired outcomes	- Partnerships with communities and a good corporate citizen status - Youth empowerment - Enabling SMMEs	
Management response	FutureMakers, our ESD unit, and the Telkom Foundation respond to our community's needs through their various activities. Refer to the social and relationship capital chapter on page 84 for more information.	

Media, opinion makers and influencers	Media, opinion makers and influencers drive reputation and brand perception.	
Needs and expectations	- Access to information, including company performance, technological advances and South Africa's regulatory context - Responsiveness - A relationship of transparency and trust - Educating the public	
The value Telkom creates	We provide information and context on technical and operational developments and thought leadership on issues affecting our industry.	
Telkom's desired outcomes	Enhanced reputation and positive brand positioning of Telkom's products and services.	



11

13

Enterprise risk management and compliance

Telkom has a solid, flexible, innovative and resilient risk and compliance strategy that ensures we achieve our strategic objectives.

Telkom continues to operate in evolving economic, political, technological and social conditions. This environment offers unprecedented opportunities and significant, as yet insufficiently understood, threats. Therefore, the Group's strategic intent becomes even more critical and requires us to constantly balance risks and rewards and monitor strategic risks. It is also worth mentioning that the efficacy of both risk and compliance is monitored to find opportunities for improvement. Risk metrics are in place to monitor risk management by measuring the coverage of risk identification and management. Compliance monitoring activities include control self-assessment exercises in conjunction with management and compliance control validation reviews to determine effectiveness. In ensuring compliance with the prescripts of the King Code, risk and compliance are subject to annual reviews. Telkom reviewed its strategic risks to align with the current realities, including the current impact of our operating environment as set out on [page 40](#).

Our approach to risk and compliance management

Telkom's governance structures continued to support risk and compliance management across the Group, according to their set mandates. There were no material changes during the year.

End-to-end assurance	Board	Oversees risk and compliance across the Group. Provides an integrated approach to governance and management of risk and compliance, supported by a risk and compliance operating model aligned to Telkom's business model.	Oversight
	Risk and Social and Ethics Committees	Monitor and advise the Board on matters regarding risk and compliance, laws and regulations.	
	Group Exco	Integrates risk and compliance management, systems and people across the Group.	
	Integrated Governance, Risk, Compliance and IT Governance Committees	Assess risks and resulting opportunities within the agreed risk framework. Reduce the impact of regulatory risk by driving compliance awareness for all applicable laws, regulations and supervisory requirements.	Enablement
	Group risk, compliance, business continuity management and insurance	Set policies and standards and provide oversight and control.	
	ERM forum	Shares best practices and knowledge, and monitors key risks and mitigating plans.	
	Business unit assurance forum	Affects the ERM framework through effective risk and compliance management and combined assurance to optimise risk-taking.	
	Business unit risk and compliance management	Implement the risk, compliance and business continuity management policies, standards and frameworks. Apply and maintain the compliance risk registers, identify mitigating controls, implement action plans and operationalise the business unit assurance forum. All business units' Excos are accountable for managing risk and compliance within the approved delegation of authority (DoA).	
	Business unit management		

The Risk Committee oversees the activities of enterprise risk management (ERM) and is apprised regularly by management. The Committee also oversees management's activities in ensuring that the ERM framework is embedded and adhered to. When assessing and understanding the amount and type of risks the Group is willing to take, it adopts the principles outlined in the risk appetite and tolerance framework into its discussions and decisions. These are the most critical integrators of ERM and business management.

In managing and dealing with the Group's risks, Telkom ensures:

- There is effective risk management, which is key to its sustainability, and also underpins the Group's long-term relationship with its customers and other stakeholders
- Risk and opportunity management is clearly and consistently integrated into Telkom's culture and managed according to best practice
- People, processes and technology support the strategy, which is underpinned by governance, risk and compliance requirements
- Group-wide interdependencies are recognised in enhancing business resiliency by anticipating, observing and responding to the macro- and micro-environments

Improvements in FY2022

We made the following key improvements as part of the journey towards becoming a risk-intelligent group:

- Ensured the ERM Strategy progressed satisfactorily
- The Group's risk and compliance culture remains a priority and a success driver. Senior Leadership remains committed to the principles of governance, risk and compliance
- Strengthened key risk indicators and mitigation tracking
- Strengthened the integration of Group Strategy and ERM to mature the proactiveness of risk management
- Refined our risk appetite statement to be inclusive of ESG principles
- Identified integration success factors to be addressed during the ESG Strategy execution to enable the success of the ESG aspirations

We also finalised the work-from-home policy and the hybrid model to embrace the new ways of working. This will assist in managing and reducing the risk of COVID-19.

Business continuity management

Telkom continues to strengthen the Group's business resilience. We tested the response plans continuously during the social unrest, COVID-19 pandemic, power outages and extreme weather experienced in FY2022. Telkom's response plans remain adequate and effective across key areas such as stakeholder management, critical resources, and technical resources such as back-up power, alternative power solutions, diesel, water and mobile generators.

Telkom's COVID-19 crisis management structure, namely the Group Emergency Management Team (which reports to Group Exco) continued to ensure the business's resilience during the pandemic.

Telkom remains committed to collaboration principles, maintaining communication services during adverse conditions and supporting local and national government should a crisis arise. Telkom continued to ensure that its infrastructure, business processes and emergency management procedures have the flexibility required to safeguard the interests of our key stakeholders, reputation and brand.

Emerging risks in FY2022

ERM endeavours to identify and assess emerging/external risks and opportunities that may impact the Group and to ensure our exposure is minimised.

Potential emerging risk	Description
More COVID-19 waves	The risk of further COVID-19 waves, and the lack of understanding its associated impact, created uncertainty. Although COVID-19 appears to be moving towards endemic, some consequences still necessitate further assessment and response strategies to be put in place for the long term. The business landscape will face greater uncertainty in the post-COVID period, including the ongoing impact of COVID-19 on global supply chains.
Lack of social cohesion	Social cohesion remains a critical driver of long-term prosperity and competitiveness. Lack of cohesive societies threatens political stability, efforts put on economic growth, business development and competitive sustainability. Telkom's ability to enable the communities will be hindered. In this global and multicultural world, Telkom will be challenged to respect the diversity of our people, partner with communities and to break the digital divide.
Global dominant players entering African markets	Current global players, such as Google and Amazon, have traditionally limited footprint and inroads into South Africa. As opportunities in Europe are limited, there may be a drive to grow their presence in Africa. It would be difficult to compete purely on price. Business conditions in most African economies have improved significantly in the last 15 years, resulting in the development of new value chains that are based on telecommunications platforms, agribusiness and energy.
Redefining the societal compact	The risk of commercialised/urban economies vs. industrialised/rural economies to achieve a green and circular economy, which is aimed at reducing societal dependencies (reuse, repair, refurbishment, leasing, cascading, capacity sharing or 'dematerialisation'). Challenges towards a new social compact might have an impact on the way Telkom conducts business that takes into account green initiatives for the benefit of stakeholders.
The next pandemic/health risks	The world may experience another pandemic. At a micro-level, it is important to create an anti-fragile environment by building the right capabilities that can respond to some of the health risks with minimal impact, where possible, to safeguard Telkom's sustainability. There is reliance on human capital which exacerbates the risk.

Our strategic risks¹

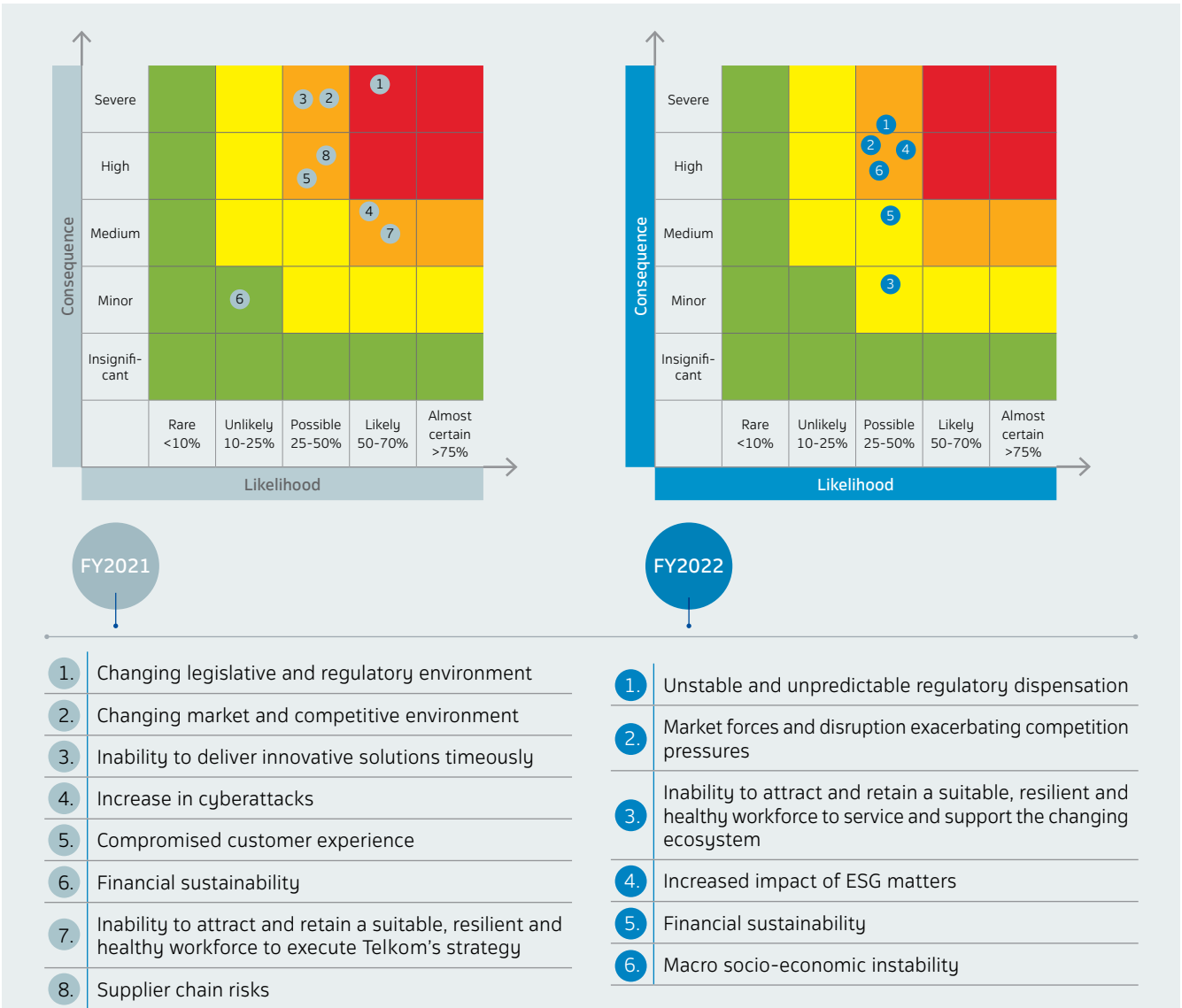
Unanticipated events continued to unfold during the year under review, leading to several critical challenges for Telkom to manage speedily to avoid significant exposure to our business. Therefore, Telkom focused on building a resilient culture that can adapt at the speed of change experienced.

The Group's strategic risks were reviewed based on these three dimensions:

- **Macro-economic risks** likely to impact Telkom's growth opportunities, such as economic conditions, ability to access funds, etc.
- **Strategic risks** with the potential to affect Telkom's business strategy/objectives. These risks can be uncertainties or opportunities that can guide decision-making. There are crucial matters that the Board, shareholders or investors can be concerned about regarding strategic intent

- **Operational risks** with the potential to impact critical operations through increased cyberattacks, supplier chain disruption, non-compliance, etc.

The risks were identified in the context of Telkom's financial and non-financial strategic objectives. Some of the risks mentioned in the previous financial year were reduced to an operational level and controlled by the various governance structures. The Board subcommittees continue to oversee them. The risk heatmap below reflects the residual risk rating, which considers the mitigation controls in place.



In line with the global risk landscape, Telkom's risk landscape is changing quickly, and this is driven by two main factors, one man-made and one natural. On the one hand, societies and working processes are becoming increasingly digital and therefore more vulnerable to a loss or misuse of data. At the same time, climate change is altering the occurrence, severity and frequency of natural catastrophes. Both trends will require the telecommunications sector to adapt accordingly.

¹ The enterprise and risk management report details Telkom's material risks according to the governance requirements contained in paragraph 8.63(s) of the JSE Listings Requirements. This report is available online at www.telkom.co.za/ir.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
1 Unstable and unpredictable regulatory dispensation		
Unstable and unpredictable regulatory dispensation influenced by the changing market, customer and technological trends may impact Telkom's long-term decision-making and investment aspirations. It also creates competitive pressures and unexpected costs that can hamper Telkom's profitability and sustainability.	- Continuous engagement with key government stakeholders - Manage our compliance universe effectively to improve our relationship with regulators and ensure we remain compliant - Proactively implement new legislation - Continuously scan the regulatory environment (including outside of ICT) - Empower and support the regulatory and compliance teams - Monitor key risk indicators	In our environment, legislation emerges and changes continuously with increasing requirements that might impact long-term decision-making and investment aspirations. Telkom continues to proactively manage this risk to reduce the exposure. Opportunities exist to influence some regulations to ensure we derive an optimal outcome, including a level competitive landscape. An opportunity also exists to review the significant cost of compliance, whether in terms of infrastructure, technology or people, and the time spent ensuring compliance.
2 Market forces and disruption exacerbating competition pressures		
Telkom operates in a competitive and rapidly changing market. The increase in technological innovations, accelerated market deregulations, customer expectations, and new entrants in the connectivity space exacerbate this risk. These put pricing and product offerings under pressure as Telkom strives to remain competitive. Failure to swiftly respond to competitive threats could negatively impact the Group's prospects, including its market share, relevancy, revenue growth and profit margins.	- Continuously monitor the market and competitive landscape, using intelligence to gain further insights - Develop product offerings that appeal to customers and explore upselling opportunities - Develop and implement adaptive strategies focused on innovation - Investigate strategic partnerships to increase competitive advantage - Implement an employee value proposition to ensure the competition does not poach our critical employees - Invest in technology that ensures agile and speedy solution delivery - Identify and address operational inefficiencies	The risk remains a strategic priority as products, services and technology are crucial for our transformation and to be competitive. Telkom needs to understand customer needs and continuously review the market to inform changes. Business process re-engineering, network augmentation and incremental innovation remain critical for staying relevant and agile and meeting our customers' needs. Refer to page 46 for more information on Telkom's Strategy.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
3 Inability to attract and retain a suitable, resilient and healthy workforce to service and support the changing ecosystem		
The world is experiencing several changes, such as a shift in the way companies work, hybrid working models, customer behaviours, technology trends, etc. This requires talent that can provide a sustainable competitive advantage. Failing in this regard might result in the loss of our competitive advantage, an increase in employee costs and delays in achieving the Group's Strategy.	- Design and implement the culture transformation journey - Develop a recruitment strategy that will merge the demands of business while allowing flexibility to the workforce to align with market demand - Develop and implement change management processes to keep up with the pace of change and enable a robust environment	Telkom's employee strategy addresses this risk. It focuses on transitioning employees to a hybrid way of working and creating an environment that gives employees the right level of growth, experience and opportunities. Opportunities exist to improve strategies to attract relevant skills to participate in the digital world and review the retention strategy of critical talent. Refer to page 78 of the human capital chapter for more information.
4 Increased focus and scrutiny on ESG matters		
Increased focus on ESG matters is due to the rapid heightened importance of sustainability matters in society, an increase in climate change awareness, social inequality, and corporate misconduct. This might impact Telkom's financial sustainability and reputation and create limitations in accessing opportunities.	- Develop and implement a Group ESG Strategy, with defined roles and responsibilities - Integrate ESG risks into the ERM framework	Telkom defined an ESG Strategy that is practical, measurable and can be implemented. It includes and builds on the current initiatives in flight, such as energy and water efficiencies. The opportunity exists for Telkom to execute the ESG Strategy to contribute to the sustainability agenda. Refer to page 50 for more information on Telkom's ESG Strategy.
5 Financial sustainability		
Maintaining financial capacity is crucial to sustain or grow operations while building adequate financial resilience to manage unforeseen economic events. This risk can be due to: - A depressed economic environment with added pressure from COVID-19 - Insufficient liquidity and/or cash flow deterioration - Inability to generate free cash flow - Customers not paying on time - Unsustainable leverage ratios	- Monitor our sustainable Cost Management Programme - Launch new products to drive revenue - Continue with cash release initiatives, such as the Supply Chain Finance Programme - Maintain adequate debt headroom and disciplined capital allocation with flexible capex investments and secured debt facilities - Maintain a sound governance framework that ensures transparent financial and operational frameworks and supportive credit ratios	This risk is a priority for the Group. Customer retention and customers' experiences are key aspects of building a financially sustainable business. We have an opportunity to build financial resilience in the face of a demanding trading environment, focusing on several levers: - Sustainable cost management - Cash preservation - Disciplined capital allocation - Mitigating financial risks, such as liquidity - Grow the business/operations Refer to page 20 for more information on the financial performance.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
6 Macro socio-economic instability		
Telkom is not immune to the critical characteristics introduced by socio-economic matters that influence consumers' behaviours, preferences, attitudes and quality of life. Therefore, this instability creates uncertainty, particularly where consumers are critical to the Group's success. This volatility affects the levels of profitability and cash generation that are considered acceptable. It also impacts our shareholders' perspective around the Value Unlock Programme and future growth.	- Formulate and implement initiatives and frameworks aligned with the National Development Plan - Enforce collaborative efforts with social agents and foster private-public partnerships - Strengthen corporate social responsibility initiatives - Develop and implement the youth employment strategy - Continue to invest in advocacy that assists in driving a positive behavioural change	This risk is outside of Telkom's control. However, how we manage our financial stability contributes to managing this risk. Despite the macro socio-economic risks, there are opportunities. The global market continues to grow. This indicates an opportunity to offer products and services that improve the country's economic agenda. There are opportunities to partner with communities to address unemployment issues, break the digital divide, and grow small to medium businesses. Refer to page 46 for more information on our strategy, and page 85 for more information on our ESD support and the work of the Telkom Foundation.

Compliance

Telkom is subject to various legislative obligations. This is due to the increase in volume and complexity of regulations in past years. ERM Compliance delegates the implementation of the approved compliance policy and framework to management. Management is the first line of defence and owns the business and regulatory risks. Compliance maintains and improves Corporate Centre oversight and provides guidance for compliance activities as a second line of defence.

The compliance risk status is reported to the Risk Committee on a quarterly basis. The Committee reports to the Board, confirming that value-added corporate governance is achieved and highlights the seriousness of addressing the risk of non-compliance leading to penalties, fines or sanctions.

Two personal information breaches that affected four data subjects were reported to the Information Regulator. No material/critical non-compliance issues, repeated regulatory penalties, sanctions or fines for contraventions with statutory obligations were reported by Telkom.

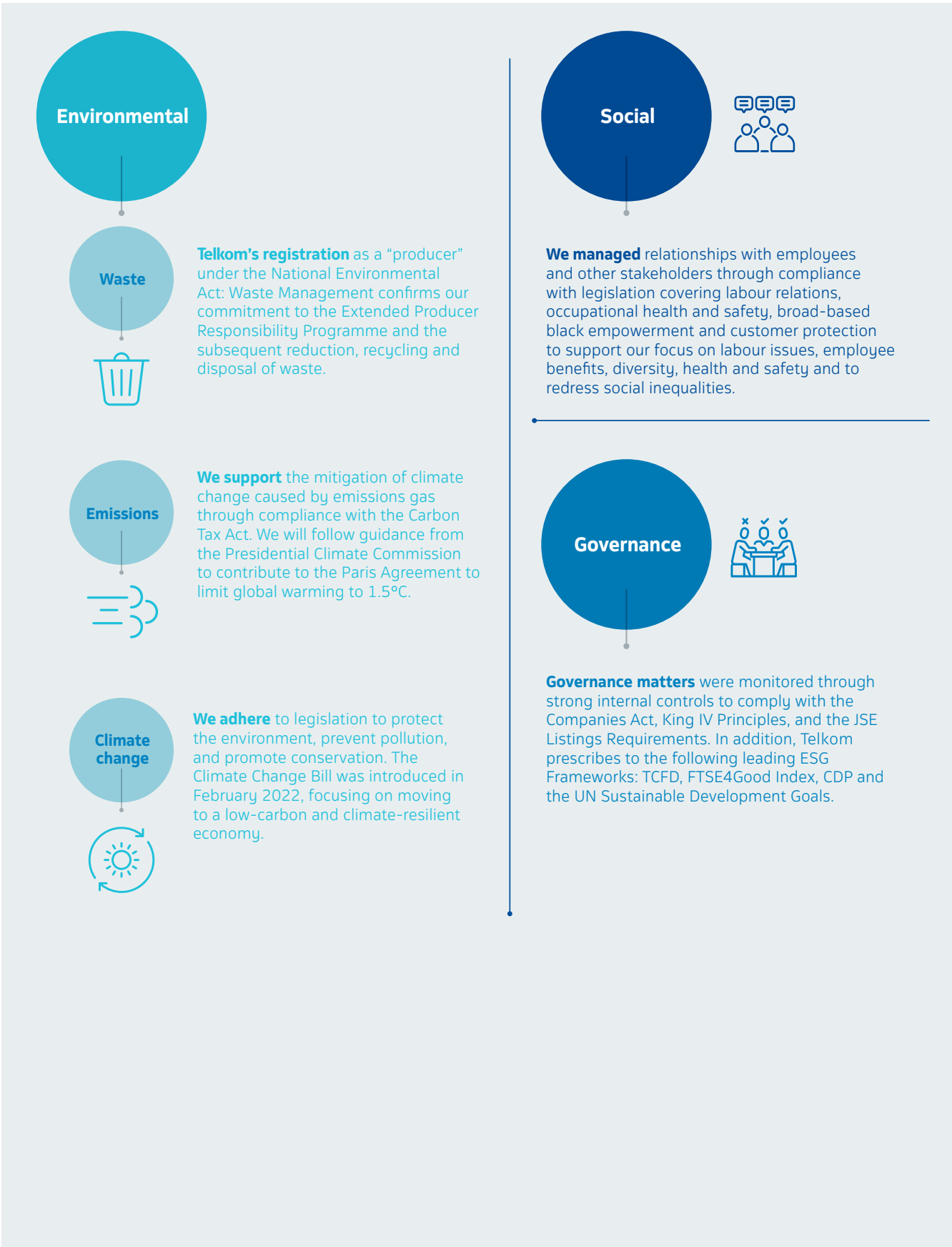
Legislative focus

The proper treatment of personal information is important to our customers and employees. They are concerned about cyberthreats and social media exposure as the digital transformation journey unfolds. Telkom dedicated resources toward readiness for compliance with the Protection of Personal Information Act; preparing for obligations under the Cybercrimes Act; and dealing with exposure under the Films and Publications Amendment Act regarding distribution of online content, including social media. There is still a focus on the Payment Card Industry Data Security Standard due to the increase in e-commerce and online transactions since the pandemic started.

Telkom participated in workshops directed by the Department of Cooperative Governance and Traditional Affairs following the comprehensive assessment of national legislation. This was to inform the proper application of section 2(1)(b) of the Disaster Management Act for disaster occurrences that can be dealt with effectively under other national legislation.

FY2022 compliance focus areas

The compliance focus areas included ESG matters and challenges in cyber trends.



Risk and compliance focus areas for FY2023

The ERM Strategy is based on four key strategic themes:



Our strategy review

Our customers are at the heart of what we do. This is reflected in our intent to derive value by putting our customers first.

We constantly review our strategy to ensure it remains relevant in our rapidly changing, complex and challenging operating environment. In September 2021, we reviewed our strategy relative to the changes in our external environment. While specific tactics and actions are changing, our strategy framework remains relevant and resilient.

We play a leading role in South Africa's digital revolution. We leverage our converged ICT leadership to enable solutions that enrich our customers' lives, be it at work, through online education, or via entertainment (movies, music and gaming).

This positions us for long-term sustainability through returns to shareholders. It also aligns with the four SDGs most applicable to our business. Refer to [page 150](#) for information on our reporting approach to SDGs. Our performance against the SDGs is included in the appendix on [page 150](#).

We achieve our strategy through five strategic pillars. These pillars guide us as local and external conditions show signs of normalising.

Leader in the converged ICT market

P

Portfolio diversification

Expand and invest in e-commerce, big data, gaming and fintech

I

Integrated solutions

Offer end-to-end converged propositions from connectivity to IT solutions

V

Victory in broadband

Become the leading broadband provider in South Africa

O

Operational efficiency

Develop operational superiority which provides a competitive advantage

T

Technology innovation

Modernise and build a state-of-the-art network

Evolving operating model

People and organisational capabilities

Partnership model

Sustainable financial framework

P

I

V

O

T

Captures the transformational changes to our core business by moving from voice to data, from legacy to fibre, fixed wireless to mobile, and from connectivity to IT services solutions and digital ecosystems.

These five strategic pillars are executed through different business units. Based on the pillars, each business unit has its strategic objectives and focus areas. Each business unit's performance is discussed in the productive capital chapter starting on [page 54](#).

The strategy is underpinned by Group enablers with initiatives to drive continuous improvement in these areas as part of our strategic planning and execution. Despite increased digitalisation, our people remain the driving force of our business. Therefore, we remain committed to their ongoing development and empowerment for decentralised decision-making. Our move to a more federated operating model, with a lean Corporate Centre, is one facet of this. We realise that improved customer experience depends on simplifying and digitising our processes, and we are implementing initiatives to drive this. Refer to [page 78](#) for more information on human capital.

We continue to strengthen the interaction and synergies between business units, while maintaining their focus and accountability. This improves our agility and responsiveness to the market, and the delivery of products and services to customers.

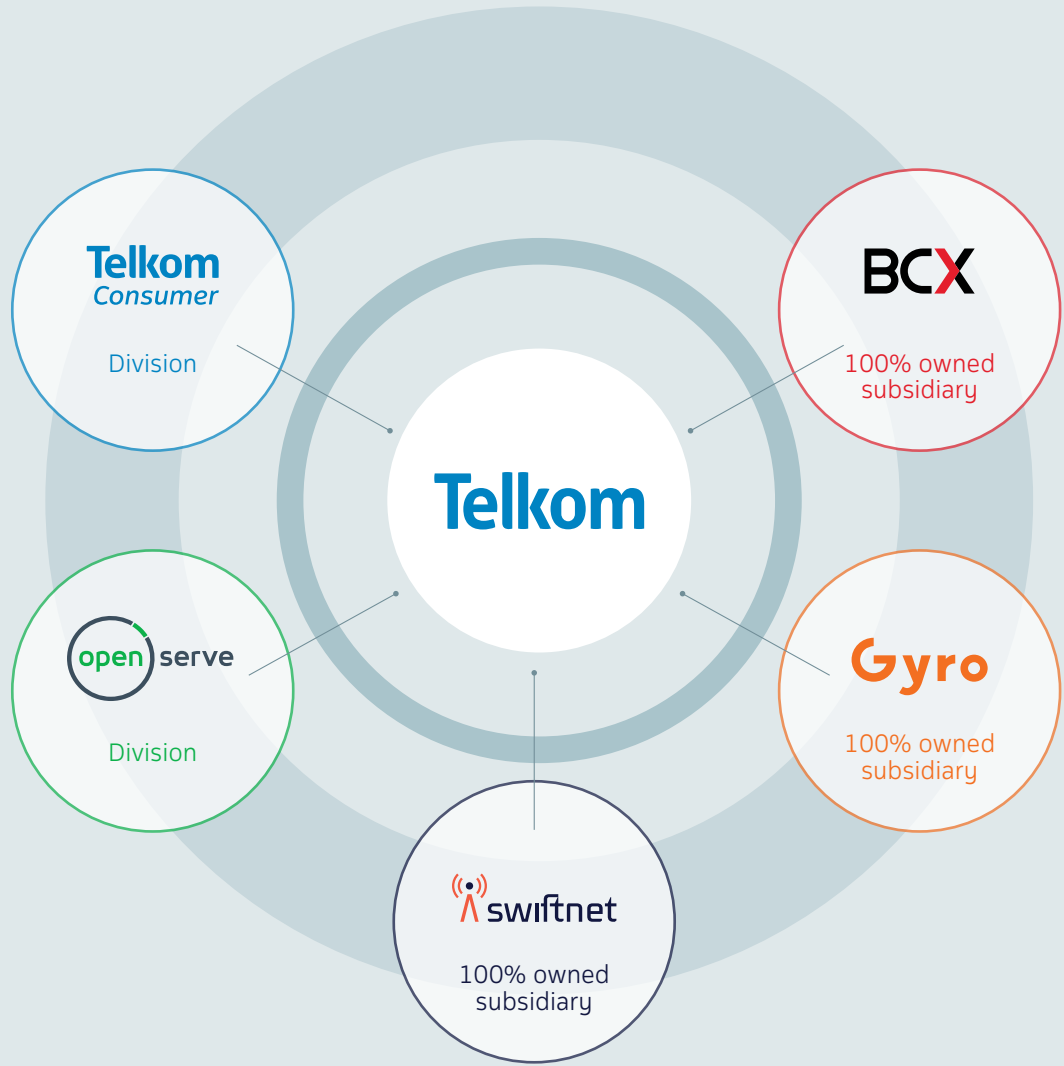
Our strategic pillars

						Why are these metrics important?
P	Portfolio diversification	We seek opportunities to generate new revenue streams from existing and emerging digital services. Each opportunity will be considered on its merits, and will inform our decision to build, buy or partner.	FY2020 FY2021 FY2022	Insurance policies	Productive tower portfolio	This shows the development of new revenue streams to complement our core services.
				75 271	3 648	
				93 356	3 699	
				120 750	3 916	
I	Integrated solutions	We want to strengthen our ability to comprehensively address our customers' ICT needs. This requires the appropriate access solution to seamlessly integrate with a range of IT services, from traditional (hardware and software) to new and emerging (cloud and Internet of Things) IT services and analytics.	FY2020 FY2021 FY2022	Cybersecurity product and service revenue (R'million)	Enterprise next-generation data revenue (R'million)	These metrics indicate the progress in replacing traditional fixed-line revenues with cybersecurity and next-generation data revenue.
				247	615	
				293	898	
				456	1 147	
V	Victory in broadband	New digital services are built on high-speed data services. We are accelerating our capability to disrupt the local broadband market by leading in the delivery of innovative and value-rich solutions. These are offered to residential and commercial customers over the optimal access technology – fibre, fixed wireless, mobile, satellite and copper.	FY2020 FY2021 FY2022	Fixed broadband data traffic (petabytes)	Mobile broadband data traffic (petabytes)	Continuous growth in data traffic highlights the increased demand for data-centric services.
				1 113	615	
				1 428	942	
				1 665	973	
O	Operational efficiency	In an increasingly competitive world, our success depends on continually improving the efficiency and effectiveness of our operations.	FY2020 FY2021 FY2022	Fibre connectivity rate (%)	Fibre average time to install (days)	The market-leading fibre connectivity rate indicates success in monetising the fibre rollout. Fast installation times are being maintained despite accelerated fibre rollout, which demonstrates robust operational efficiency.
				48	5	
				51	3	
				46*	3	
T	Technology innovation	We aspire to operate with the best scalable and most efficient network. To achieve this, Telkom will invest in the optimal mix of technologies.	FY2020 FY2021 FY2022	Fibre access connections	Mobile base stations	These metrics show the accelerated growth in fibre access connections and the steady growth in Telkom's mobile network.
				219 583	5 862	
				281 583	6 430	
				389 109	7 313	

* Higher number of HP in the last part of financial year compared to the Homes connect resulted in negative ratio.

Telkom operating model

Our federated operating model enables focused strategy execution through the five business units discussed on page 8. Some of our businesses are separated functionally (Openserve and Telkom Consumer) while others are separated structurally (BCX, Swiftnet and Gyro). We are completing the process of structurally separating Openserve to enable a greater range of Value Unlock opportunities and to complete the federated operating model.



Business unit strategic focus and performance

Openserve	Telkom Consumer	BCX	Swiftnet	Gyro
Key strategic focus areas				
1. Scalable network 2. Commercialise the network 3. Transform service delivery	1. Accelerated Mobile growth 2. Drive high-speed broadband 3. Expand the mobile network 4. Drive digital and financial services revenue	1. Converged Communications is migrating clients to next-generation technologies 2. IT business 3. Cloud Platform Solutions 4. Digital Platform Solutions	1. Optimise and grow masts and towers 2. Acquire strategic sites and build new towers in line with NMO demand 3. Expand range of products and services offering	1. Commercialise the property portfolio 2. Enhance building costs and operational efficiencies 3. Optimise utilisation of existing data centre
FY2022 performance				
Stabilised revenue Successfully executed digital transformation initiatives Aggressively increased homes passed with fibre by 52.7% Introduction of innovative WebConnect and UniConnect connectivity products Launch of high-speed 500 Mbps product Recognition by LinkedIn for being one of the top 25 best workplaces to grow your career in South Africa in 2022	Mobile operating revenue up 6.3% to R21 415 million Mobile active subscriber base up 10.5% to 16.9 million Mobile data revenue up 2.9% to R12 563 million Mobile broadband subscribers up 3.8% to 10.7 million Consistent growth in TelkomONE video streaming service on the back of SABC channels and local content 13% growth in non-connectivity revenue to R827 million	Cost management initiatives reduced expenses by 1.9% Capex growth up 9.2% to R567 million Overall, revenues are under pressure due to the impact of lockdowns and the shortage of global semiconductor chips 35% growth in artificial intelligence for IT operations (AIOps) Growth of 19% in the Internet of Things (IoT) business The Wi-Fi business grew by 12% year on year	Masts and towers revenue up 4.4% to R1 292 million Capex growth up 96.8% to R366 million Productive portfolio sites up 5.9% to 3 916 New towers (Build Programme) up 31% to 152 New IBS (Build Programme) up >100% to 17	Forty (40) properties sold for R66.8 million Four development projects are in the final stage of development planning and will be ready for construction in the next calendar year Ongoing focus to pursue carbon neutrality and net zero as part of Telkom's ESG Strategy

Our Group ESG Strategy

Telkom is committed to uniting our people and leveraging our capabilities to deliver on the Group's purpose. We have developed our ESG Strategy to be a natural extension of our purpose and to align with our PIVOT strategic pillars.

We aim to create shared value for all our stakeholders in a manner that is environmentally responsible, supports broader social imperatives, and respects the rights of all. In addition, we have selected SDGs where we can have a substantial impact and influence.

Our ESG Strategy has clear focus areas and goals that seek to unlock long-term success for all our stakeholders. It formalises our approach to sustainable business practices, with outcomes tracked and measured to ensure we deliver against our ESG commitments.

Our ESG objectives are enabled by our Group-wide capabilities, portfolio of products and services, and are driven by our people. We have mapped our ESG focus areas to Telkom's capitals to align with our longstanding capitals reporting approach (see *Aligning to our capitals* six alongside). As noted by our Chairperson, we already have many ESG in flight and planned initiatives in place (see *Key ESG initiatives* alongside) and our ESG imperative is enabled through these.

Telkom is intentional and unequivocal in its pursuit to deliver sustainable value to all our stakeholders, and our ESG Strategy provides a framework for deliberate action to achieve this.

	Environment
	Social
	Governance

Our ESG vision

Deliver the future of converged ICT solutions underpinned by our drive to create sustainable economic, environmental and social value

ESG focus areas

 	Operational efficiencies	Responsibly mitigate climate change impact through our energy, water and waste management practices
	Digital planet	Pioneer digital solutions that help our customers reduce their environmental footprint
 	Investing with Purpose	Enable shared value through our social investment, enterprise and supplier development and workplace programmes
	Digital services	Deliver ICT solutions which enable socio-economic uplift
	Empowered communities	Broaden access to affordable and inclusive digital connectivity, enabling a better life for our customers
 	Business stewardship	Instil accountable and ethical operating practices and encourage responsible technology use, data privacy and security

ESG focus areas

Aligning to our six capitals

		Financial capital	Productive capital	Intellectual capital	Human capital	Social and relationship capital	Natural capital
							
 	Operational efficiencies						
	Digital planet						
 	Investing with Purpose						
	Digital services						
	Empowered communities						
 	Business stewardship						

Alignment to our Sustainable Development Goals commitment



ESG commitments

- Become Carbon Neutral by 2035
- Achieve Net Zero by 2040
- Enable responsible water consumption and energy usage by deploying utilities monitoring IoT devices for our business and government customers
- Impact 100 000 lives through SMME spend by 2025
- Impact 30 000 lives through digital literacy by 2023
- Grow our female talent pool for Senior Management positions and demonstrate intent-to-action
- Bridge the digital divide through our educational, entertainment and financial services platforms
- Grow SA's business segment by providing our digital solutions to businesses and government
- Improve digital inclusion for South Africans by providing internet access over Telkom's wide-spread mobile and fixed wireless broadband network
- Promote fair and ethical practices towards our customers and within the organisation
- Enhance contract simplification and billing transparency

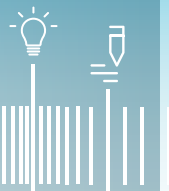
ESG focus areas

Key initiatives

 	Operational efficiencies	- Reduce Telkom's operating environmental footprint - Deploy IoT devices to monitor energy and water utilities on customers' sites - Optimise water heating, water efficiency and water harvesting	- Modernise fixed-line infrastructure from legacy copper to fibre - Sustain cable recycling project - Review operation of HVACs and replace aged heating, ventilation, and air conditioning	- Optimise consumption of utilities (water and electricity) through IoT devices - Install sensor technologies and light-emitting diode (LED) lighting - Reduce R22 gas in the system - Commence wastewater recycling project
	Digital planet			
 	Investing with Purpose	- Enhance our culture, engagement and employee experience - Grow local SMMEs - Increase uptake of the Telkom Digital Wallet - Roll out and grow wholesale ISP	- Develop the workforce of tomorrow - Invest in township innovation - Expand Telkom Pay (mPOS) - Provide superior backhaul services - Provide educational videos through TelkomONE	- Recruit to grow an inclusive workforce - Zero-rate access to key public websites - Expand edtech services - Connect more homes to fibre - Expand the mobile network
	Digital services	- Expand educational content through the Lightbulb education platform		
	Empowered communities	- Provide digital healthcare solutions		
 	Business stewardship	- Engage customers on contract and financial literacy	- Connect more townships - Simplify our contracts	- Enhance accessibility to internet services for environmental management and social services organisations

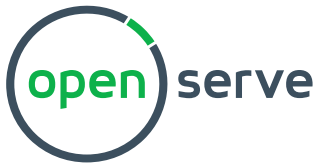
FY2022 performance

4



Productive capital	54
Openserve	54
Telkom Consumer	58
BCX	62
Swiftnet	66
Gyro	70
Intellectual capital	74
Human capital	78
Social and relationship capital	84
Natural capital	90





Key strategic focus areas
Scalable network
Commercialise the network
Transform service delivery

Openserve's stabilisation path is well underway in turning around several years of revenue declines. As part of our transformation journey, Openserve's overall revenue mix evolved into next-generation-led products and services, which now represent more than half of our revenue base. Openserve continues to focus on future growth areas and has seen a sustained uptake in high-capacity links and an increase in demand for fibre services across both the carrier and consumer segments. However, the impact of the post-pandemic recovery is still evident in the challenging performance in our small and medium businesses. To improve our service delivery, Openserve enhanced customer engagements and accelerated digitisation during the year.

Performance overview

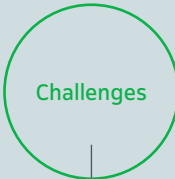
Revenue declined marginally by 0.4% to R13 428 million, underpinned by growth in data and offset by the decline in the legacy business. The performance also reflects the impact of the post-pandemic recovery. This is still evident in the challenging performance in the small and medium businesses. Although overall revenue was flat, Openserve's revenue from external customers increased by 2.8%.

Fixed-data revenue increased by 5.5% due to an increasing demand for high-speed fibre broadband connectivity of 30.8% and growth of 13.1% in carrier links. The decline of legacy fixed business remains in line with management's expectations, with fixed voice revenue reducing 9.4% year on year.

EBITDA of R4 163 million with an EBITDA margin of 31% was sustained. This was supported by efficiencies extracted from maintaining a modernised network and decommissioning legacy infrastructure.



Stabilisation of revenue
Successful execution of our digital transformation journey
Aggressive increase of **52.7%** in fibre footprint
Strong growth of 16% in fixed data consumption
Introduction of several competitive products and services across segments focused on commercialising our network
Recognition by LinkedIn for being one of the top 25 best workplaces to grow your career in South Africa in 2022



Economic slowdown impacting Enterprise and SMB segments
Declining demand for legacy technology-enabled products
Continued competition in the fibre space
Decrease in fibre connectivity rate



Scalable network

Openserve invested capex of R3 472 million in modernising and expanding our network during the year. This enabled a flexible, modular and scalable network architecture that has ensured Openserve delivers high-speed and increased capacity networks across South Africa, reflected in the increased fixed-data consumption of 16.6% across our network.

As we continue to invest in our robust infrastructure network, we aggressively improved our footprint in the year under review by increasing the number of homes passed with fibre by 52.7% to 839 691. Furthermore, we continue to upgrade existing fibre nodes, allowing us to use our strategic network investments to provide network coverage to additional premises including residential, enterprise and carrier base stations.

During the unrest experienced in KwaZulu-Natal and Gauteng in July 2021, our access network suffered multiple breaks. However, we did not lose any traffic on our core network due to our capability to use auto reroute restoration in case of fibre breaks in the network.

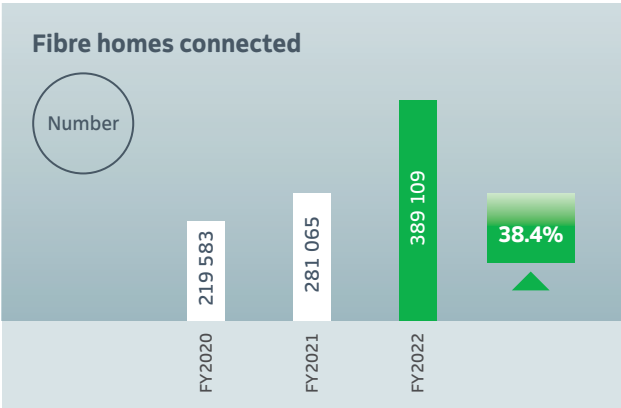
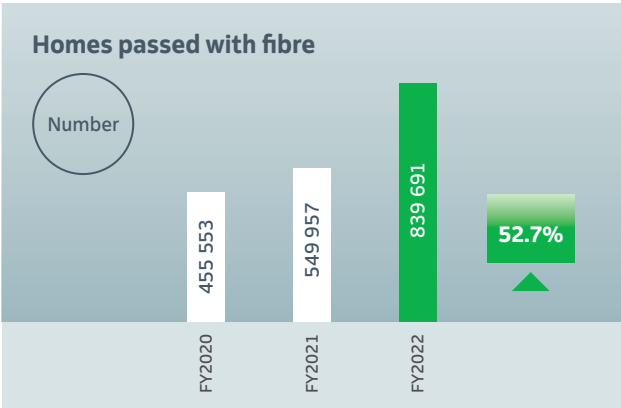


Commercialise the network

During this year we saw the highest increase in the number of homes connected with fibre, resulting in a growth of 38.4% to 389 109 homes connected to our network. This represents a leading connectivity rate of 46.3%, driving our connect-led strategy of connecting premises with fibre. This increased demand for fixed connectivity increased our fixed customer base in the second half of the year. We are confident that this trend will continue as more customers turn to stable high-speed fibre connectivity for their increased consumption needs. Similarly, we saw an increase in carrier backhaul requirements resulting in a growth of 7.4% in carrier links providing high-capacity connectivity to base stations.

In driving innovative solutions aimed at enabling multi-use of our fibre infrastructure, we launched Web Connect and Uni Connect, which are cost-efficient products focused on serving the connectivity requirements of residential and enterprise customers, respectively. We further enhanced our broadband product portfolio with the introduction of the 500 Mbps product expanding our speed offerings to the market. The attractiveness of such value propositions enabled the activation of more than 490 400 services, including broadband and other value-added services such as voice over internet protocol, intercom and security.

Accelerated investment in fibre



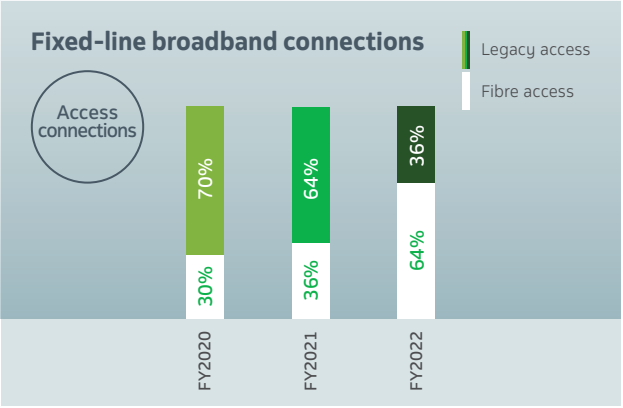
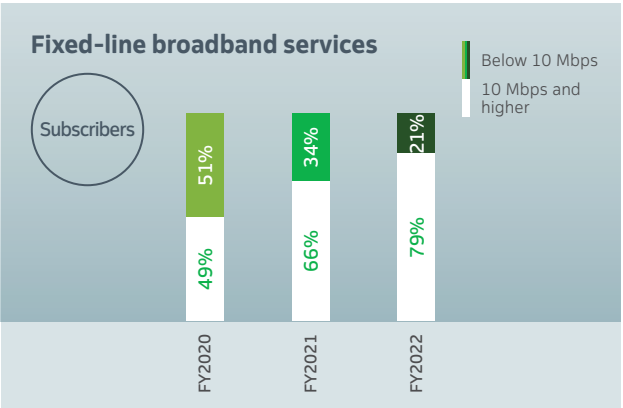
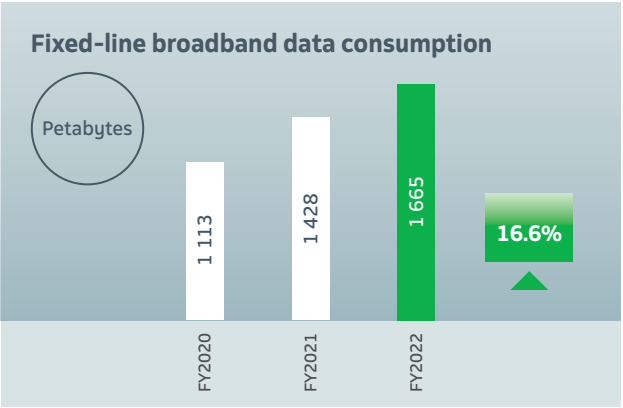
Transform service delivery

Aligned to our customer first strategy, we have aggressively rolled out fibre to improve the experience of our customers across our network, focusing on areas impacted by repeated copper theft. We improved our installation time of new-generation broadband by 12.5%, and the robust restoration capability resulted in an availability index of 99.9%, 99.7% and 99.9% across our access, aggregation and core network layers, respectively.

Our digital and innovation team continues to improve the digitising of our applications and automation processes to improve the experience of our customers using the Openserve Connect app. We have also enhanced our digital customer support by establishing the Digital Experience Centre and the recently launched Openserve Marketing tool. This tool is the first phase of our Unified Partner Platform allowing ISPs to easily promote and manage their deals on Openserve's digital platforms. Such initiatives have reshaped our interactions with our customers, resulting in an NPS improvement of 5.9%.

Inherent to the key strategic imperatives, employee development and wellbeing remains a focal point in our transformation journey. This is evident through the recent successes of being awarded first place at the SA Reward Association for the Openserve Heroes Programme and the recognition of Openserve by LinkedIn for being one of the top 25 best workplaces to grow your career in South Africa in 2022.

Fixed broadband evolution



Looking forward

Investing in modernising the network where required, Openserve successfully tested and deployed XGS-PON with the ability to deliver symmetrical speeds of up to 10G. This will augment Openserve's current FTTx architecture, allowing it to provide higher bandwidth and low latency services to consumers, enterprises and future 5G requirements, aligning with Openserve's strategy to continuously lead, innovate and unlock the potential of our network by extending our services to our clients and improve Openserve's network capabilities.

Openserve is positioned to provide state-of-the-art managed service capabilities as we partner with Google to land our Equinox cable in South Africa. Openserve will have access to a new submarine system offering connectivity to Europe, providing additional diversity for international communications, which should lead to improved customer service levels for international access, services and products. This positions Openserve to utilise our extensive network to provide network edge solutions to hyperscalers and other content, gaming and cloud providers who seek to leverage their scalable network.

As part of the larger digital transformation journey focused towards enabling comprehensive self-service capabilities across fulfilment, assurance and billing to all our customers, Openserve will continue to drive efficiencies across our network footprint, re-engineer our processes and expand our digital platforms to provide a distinctive customer experience with competitive and innovative products as part of our value propositions to all market segments.

As we continue to provide for increased consumption demands by focusing on capital investments to connect the access layer, our strategy to redefine the data connectivity market in South Africa will in parallel drive our future aspirations of serving our customers through a pervasive and high-quality network.



Productive capital



Telkom Consumer

Key strategic focus areas

- Accelerated Mobile growth
- Drive high-speed broadband
- Expand the mobile network
- Drive digital and financial services revenue

The Mobile business continues to drive growth in the Telkom Consumer (Consumer) business. This growth was achieved against the backdrop of an intensely competitive landscape and challenging economic environment. As the overall macro-economic constraints began to materialise, the pre-paid surge slowed as the share of wallet spend plateaued. We continued to grow our pre-paid customer base, with average revenue per user (ARPU) normalising to pre-COVID-19 levels in line with management expectations. In the post-paid consumer market, we grew the post-paid base and maintained high levels of ARPUs. The legacy fixed-line business remains under pressure due to migration from traditional fixed-voice to newer technologies. The impact of the post-pandemic recovery is still evident in small and medium businesses. We remain encouraged by the growth in our non-connectivity/application services which saw double-digit growth in the year under review with a focus on financial services, gaming and content.

Performance overview

During the current year, Consumer's revenue remained relatively flat at R25 753 million, with revenue emanating mainly from the Mobile business. Total Mobile revenue increased by 6.3% to R21 415 million, driven by growth in the customer base, data segment and non-connectivity revenue.

This was partially offset by the decline in the legacy fixed-line businesses across the Consumer segment. Our business remains under pressure due to migration from traditional fixed-voice to newer technologies while the SMB segment remains under pressure due to the impact of the post-pandemic recovery. These businesses are in the process of transitioning from voice to data.

Performance snapshot

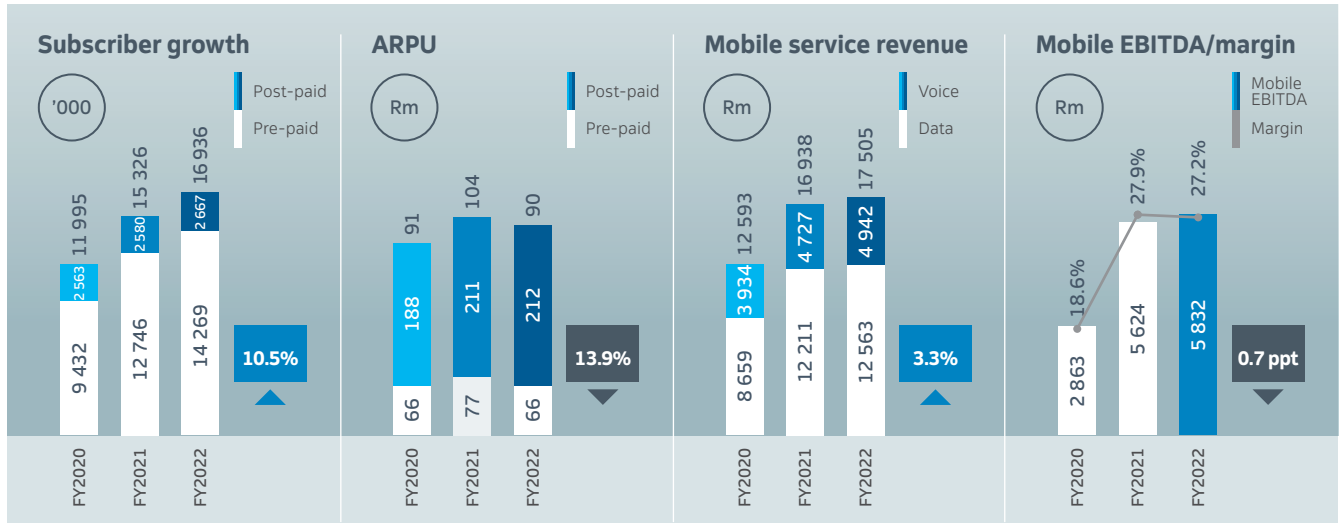
- Mobile operating revenue up 6.3% to R21 415 million
- Mobile customer base up 10.5% to 16.9 million
- Mobile data revenue up 2.9% to R12 563 million
- Stable post-paid ARPU at R212
- Non-connectivity revenue up 13% to R827 million
- Mobile data traffic at 973 petabytes

Achievements

Challenges

- Constrained macro-economic environment exacerbated by a challenging economy, high fuel prices and load shedding
- Tough competitive landscape
- Copper access-based products continue to decline
- Ongoing site vandalism and battery theft

Stable performance against strong prior year



Accelerated Mobile growth

The performance of Mobile was achieved against the backdrop of an intensely competitive landscape and Consumer being under pressure. Despite this challenging environment, external Mobile service revenue increased by 3.3% to R17 505 million underpinned by strong customer growth and stable post-paid ARPU.

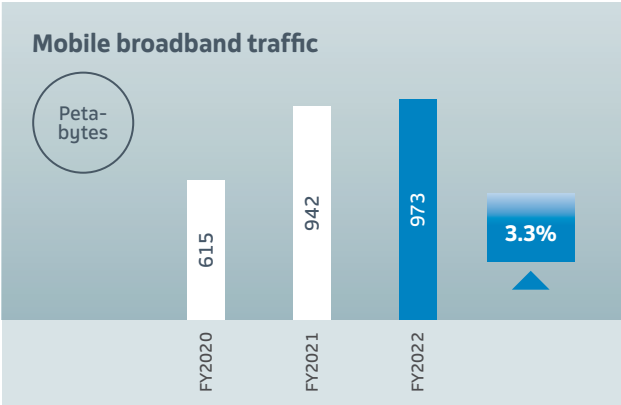
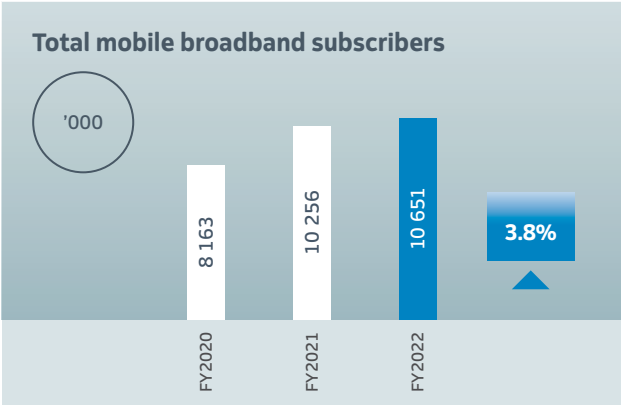
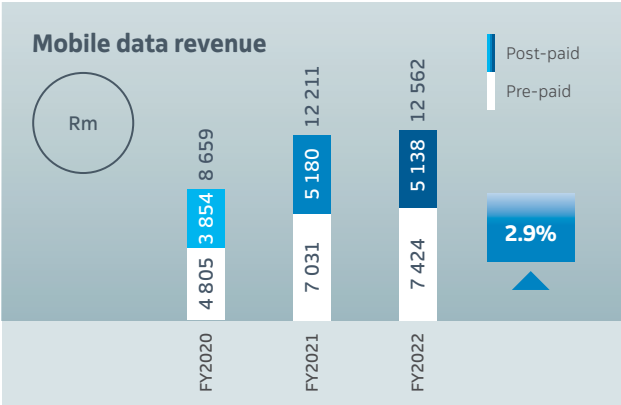
The customer base grew by 10.5% to 16.9 million at a blended ARPU of R90. This growth was driven by the pre-paid customer base, which grew by 12% to 14.3 million at an ARPU of R66 (FY2022: ARPU at R77). In the post-paid segment, our post-paid customer base grew by 3.4% to 2.7 million with a post-paid ARPU holding firmly at R212.

The Mobile communication services transversal contract¹, commonly known as the RT15-2021 contract¹ remains an opportunity that Telkom Mobile is pursuing. Key deals have been secured and we are using the RT15 contract to partner with government to reduce technology expenditure while affording them solutions that enable as many citizens and students as possible to access connectivity and technology.

The Mobile business grew its EBITDA by 3.7% to R5 832 million and the EBITDA margin was at 27.2% due to improved cost to serve ratio decreasing to 27.7% compared to 30% in the prior year.

¹ A contract entered into by the National Treasury, on behalf of government, for the provision of mobile communication services enabling accessibility to connectivity and technology.

Monetisation of broadband traffic



 Drive high-speed broadband

In our continuous drive to increase the utilisation of and improve the adoption of broadband services, we continue to add relevant adjacent products and services into our mobile and fixed-line portfolios. This is in line with our ambition to see adjacent revenues contribute a greater proportion to our revenues. Our private pricing platform, Mo'Nice, which offers value to our customers based on segmentation and their purchase history, is still a favourite among our customers, particularly in the pre-paid segment. This has grown by 9% year on year, with more than 50% of bundle purchases being completed utilising this platform.

In ensuring that all customers benefit from high-speed, high-capacity broadband that enables them access to digital services, we improved our LTE portfolio and introduced more affordable bundles starting at R49 for the lower-end segments while adding uncapped offers at the higher end. Accordingly, our mobile data revenue grew by 2.9% to R12 563 million. The mobile broadband subscriber base increased by 3.8% to 10.7 million, representing 62.9% of our base that is now using broadband. This growth is incremental to the surge in data demand witnessed previously due to the pandemic.

Our multi-faceted content strategy aims to stimulate broadband usage through our content value proposition, namely TelkomONE and our gaming option. Our TelkomONE offering has shown consistent growth, driven by SABC channels and #OpenUpTheIndustry local content. Telkom VS Gaming is South Africa's largest independent gaming brand and is the leading local platform for online gaming. In our attempt to enable ubiquitous access to gaming in South Africa, Telkom VS Gaming launched a mobile league within the Telkom Plus platform that provides new opportunities for casual gamers and lowers the barrier for entry into e-sport.

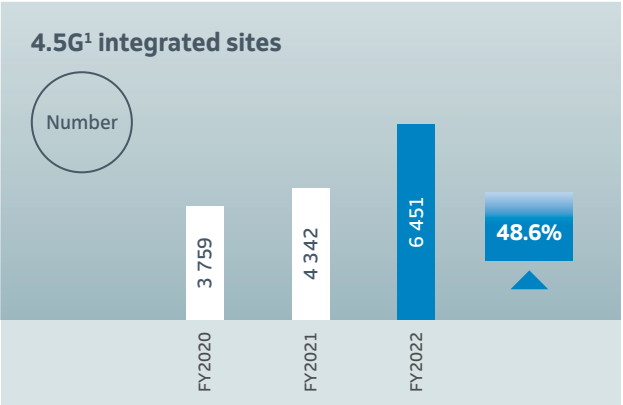
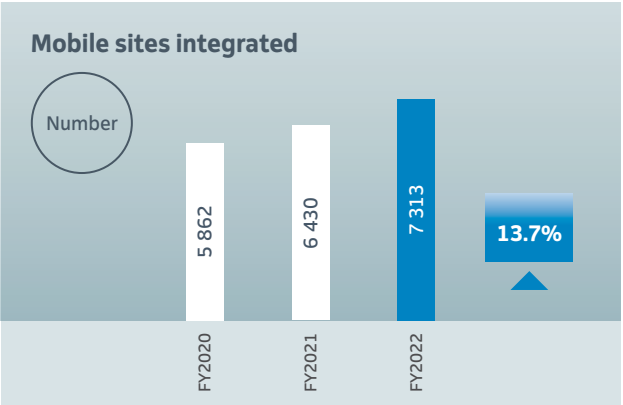
 Expand the mobile network

The data demand has maintained the high levels established by the pandemic, with our data traffic increasing by 3.3% to 973 petabytes. We continue to strengthen our mobile network by investing in our mobile programme, which was supported by a R2 756 million investment. Consequently, our footprint was extended by 13.7% to 7 313 sites.

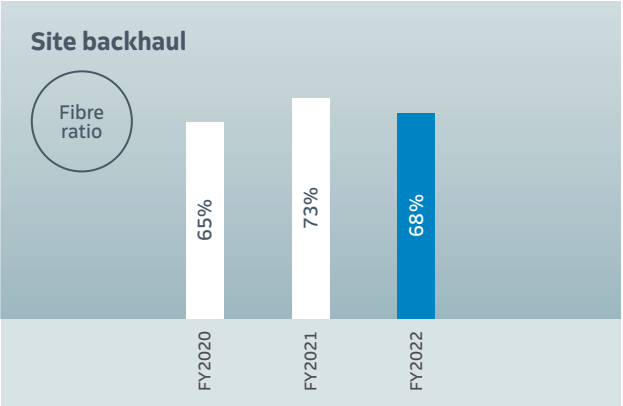
The drive to increase network coverage using the provisional spectrum resulted in 840 sites being upgraded, with the temporary spectrum thus giving us a total of 3 092 sites equipped with sub 1 GHz spectrum. The transition from the temporary spectrum to the newly acquired spectrum from the auction will be seamless from a customer perspective as there would be minimal hardware and software changes required.

Roaming in target areas was reduced significantly for areas with new site build and where sub 1 GHz sites were deployed. The acquisition of 20 MHz of 800 MHz and 22 MHz of 3 500 MHz will enhance coverage opportunities and facilitate the deployment of a high-speed 5G network.

Ongoing network investment



¹ 4.5G is essentially LTE Advanced or LTE Advanced Pro.



Drive digital and financial services revenue

Non-connectivity revenue grew by double-digits, with a 13% increase to R827 million in our mobile financial and micro-content services. Our airtime lending book (nano loan business) has advanced a loan book of more than R2 billion. This nano loan business is driven primarily by airtime recharges which now constitute 24% of total recharges with 5.3 million customers using it. This represents an adoption rate of 49.8% of qualifying customers.

Our digital and fintech revenue streams are starting to gain momentum. The products and channels of financial services provide avenues to de-risk our core business, extend sales channels and offer new revenue. With data being at the core, we will maintain a value-driven pricing strategy and offer segmented value propositions.

Looking forward

The need for reliable always-on connectivity continues, whether at home, on-the-go or in running a successful business. To address this need, we have created a suite of unlimited products across the mobile, LTE and fixed portfolios that provide unlimited data access. Beyond connectivity, this suite of products responds to the economic crunch that our customers are facing by enabling them to predict and control their month-on-month spend.

The services on the temporary spectrum will be migrated to that of the newly acquired one, where we will have a smooth handover between the two. The rollout of 800 MHz will be expanded to close coverage gaps and improve the quality of service for our customers. Furthermore, we currently have more than 50 5G sites nationally covering 31 towns and cities, and we plan to expand this coverage and launch 5G services in the latter part of Q2.

The 50 sites will be augmented with an additional 129 sites which will be built and completed by the last quarter of this financial year. It is expected that these sites will not only enable our consumer customers to experience high-speed broadband, but they will enable BCX to provide bespoke solutions to Business customers such as mines. We also expect Gyro and Openserve to play a significant role in the enablement of 5G through mast infrastructure and transmission backhaul, respectively.





Productive capital

BCX remains under pressure mainly impacted by the IT segment, which faced pressure in its supply chain while Converged Communications is at the tail end of migrating clients to next-generation technologies. This is due to the lingering impact of the lockdown and the global supply chain constraints and shortages of semiconductor chips. The second half of the year saw good growth due to investments in new capabilities, progress made with strategic programmes and renewed activity in the market. As a result, we saw an improved performance with some clawback in revenue though it remains negative. The improvements in performance seen in the last quarter across the business signal a more positive outlook for the next financial year as declines in revenue are expected to end.



Key strategic focus areas

- Converged Communications is migrating clients to next-generation technologies
- IT business
- Cloud Platform Solutions
- Digital Platform Solutions

Performance review

Revenue declined by 2.6% to R15 329 million, mainly impacted by the IT segment, which faced supply chain pressure while the Converged Communications business is at the tail end of migrating clients to next-generation technologies. Renewed activity in the market has boosted our ability to stabilise our pipeline for the next financial year.

The revenue from the **Converged Communications business** declined marginally by 1.1% to R7 274 million, primarily owing to declines in data consumption as employees continue to work from home, and hardware delivery backlogs due to the global shortage of semiconductor chips. The performance impact expected by the decline in fixed voice was slightly tempered by improved usage across the voice portfolio, offsetting data declines and reducing the EBITDA impact expected with this trend.

The revenue of the IT business declined by 4% to R8 055 million due to projects being delayed because of a slower than expected economic recovery, backlogs resulting from the global supply chain constraints and chip shortages.

EBITDA declined by 7.1% to R2 288 million due to top-line pressures. Cost management initiatives were implemented resulting in a 1.9% decline in total expenses. The top line was affected by constraints in the supply chain, which are now reaching manageable levels.

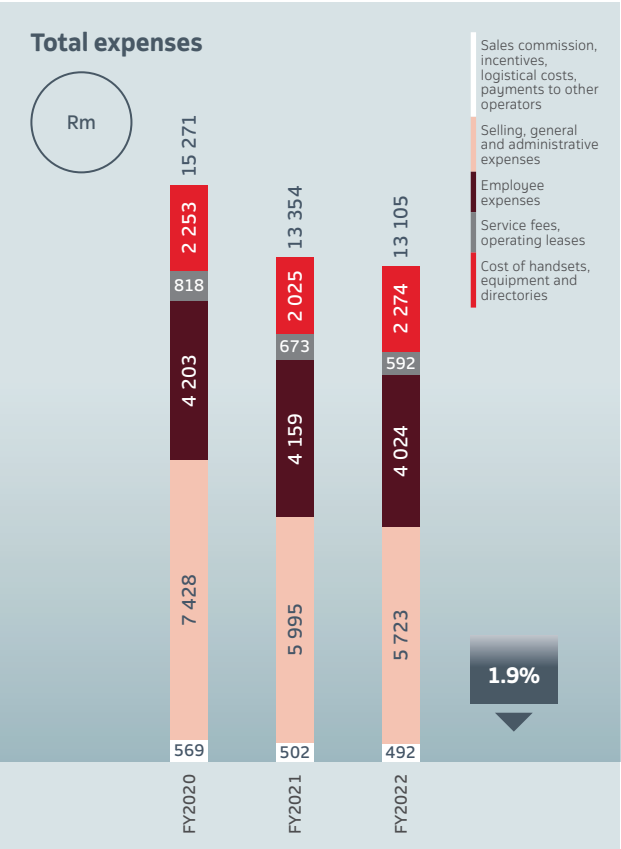
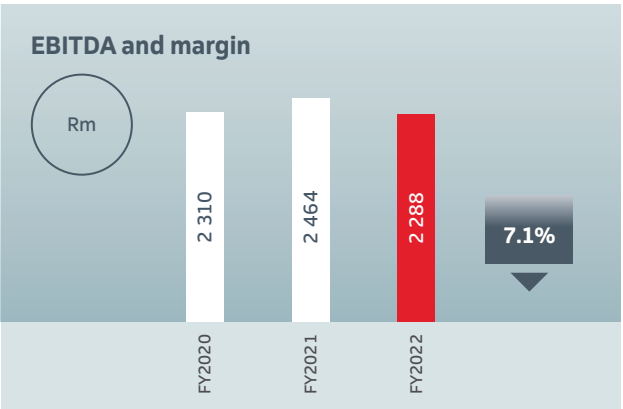
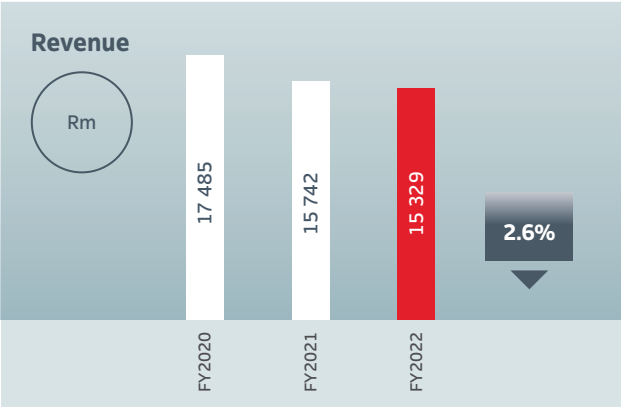


- Total expenses down 1.9% to R13 105 million
- Data centre co-location at 74% with 2 914 racks
- IT business customers up 23.3% to 1 345
- Certified as employer of choice in 2022



- Economic pressures and continuing supply chain constraints
- Top-line pressure impacting EBITDA

Financial performance under pressure

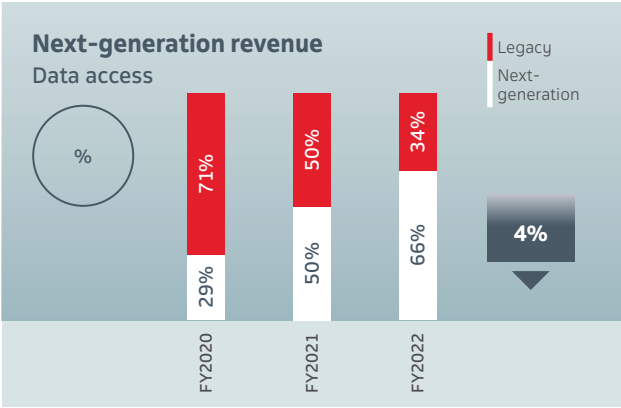
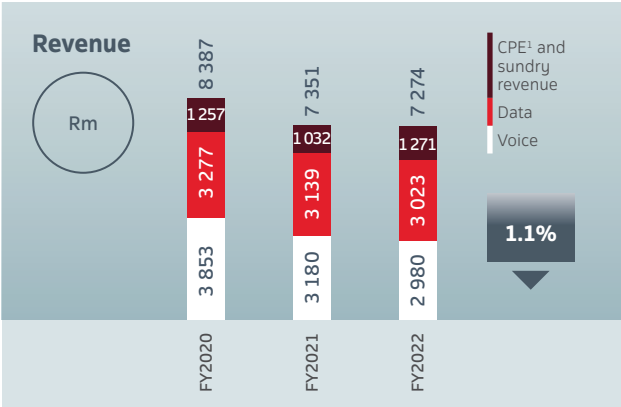


Converged Communications is at the tail end of migrating clients to next-generation technologies

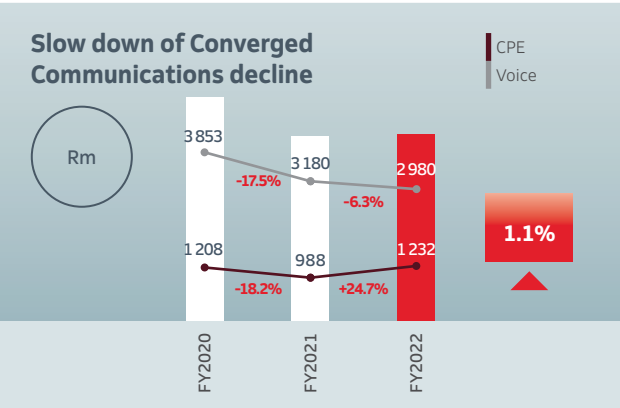
The reduced rate of decline in fixed-voice revenue signals the transition of the Converged Communications business transitioned from legacy services to digital technology services, with investments made in automation, wireless research and development, and in the partner ecosystem for a generous product offering.

BCX's Wireless business and Data Access Network business have been key drivers of Converged Communications' performance. Wireless has seen a stellar performance with a 12% year-on-year growth, driven by the research and development capabilities and a focus on Wi-Fi 6 and 5G. The Data Access Network business has also shown rapid growth over two years. The business benefited from the increase in the availability of bandwidth, the consumption of connectivity, cloud-based applications, and the requirement for work-from-anywhere.

Converged Communications nearing stabilisation



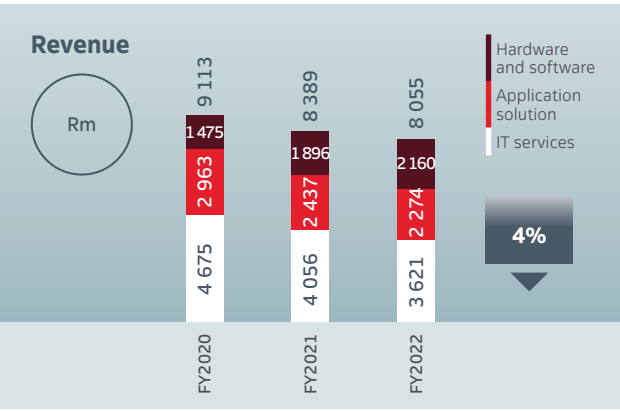
¹ CPE refers to Customer Premises Equipment



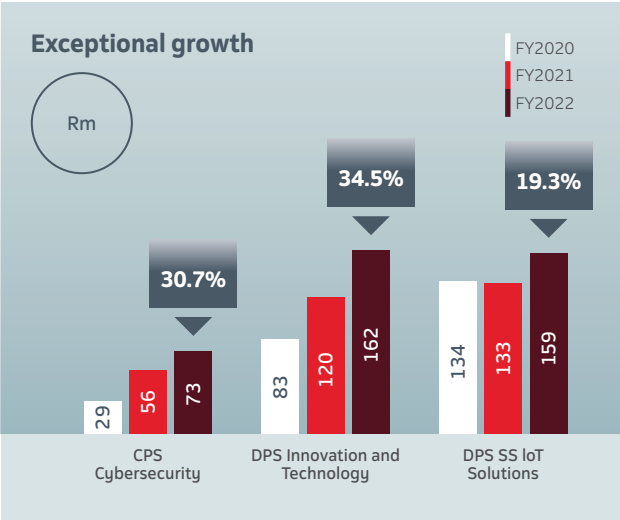
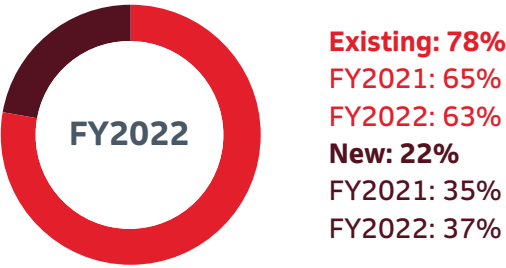
IT business

The IT business consists of two key revenue pillars for BCX. Refocusing the business enabled the Cloud Platform Solutions and Digital Platform Solutions businesses to develop pockets of excellence that are expected to scale in the next financial year. The IT business was most impacted by environmental challenges. A sluggish economy and the Gauteng and KwaZulu-Natal riots which resulted in clients reducing their ICT spend or postponing large-scale planned projects.

IT remains under pressure



Annuity revenue ratio



Cloud Platform Solutions

Cloud Platform Solutions (CPS) is the ICT infrastructure and infrastructure services arm of BCX. Environmental constraints resulted in revenue declines. Due to the nature of the business, CPS requires scale to maintain profitability. In the first half of the year supply constraints had a significant impact on its ability to maintain scale. This turned around as supply began to show signs of stability in the second half of the year and while challenges will continue, predictability improved markedly. Although performance was slow within CPS, its Security business grew revenue significantly in the current year albeit from a lower base. Catalysts for the stellar performance can be attributed to early investments in novel skills and enhanced resources, while increased cyberattacks on clients throughout the year continued to generate revenue for the BCX Security business. BCX's rapid response initiatives on incident reports and in managing security risks for clients were favourably received by the market.

Digital Platform Solutions

Digital Platform Solutions (DPS) is the digital arm of BCX that brings together highly qualified internal consultants, subject matter experts, and sophisticated digital technologies across BCX and partner IP¹, bringing digital transformation to life for our clients. In the current financial year, DPS noted declining revenue as it refocused its efforts on structuring its capabilities for efficiency and modernisation to meet market demands. Investments were made into artificial intelligence for IT operations (AIOps), resulting in revenue growth of 35%, with greater gains made in the second half of the year. Growth of 19% was experienced in the IoT business. This may be attributed to new markets, including the focused utilisation of resources to provide greater client value.

DPS will continue to invest in the AIOps and IoT spaces in the future. It will focus on growing its digital consultancy business, while working towards the diversification of its enterprise application offerings to clients, such as SAP, Payroll Solutions, Octane and SOLAR. Further efforts will be placed on the modernisation of its IP businesses and creating synergies through its centralisation efforts.

¹ Intellectual property

Looking forward

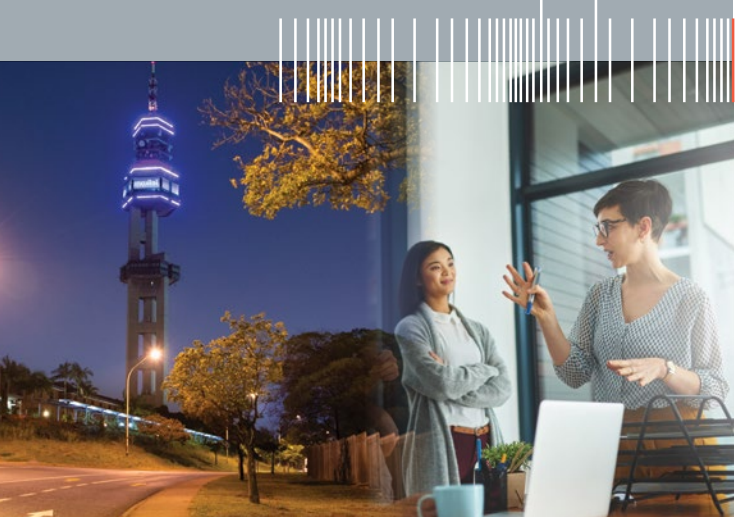
The improved market conditions in the second half of the year have created opportunities for growth and for BCX to pursue its objectives in the medium to long term.

In the medium term, BCX will develop end-to-end digital solutions focused on the key verticals and entry into new markets. In addition, BCX is exploring the introduction of a strategic equity partner (SEP) to unlock shareholder value, drive sustainability and to increase our capabilities within key markets. We would require the SEP to contribute to the capital outlay of BCX, specifically focusing on our strategic investment portfolio. The new partnership should be able to provide access to new products, services, and IP such as industry applications, cloud services, cybersecurity, digital solutions, and transformational outsourcing.

BCX has been certified as Top Employer in 2022 as it sets out to be a leading employer of choice for top industry talent and expertise. This achievement allows BCX to focus on building capabilities at organisational, team and individual levels. The continuation of enhancing digital skills and technical capabilities becomes the foundation of future growth opportunities.

The Converged Communications business transitioned to legacy services due to the reduced rate of decline in fixed-voice revenue signals to digital technology services and using 5G as a key enabler of future growth. Part of this future growth strategy is becoming a cloud orchestrator across cloud consulting and infrastructure by leveraging existing assets and partnerships with hyperscalers. These initiatives are aligned and supported by our intent of growing our own intellectual property to meet the demands of our clients.

Productive capital



Key strategic focus areas

- Optimise and grow masts and towers
- Acquire strategic sites and build new towers in line with MNO demand
- Expand range of products and services offering

In line with Swiftnet’s strategic objectives, we continue to commercialise the masts and towers portfolio. Our growth strategy entails increasing tenancy on the existing portfolio, acquiring sites and building new towers, as well as expanding the range of products and preparing for the implementation of 5G by our clients. Swiftnet’s performance was impacted by termination of sites, continued focus on modernisation from our Mobile Network Operator (MNO) customers and the change in cost allocation methodology in the second half of the year. We remain a very important partner to our customers as they deliver connectivity services to their customers throughout the country.

Optimise and grow the masts and towers portfolio

In the current year, we continued on the strategic course to commercialise and grow the productive portfolio through new tenancies, construction of new towers and IBS as well as the development of value-add services for our clients. During FY2022, we built 152 towers and 17 IBS sites, bringing our total productive portfolio to 3 916 towers. We also decommissioned commercially non-productive towers as we continued to optimise the operational efficiency of our portfolio. We refined our organisational structure to enhance our operational capacity and to service our client more effectively at the regional level.

The revenue from masts and towers increased by 4.4% to R1 292 million and was driven by commercialising the existing portfolio, new tower builds and the rollout of IBS. This performance includes the impact of terminations and an ongoing focus on modernisation from our MNO customers. We expect modernisation to continue over the next year coupled with deployment of new base station sites as the MNOs deploy their respective newly acquired permanent spectrum allocations.

EBITDA for masts and towers declined by 8.6% to R909 million and the EBITDA margin contracted to 70.4% compared to 80.4% in the previous year. The decline was due to a rebasing of costs resulting from the implementation of a new Group-wide methodology of allocating property operating costs (utilities, facilities and security-related costs) across Telkom’s business units and subsidiaries. This direct allocation methodology is driven by site presence and usage. This new methodology was made prospectively and came into effect in the second half of the financial year, the impact of which was net neutral across Telkom Group as it offset Swiftnet and Openserve. On a normalised basis, excluding the impact of this new methodology, EBITDA for masts and towers increased by 2.7% to R1 021 million compared to the prior year with the EBITDA margin at 79%.

Performance snapshot

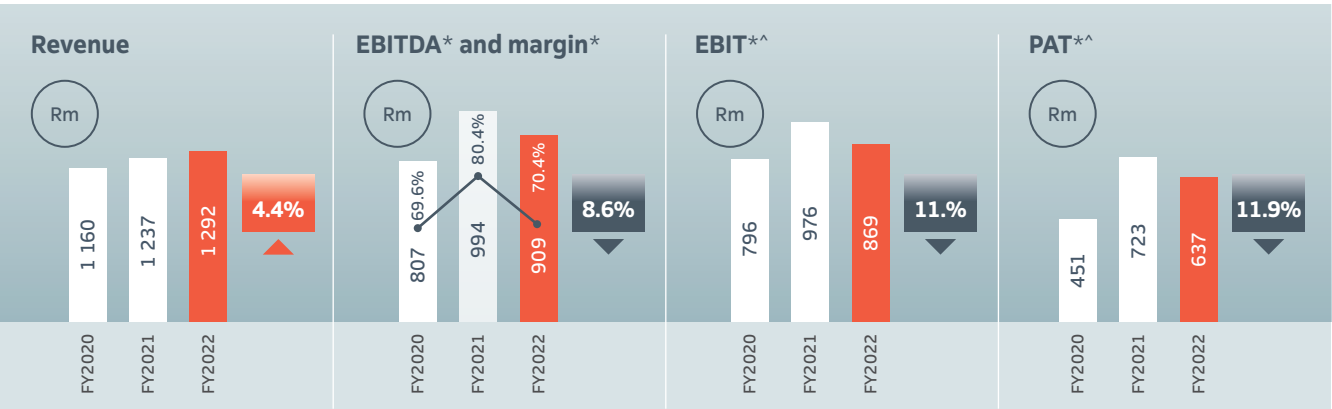
Achievements

Challenges

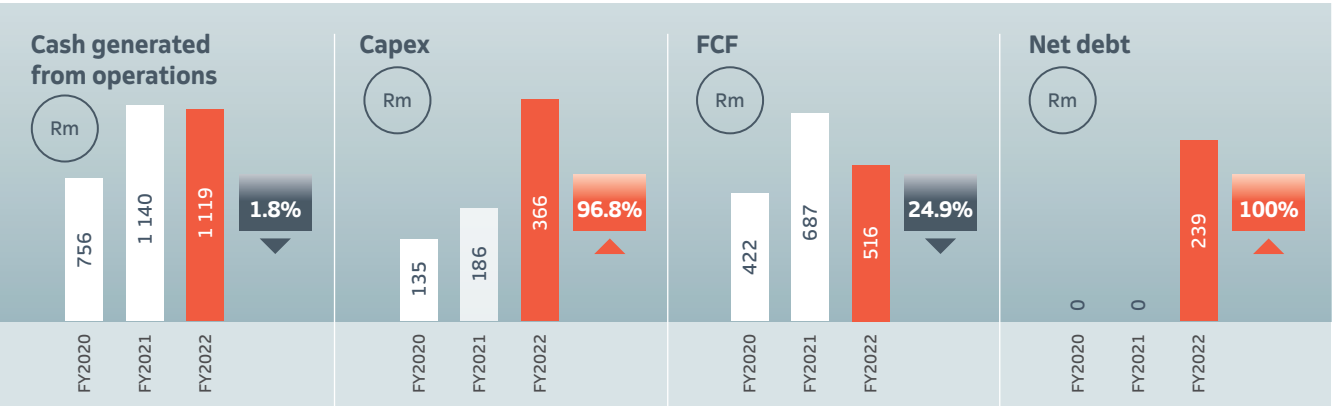
- Masts and towers revenue up 4.4% to R1 292 million
- Productive portfolio sites up 5.9% to 3 916
- New towers (Build Programme) up 31% to 152
- New IBS (Build Programme) up >100% to 17
- EBITDA achieved of R909 million* at 70% EBITDA margin

Growth in revenue was impacted by termination of sites by Openserve and one of our external MNO customers, while other MNOs either modernised their equipment or awaited the spectrum auction before committing to numbers for additional sites.

Strong earnings performance



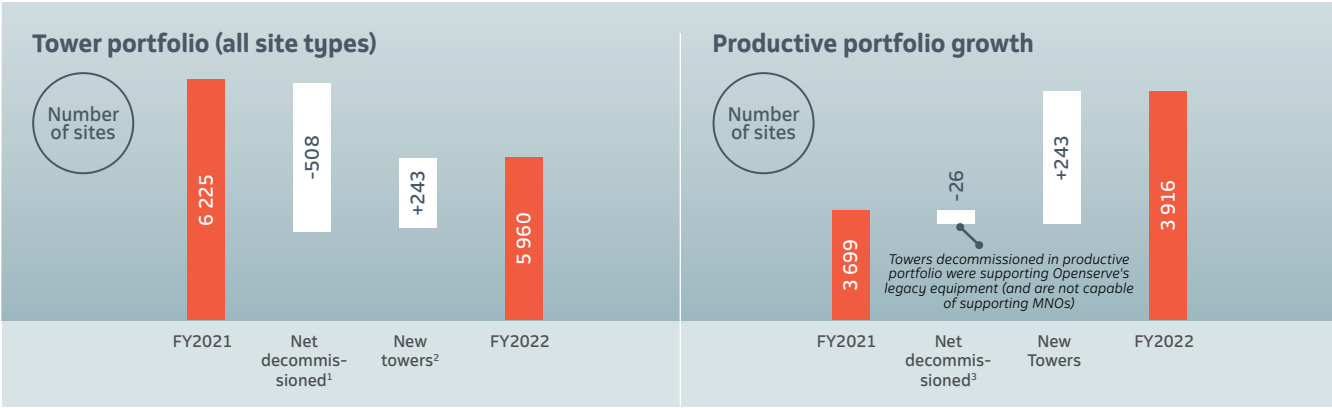
Highly cash generative and lowly geared balance sheet



* The decline in FY2022 was driven by the refinement in the property operating cost allocation methodology during the second half of the financial year across the different Telkom business areas. On a normalised basis, excluding the impact of the refinement in property operating costs, the EBITDA increased by 2.7% from the prior year to R1 021 million, at a 79% EBITDA margin.
^ EBIT = Earnings before interest and taxes; PAT = Profit after tax



Commercialised productive portfolio



Notes:

¹ Net decommissioned comprising -591 sites decommissioned; +83 new sites through additional database clean-up/adjustments

² 243 New towers includes 74 towers completed in FY2021 and 169 towers started and completed in FY2022. FY2021 previously not included as they were awaiting power.

Notes:

³ Net decommissioned comprising -53 sites decommissioned; +27 new sites through additional database clean-up/adjustments

Looking forward

In the next financial year we expect that growth in tenancy from Telkom Mobile will continue while other major MNO customers begin to expand their market penetration in line with their newly acquired spectrum and increase the capacity of their existing sites to accommodate 5G. However, we expect our top line to be impacted negatively by Openserve's decommissioning of legacy equipment and further terminations from one of our clients over the next year.

We will continue to execute on the key drivers of revenue growth for the masts and towers business, which are to increase tenancy on existing towers, growing the portfolio with new sites, rapid deployment of new products and services, and preparation for 5G.

We plan to further advance the Tower Build Programme to meet the demand for tower co-location for internal and external clients. The aggressive permitting of new strategic sites will continue in FY2023 for the anticipated new spectrum availability, densification for 4G/5G and penetration of underserved markets (townships and second tier towns). Our small cells pipeline will proactively provide densification solutions for our major clients. In FY2023, we also plan to roll out more IBS in commercial buildings.

We will continue to explore the most optimal way to unlock the full valuation of the Swiftnet business in the new financial year. It remains that the full value of the Telkom business is not recognised in the valuation of the Telkom business as a leader in the local independent tower company market. Our towers are owned within Swiftnet and managed by Gyro Group as the external manager, and the advanced Value Unlock should affirm the value for this business.



Productive capital



Gyro

Key strategic focus areas

- Commercialise the property portfolio
- Enhance building costs and operational efficiencies
- Optimise utilisation of existing data centres

Gyro continues to unlock value and optimise the property portfolios that are in Gyro Properties and in Telkom. Gyro focused on progressing development planning activity for selected development projects and engaging with prospective development investment partners for the execution of the development projects. We continued to rationalise the property portfolio by decommissioning assets that are no longer required for operational purposes, and disposing of excess properties that are not suitable for repurposing or development opportunities.

Commercialise the property portfolio

During the financial year, Gyro continued to advance the development planning work for properties in Phase I of the development project pipeline. The development pipeline comprises mixed-use, industrial, student accommodation and residential apartment opportunities. Four development projects are in stage 3* of development planning and will be ready for construction in the next calendar year.

The continuing COVID-19 operating environment impacted the pace of obtaining municipal approvals in instances, but did not severely hamper the progress of the development planning process. We identified and engaged in investment partnership discussions with several experienced development investment partners for projects that are in stage 2^ and stage 3* of the development planning process. We expect to conclude development partnerships and to commence construction of projects in the 2023. The Gyro business model is to assume minority stakes in the development projects that we originate by contributing the land as equity, including the equity invested in the pre-development planning activities.

Performance snapshot

Sold 40 properties for **R66.8 million**

Four property development projects are in the final stage of development planning and will be ready for construction in the next calendar year

Ongoing focus to pursue carbon neutrality and net zero as part of Telkom's ESG Strategy

Engaged with experienced development partners for investment partnership opportunities for various property development projects

Achievements

Challenges

Weak economic conditions and the reduced demand for new real estate space

Weaker performance for the office and retail property sector

Intense competition in the data centre space



Enhance building costs and operational efficiencies

Gyro continued to reduce the property operating costs through various cost-optimisation interventions that encompass rationalisation of the property portfolio. Telkom adopted a new hybrid way of working (majority of employees operating partially at the work premise and their place of residence) that optimises Telkom's property space requirements. The result from the hybrid way of working will be a reduced property footprint for operational purposes that links with the decommissioning of legacy equipment and more technical properties. In the current year, we sold 40 properties for R66.8 million, the proceeds of which will be realised in the upcoming financial year. We plan to dispose of further properties in the new year as more properties are decommissioned or are no longer required for operations.

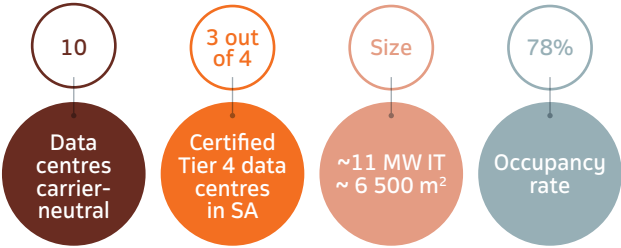
During the financial year, we continued to implement energy and water-saving initiatives to optimise costs through technical project interventions to reduce energy and water utilisation across the property portfolio. These initiatives will continue in the new financial year in our environmental focus to pursue carbon neutrality and net zero as part of the Telkom ESG Strategy.

Stage 1: Securing the appropriate land and rights to undertake the development and the appointment of professional teams.

Stage 2: Establishing the viability of the project and the preliminary development programme.

Stage 3: Developing the approved concept to finalise the design and to outline specifications, cost plan, financial viability and the documentation programme for the project prior to construction.





Looking forward

We expect tough trading and market conditions to remain amidst the slow recovery from COVID-19.

We will continue with advanced property development planning in property sectors with stable and growing demand for space and also taking into account supply dynamics. A key focus for the next financial year is to conclude partnership agreements with investors and/or co-developers and commence construction of the various identified projects in 2023.

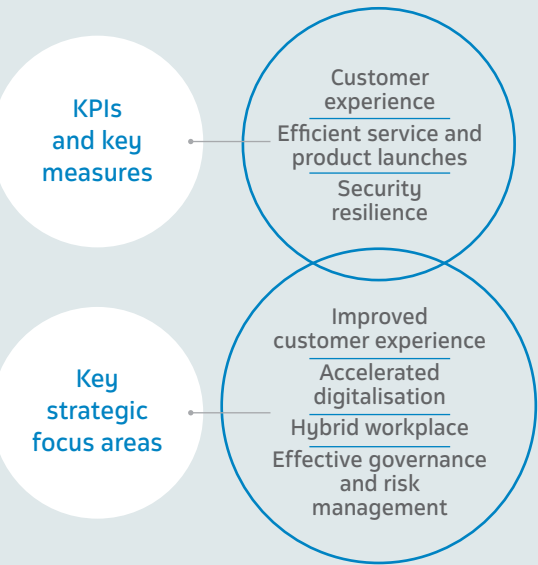
As we adapt to the hybrid model of working, we will continue with our efforts to minimise property operating costs through various interventions that will include an environmental focus to pursue carbon neutrality and net zero as part of the Telkom's ESG Strategy. We will accelerate the decommissioning of properties that are no longer required for operational purposes and the disposal of all non-core property assets that are not fit for repurposing or development opportunities.

We will focus our efforts on optimisation and expansion opportunities in respect of existing data centres and we will also assess opportunities for edge and conventional data centres by reviewing the existing property portfolio.



Intellectual capital

Telkom prioritised building on the foundation that it had laid in FY2021. This included the shift to remote work and the changing expectations of customers and employees. The emphasis changed from technology solutions to business solutions, resulting in new products and services.



Improved customer experience

Customers are at the heart of our strategy. In crafting and implementing our strategic initiatives, we focused on customer impact, ensuring speed, simplicity and improving the self-service capability.

We introduced new products to add value for our customers. These products are, including the e-Marketplace various insurance policies, payment solutions and customer-facing process automation. The technology capabilities underpinning these products contribute to improving customer experience, service delivery, revenue enablement and cost efficiency.

Accelerated digitalisation

The growing demand for digital channels, remote work and cost efficiencies have driven most organisations to consider automation and digitisation of their processes and offerings. In responding to this growing demand, we adopted a customer-centric approach and prioritised the following strategic initiatives over the reporting period.

Operating support system	The operating support system initiative aims to replace the current solution to enable newer technology with a focus on software-defined network technology.
Business support systems	Business support systems are being transformed to improve customer experience and commercial imperatives. This also includes simplification and automation of business processes to drive higher efficiencies.
Digitisation of customer channels	Significant effort was channelled into digitising customer channels, focusing on the web and app channels.
Enhancing property management	Further enhancements to property management include IoT deployment and new digital solutions to automate the processes.
Supporting small business	e-Marketplace was developed and launched for small businesses to sell their products and services.
Improving analytics	Telkom's analytics capability improved in mission-critical applications to enable actionable insights.
Artificial intelligence	A multi-lingual transcription and translation platform under the brand of izwe.ai has been launched in partnership with Enlabeler. This collaboration is expected to create about 79 job opportunities over a period of two years and will showcase our use of AI and machine learning.

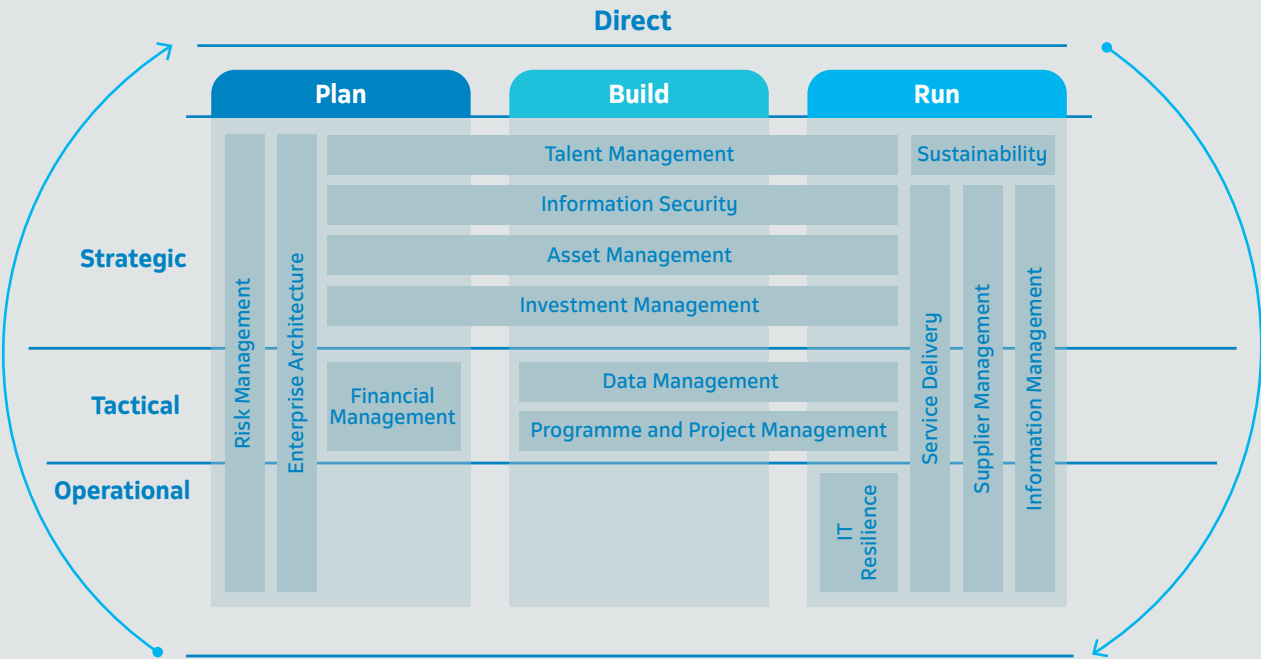
Hybrid workplace

Technology became a mechanism to ensure that our workforce remains productive, while adhering to government-mandated COVID-19 protocols.

In enabling a hybrid workplace, we employed a mobility-first approach to provide end-user devices to allow for flexibility in line with the health protocols as well as meet the combined demands of both remote and office work. The use of collaboration tools intensified as new functionality became available. The automation of internal processes continued, including new enterprise resource planning deployments and digital HR initiatives.

Effective governance and risk

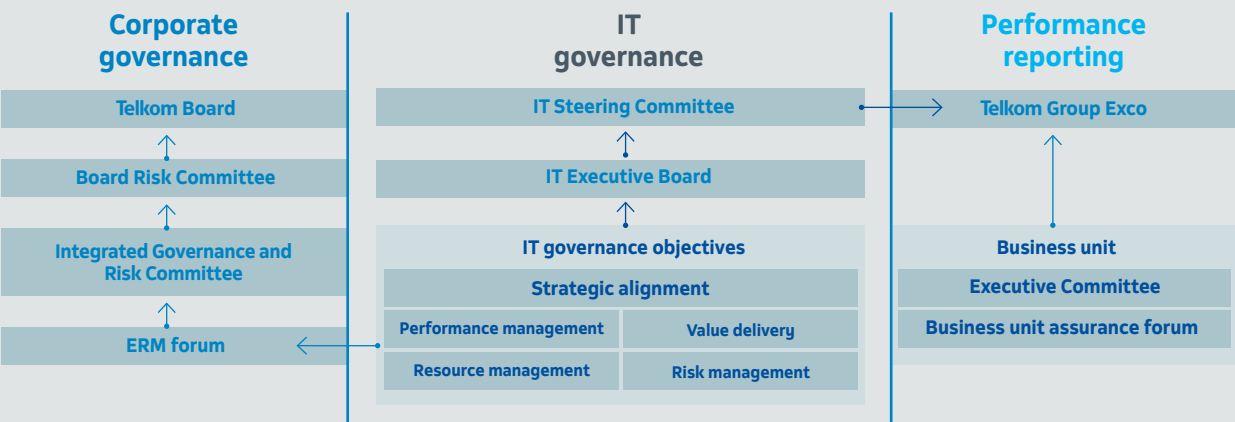
Our governance of the technology and information framework is based on King IV and is in line with the JSE Listings Requirements. In addition, ISO 38500 and COBIT 2019 were factored in from an IT control perspective as outlined below:



By complying with these standards and guidelines, the Board assumes responsibility for policy and direction over matters relating to technology and information. The following business objectives underpin our governance framework:

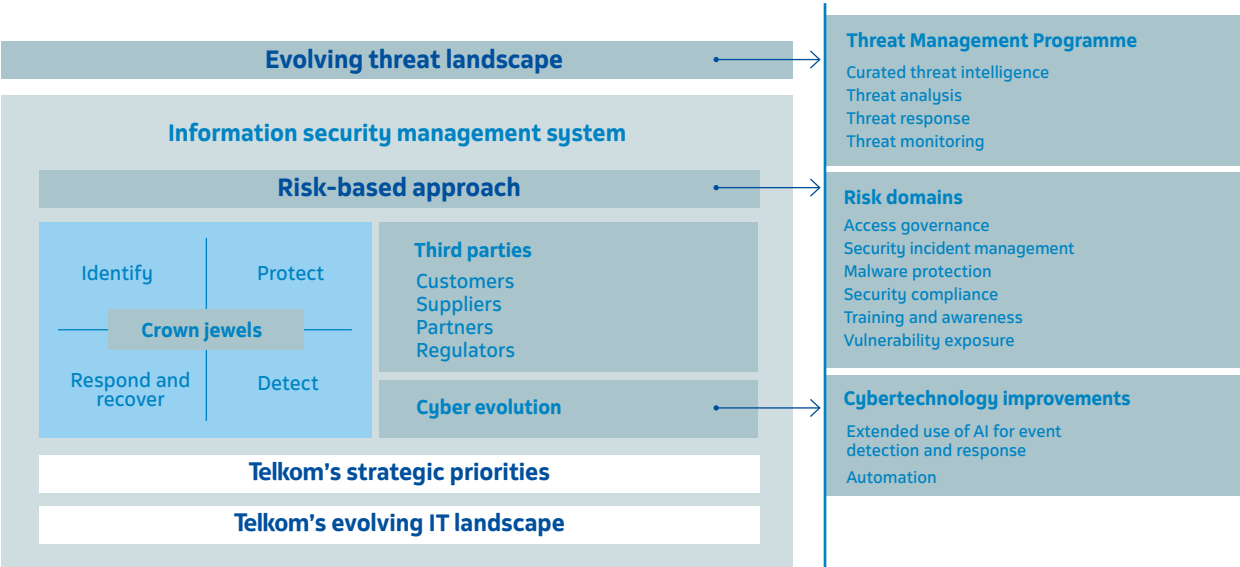


In driving these objectives, IT governance structures are integrated with corporate governance to align IT governance objectives with corporate governance ambitions. We continued to review and align the Telkom IT policies, standards and risks with the changing business and threat landscape. There was a heightened drive for data governance, necessitated by the Protection of Personal Information Act. We emphasised defining risk and governance metrics to proactively manage risks and non-compliance.



In response to the ever-changing technology landscapes and potential threats, Telkom pursues a risk-based approach to information security. We improved our security posture and the maturity of our Security Programme. This is done in line with regulatory requirements, best practice guidelines and industry benchmarks.

Due to the rise in cyberattacks, it was necessary to increase our focus on strengthening identity and access management. We introduced additional security domains to align with the newer threat vectors. We also strengthened analytics to enable threat intelligence. Telkom retained its ISO/IEC 27001:2013 certification for information security management for the effectiveness and adequacy of its comprehensive information security management system.



Key focus areas in FY2023

We will continue to explore newer digital technologies such as AI, machine learning and IoT to enable further automation and efficiencies in order to improve customer experience and unlock opportunities. We will also continue with automation of governance processes.

Innovation

Q&A with Mmaki Jantjies
Telkom's Head of Innovation and Transformation



Q Why is innovation important for Telkom?

A As telecommunication organisations evolve in line with the growth demanded of our digital age, we believe Telkom's long-term investment in innovation and research and development will enable us to fulfil our ambition to become a market leader within the telecommunication sector. It is imperative for us to continue investing in our telecommunication infrastructure, driving innovation and meeting our customers' evolving needs. Telkom is committed to ensuring reliable connectivity. Sustainability is crucial to our open innovation process.

Q What are Telkom's research and development focus areas?

A Our forward-looking perspective is to strengthen our Group's intellectual property while ensuring a future-fit workforce. We are strengthening key investments in emerging technology areas where we want to bolster our current research and development partnerships. We are also prioritising areas such as cybersecurity and AI.

As part of an ongoing programme to promote skills development and sustain innovation capabilities, we have partnered with various universities in key research and development areas of the telecommunications sector. This is also part of Telkom's initiatives to support the United Nations SDGs regarding quality education (SDG 4) and industry, innovation and infrastructure (SDG 9) (refer to [page 152](#)).

Q How does Telkom integrate innovation into its ESD Programmes?

A Through the FutureMakers Programme ([page 85](#)), we supported many start-ups in key technology areas. Some of these companies became key partners in our operations as we strengthened our commitment to growing South Africa's technology sector. We will continue to invest in scalable start-ups that can solve the most complex local challenges in providing access to edtech, healthtech and fintech. We remain committed to having an impact on investment. We continue to support start-up investments and partnerships in key verticals where our Group aims to grow and make an impact.

Q What role do employees have within the innovation process?

A Employees play a crucial role in our innovation ecosystem by responding to the changing digital landscape and adapting to the innovation sought by customers. We want to cultivate customer-centric innovation to support business units and empower employees through a range of training programmes. We aim to foster an environment that enables innovative research and development while embracing agile working practices. We will invest in a Group-wide innovation management platform to support our business units' innovations.





Human capital

The focus for FY2022 was to embed and sustain the Group's journey towards a hybrid approach to work and to equip employees with the tools to succeed.

To augment and enrich the hybrid environment for telecommuters, dispatchable and office-bound employees, we enhanced performance management, learning and development, and ongoing employee engagement activities.

In line with Telkom's ESG Strategy, particularly the business stewardship focus area, we continued to take steps to safeguard the health and safety of our employees, customers and stakeholders.

In addition, we undertook to increase representation of women in management positions, and more broadly grow an inclusive workforce.

We continue to progress initiatives to extend shared value through Investing with Purpose, including developing the workforce of tomorrow, as well as enhancing our culture, engagement and employee experience.

Material trade-offs considered in FY2022

- Provided additional COVID-19 leave:
- A half-day vaccination leave allocation to encourage employees to get vaccinated
 - Isolation leave to assist employees to manage depletion of their sick leave
- Spring day leave provided to employees to help them counter mental fatigue

KPIs and key measures

- Employee voluntary turnover
- Training and development spend
- Number of graduates and learners supported
- Number of learnerships and internships
- Employee diversity statistics
- Total recordable injury frequency rate
- Lost-time injury frequency rate

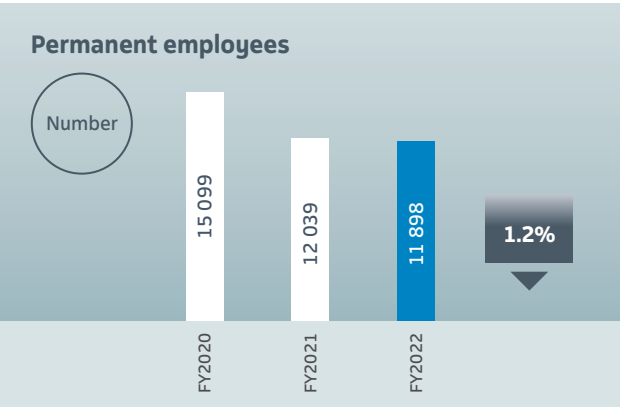
Key strategic focus areas

- Building a sustainability mindset
- Transforming our culture
- Enabling diverse and adaptable teams
- Developing next-generation future leaders

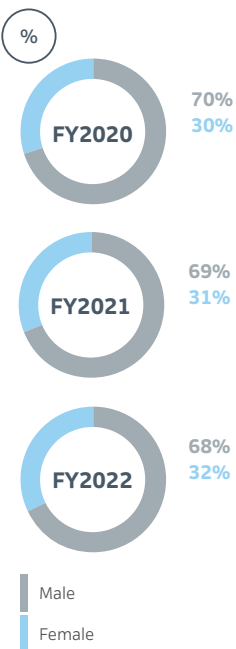


A snapshot of Telkom's workforce

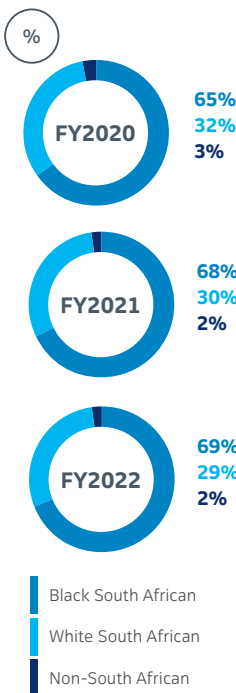
To moderate Telkom's headcount cost, the backfill of vacancies due to staff exits have been carefully managed while ensuring that service delivery is not negatively impacted. Telkom remains committed to improving female representation, aligned to our ESG Strategy commitments, with a gradual increase evident in FY2022.



Gender diversity of permanent employees



Race diversity of permanent employees



		FY2020	FY2021	FY2022
Employee voluntary turnover	%	6.3	2.77*	3.99
Number of differently abled employees	Number	198	129	126

* In FY2021, the measure of employee voluntary turnover was changed to reflect exits through natural attrition from the Group and to exclude exits from one legal entity to another legal entity in the Group. Consequently, there is a lower exit rate in FY2021 and FY2022 compared to FY2020.

Building a sustainability mindset

Telkom's journey to embedding its hybrid approach to work was formalised through the work-from-home policy introduced in August 2021. The hybrid approach supports business sustainability by driving higher levels of operational efficiency.

Each employee's role was categorised to identify telecommuting employees to equip them to operate from home successfully.

- Telecommuters are employees whose work allows them to primarily work from home. However, they may be required to attend face-to-face engagements from time to time
- On the other hand, office-bound employees are those whose jobs are fully customer facing and/or cannot be done remotely

Enabling our employees with the right equipment and tools to work contributes to a motivated and engaged workforce. A Telkom grant was made available to telecommuters to purchase home office equipment required for productive work, including desks, ergonomic chairs and a range of alternative power supply products. In addition, internet connectivity is also offered as a tool of trade. These initiatives, which enable the work-from-home environment, will be rolled out in staggered phases.

Office-bound employees resumed working from the office on 1 March 2022 and are assigned dedicated desks to enable safe working practices. Telecommuters also have access to Telkom premises on an ad hoc basis.

One of our ESG imperatives is to foster inclusiveness and transparency in the workplace. In line with this objective, we revised the HR portal to better align with the employee life cycle. This provides a new and enhanced employee experience through a single hub that links all HR specialisations and provides information relevant to career life stages and paths within the Group for new and existing employees. This portal is supported by the hybrid portal that guides employees and line managers to navigate the complexities of the new world of work.

Enhancing our employee experience

While we experienced challenges in implementing the HR digital transformation project in the past year, a decision has been taken to enable a Telkom Group instance of the digital system and a BCX instance. This will decouple the current system and enable each implementation stream to execute the tailored module needs for each group. We anticipate that the two system updates will go live in the third quarter of FY2023.

Developing the workforce of tomorrow

Digital literacy is driven through the Group's learning management system. A central focus has been to drive employee uptake, usage, engagement and return on investment on the platform. In the new financial year, we will expand the educational content to incorporate new learning pathways that focus on building a resilient and emotionally intelligent workforce.

Transforming our culture

Besides driving higher levels of operational efficiency, the hybrid approach to work is also key to transforming the Group's culture, and is aligned to the Investing with Purpose focus area of the ESG Strategy. Our culture programme, the X Factor, takes its inspiration from Telkom's purpose of seamlessly connecting our

customers to a better life, and extrapolates this to our employees. The programme aims to enhance alignment between our people and Telkom's business goals by focusing on each individual or team's efforts to achieving the goals. Every action or contribution thus becomes a force multiplier to increase our impact, and as efforts are added over time, the Group achieves more. The X Factor is designed to embed organisational activities with meaning and purpose to unite our strengths and build on our successes.

The Group's performance framework continues to support the hybrid work model. The framework is underpinned by the SAP SuccessFactors system and four online modules on the learning management system. This guides employees and line managers to inculcate a rhythmic cadence that supports high performance. New modules and events based on patterns or trends are initiated throughout the year to maintain and drive the focus on performance management and ensure new perspectives. Refer to [page 125](#) of the remuneration report for more information.

The new Coaching for Growth module aims to refine line management's skills to enhance performance conversations and feedback processes. It also enables a continued focus on leading indicators, performance plans aligned to business goals and future-focused objectives.

Enabling diverse and adaptable teams

As part of how we instil accountable and ethical operating practices, Telkom reviewed the implications of the shift to a hybrid work model. We acknowledge that the new ways of work offer flexibility and autonomy to employees but can also lead to mental and emotional fatigue. The mental health of employees is a key consideration that helps them thrive and sustain their performance. We introduced the concept of Spring Break in the year to enable employees to take two company-funded leave days aligned to the 24 September public holiday. Besides giving employees time off, it reinforces our commitment to our people and their wellbeing and recognises them for their contributions and performance.

To support the transition to a hybrid work culture, two interventions are progressing to intentionally guide and promote a sustainable performance culture:

1. Learning-for-growth mindset

An accelerated approach to the continuous upskilling and reskilling of employees is a key strategic lever that enables sustained and exceptional organisational performance. Creating a learning-for-growth mindset drives continuous employee development and creates an internal pipeline of talent. Our employees are encouraged to embrace Telkom's Investing with Purpose imperatives through ownership of their development programmes, learning new skills and updating their capabilities to be future-fit.

Our Skillsoft is an online, self-paced platform that supports remote working while propelling learning-for-growth. It places employees in control of learning and development and is a demonstration of Telkom's commitment to growing the workforce of tomorrow.

2. No meeting Friday afternoons

This ensures employees have more uninterrupted work time to enhance productivity. We introduced this initiative due to a significant increase in meetings brought about by remote working. It also allows employees to schedule learning time to prioritise developing new skills and capabilities.

Talent management

One of Telkom’s value propositions for potential candidates is that we offer a range of different careers across our different business units. This includes IT, telecommunication and digital products and solutions, sales and networks, data science, engineering and AI, property development and management, digital marketing, finance and audit, procurement, and logistics. When candidates join Telkom, they can grow a lifelong career in the Group and develop their skills across functions and specialisations. We encourage career mobility (promotions and lateral transfers) across our business units.

Succession and career mobility

Our talent review and succession planning approach and process is well embedded in the business. It uses our online SAP SuccessFactors system across all management levels and continues to inform many of our people-related initiatives and talent actions. Our approach ensures we proactively develop, deploy and retain our key talent.

Key highlights from FY2022



Solid investments were made to upskill and develop our internal talent through our Leadership Development and Talent Development Programmes. Executive coaching has been pivotal in shaping and supporting high-potential leaders over the past year, and we envisage that this will continue into FY2023. To continue building our internal talent pipelines, we will be developing young talent through targeted internship and learnership programmes throughout FY2023.

Leadership and talent development

Our Talent Development Programmes are designed to keep future-skills and digital skills at the forefront. These are geared towards developing our high-potential internal talent and leadership pipeline. We aim to build leadership capabilities across foundational, tactical and strategic levels, and specifically emphasise female leadership development as a component of Investing with Purpose. These programmes include a strong application component, allowing delegates to apply their learning in the workplace.

Leadership Programmes

- The Advanced Management Leadership 4.0 is a customised programme designed in partnership with the University of Cape Town – Graduate School of Business. It specifically aims to develop leaders within the Group by preparing them and advancing their skills for future business needs. In total, 103 delegates at Senior Management and Executive levels graduated in February 2022.
- The Digital Leadership Programme is an 18-month formal Postgraduate Diploma in Digital Management combined with a business action learning project. It provides a platform for applying learning throughout the programme to upskill delegates and benefit the business; 47 Senior Managers and Executives commenced the programme in November 2020 and are anticipated to graduate in June 2022
- The Managers of Managers Programme (MoMP) was launched in January 2022, with 71 middle management-level employees participating over 19 months. This is a formal NQF Level 8 Programme, and it has a strong practical and business component

- The Foundational Management Programme is similar to the MoMP, but geared towards junior management and specialists moving into management roles. This NQF Level 7 Programme commenced in January 2022 with 66 delegates, and will run parallel to the MoMP over 19 months

Female leadership development

- The Female Leadership Development Programme (FLDP) is a well-established and prestigious programme aimed at middle management level. The fourth cohort commenced in April 2021 with 42 delegates. Although the FLDP was designed as a 12-month programme, it was extended to 15 months due to its migration to a fully virtual delivery. We anticipate that the delegates will graduate in June 2022. Five promotions (10% of the FLDP participants) were made and a 95% retention rate achieved
- The Women in Operations Programme focuses on the growth and development of qualified high-potential, high-performance women at operational and junior management levels. It continues to drive workplace transformation in Openserve and Group IT. Having transitioned to a fully virtual offering and the second cohort graduated in March 2022. Given the positive feedback from line management and delegates, a third cohort of 30 delegates commenced the programme in August 2021

Training and development

Telkom places a strong focus on building a learning culture through our Learning 4 Growth campaign, with self-directed and on-demand employee development being fundamental in evolving and embedding the hybrid approach to remote work. The learning content supports the employability of individuals who are no longer bound by the need to complete formal courses in a particular field.

Through this blended approach, employees are able to upskill, multi-skill and reskill continuously, based on a view of self-managed careers, interest and jobs of the future. It provides shared value for Telkom and its employees in terms of the following:

- A culture of learning builds skills for our current and future business needs, enhancing the Group’s competitiveness
- For employees, it creates opportunities for career development and progression, promotions, and stimulating work.

Our development programmes are aligned to the sector skills plan and to the skills required for the business.

The decrease in total learning spend was due to the lower numbers of classroom-type training and the migration to online training because of the COVID-19 pandemic. This shift has resulted in a reduction in overall costs.

Training and development spend (R’million)

	FY2020	FY2021	FY2022
Telkom ¹	199	93 ¹	80 ¹
BCX	63	51	50
Gyro	1	1 ²	1 ²
Group	265	145	131

¹ Telkom includes Openserve, Telkom Consumer and Corporate Centre.

² Gyro includes learnership stipends.

Part-time bursaries	In total, 201 part-time bursaries were awarded for the 2022 academic year across the Company, with a total spend of R6.5 million. These included a range of formal qualifications (NQF Level 5 to NQF Level 9), and prioritised scarce or critical skills areas such as digital, technical and data science areas.
Centre for Learning	Safety, health and environment training continued with almost 1 000 attendees. Sales and Client Care training empower our people to deliver customer-centric service.
FTTH Technology upskilling	Technical training was reintroduced. Where practical and possible, training was facilitated online. Training requiring physical and practical components (e.g. FTTH) was crafted with COVID-19 risk mitigation strategies in mind. Over 1 600 attendees participated in technical training. A total of 422 FTTx ³ candidates completed the course in FY2022.
e-learning	We launched a comprehensive e-learning offering with over 3 000 learning content elements ranging from short courses, videos and audio books to learning channels and certification courses that are available to all permanent employees. This supports our learning-for-growth culture, enabling employees to easily access a wide range of learning content in line with their personal development plans and career goals. A 38% user uptake of the e-learning content was recorded in this financial reporting year.

³ Fibre to the x (FTTx) is a collective term for various optical fibre delivery topologies that are categorised according to where the fibre terminates.

Developing next-generation future leaders

Telkom Foundation learner bursaries

It is vital to build the external talent pipelines at tertiary education level to broaden the talent pool. Through the Telkom Foundation, we provide a full-time bursary programme for our top learners. A total of 18 full-time bursaries were awarded to the top matriculants from Telkom Foundation schools. Telkom’s investment will support these learners in meeting their basic needs to focus on learning.

Next-generation skills

Telkom launched the Centre of Excellence (CoE) technology research and development initiative in 1997. This year we sponsored seven postgraduate learners through a R740 000 investment (FY2021: eight learners, R820 000) and placed four postgraduate learners in permanent employment in the Group (FY2021:3) postgraduates placed).

Approximately 180 full-time postgraduate students benefit from the CoE Programme yearly, and Telkom provides R8.6 million in research funding to 15 CoEs.

The CoE focus has been to include a structured learning programme for CoE graduates once they are placed in the business. In partnership with Duke Corporate Education, the graduates take part in the Journey to the Summit Programme. The first cohort of 30 delegates commenced the programme in October 2021, and the second cohort of 15 delegates started in February 2022.

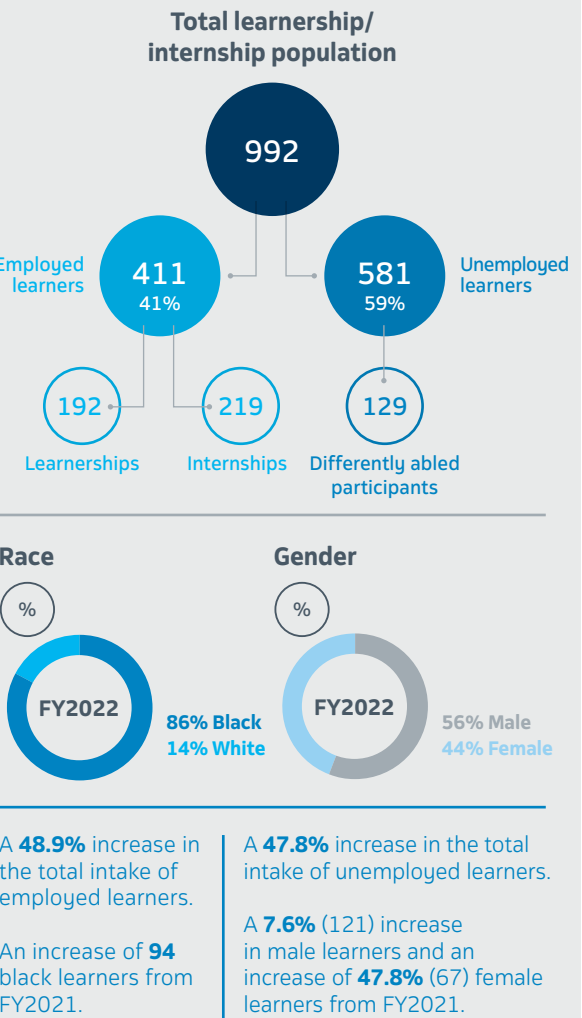
Full-time bursaries were introduced as a future feeder talent pipeline to the postgraduate CoE Programme within Openserve and across the Group. Five undergraduate bursaries (totalling a R500 000 investment) were awarded within Openserve in February 2022.

Refer to the social and relationship capital section on page 84 for information on WeThinkCode and the Explore Data Science Academy, which supports our ESG Strategy focus on Investing with Purpose.

Learnerships and internships

In line with business requirements, Telkom continues its focus on creating opportunities for unemployed and employed learners. Through learnerships and internships, unemployed learners are able to build skills and attain work experience and gain insight into the world of work, specifically in the ICT sector. Telkom provides a platform to explore different specialities across several functions, expanding career path knowledge and opportunities for future studies.

In FY2022 Telkom had 992 learnerships and internships, an increase of 48.2%, comprising 293 participants continuing from FY2021 and 699 new participants (FY2021: 669). The programme covers project management, digital skills, leadership, ICT network maintenance, and IT system support.



Organised labour

In accordance with Telkom’s labour relations approach and philosophy, the involvement of trade unions as material stakeholders is appreciated and embraced. Telkom has a recognition agreement with the Communication Workers Union and South African Communication Union (the Alliance) as a strategic business partner.

The Alliance has organisational and collective bargaining rights and is represented at business unit and Company forum structures. This includes the GCEO strategic briefing session’s structure. Health and safety is a standing agenda item at the Company forum meetings. Telkom and the Alliance interact on national matters during these meetings.

Permanent employees belonging to a union (%)

	FY2020	FY2021	FY2022
Telkom ¹	54	52	90 ²
yep!	57	26	–
BCX	–	–	–
Gyro	31	32	30

¹ Telkom includes Openserve, Telkom Consumer and Corporate Centre.

² The Telkom figure for FY2022 is inclusive of Yep!.

BCX does not have any recognition agreement or stop-order facilities with any union. Trudon has a recognition agreement with the Communication Workers Union with full organisational and collective bargaining rights.

Freedom of association

Telkom embraces the right to freedom of association. There are three unrecognised unions (Information Communication Technology Union, National Union of Metalworkers of South Africa and Solidarity) with members at Telkom. These three unions’ membership percentages are below Telkom’s 30% union membership representativity threshold.

Section 197 – Telkom Group

The Group had two Section 197 automatic transfers. The first was between BCX and Telkom SA SOC Ltd and the second between Telkom SA SOC Ltd as a wholly owned subsidiary.

Substantive negotiations

The settlement agreement signed in April 2021 between Telkom and the Alliance ends on 31 March 2022. The parties agreed to commence substantive wage negotiations for FY2022/23. In preparation for these negotiations the parties agreed on the substantive procedure that details the negotiation rounds as follows:

- First round – 23 and 24 March 2022
- Second round – 4, 5, 20 and 21 April 2022

The Company received the Alliance’s consolidated wage demand list and is procuring a mandate from the principals in preparation for the negotiations.

Occupational health and safety and employee wellness

Employee wellness

Many industries dealt with a number of prominent employee wellbeing themes during FY2022, including lower levels of employee engagement, increased stress, and more severe burnout. Telkom’s Integrated Employee Health, Wellness and Safety Programme is a critical element of the Group’s strategic investments. In partnership with a service provider, we aim to provide a safe and healthy working environment and increase employee wellbeing and productivity.

Employers should offer integrated health management solutions that focus on physical, mental, legal and financial wellbeing, irrespective of location. Also, workplace wellness should focus holistically on employees and their families. Hence, Telkom entered into a partnership with a new wellness service provider to provide a holistic, people-first health and wellness solution. We are confident that they will be able to empower our employees and their families navigate their wellness needs in the new normal.

ICAS, our wellness service provider, supports Telkom in driving holistic wellness. Key themes and topical issues are deployed across the Group on a quarterly basis to raise awareness, build knowledge and understanding, and enable employees to get help and support if they are facing difficult times. ICAS also provides a variety of webinars, live events and information sharing sessions that aim to improve the psychological defence and coping mechanisms of employees.

COVID-19 initiatives

The Group played an active part in ensuring the safety and wellness of employees and their families by helping to curb the spread of COVID-19. In partnership with Dis-Chem, Telkom embarked on a vaccination drive, with 1 299 Gauteng-based employees and five extended family members vaccinated in three sessions during July and August 2021.

Telkom introduced a new leave code to encourage employees to get vaccinated, in line with our focus on our employee health and safety. The leave code provides a half-day special leave (non-quota leave) per occasion for an employee to get vaccinated. The new code also provides special leave for employees to take in conjunction with sick leave. The leave is provided on a 50:50 basis for the mandatory isolation period when employees test positive for COVID-19. It is regularly realigned to changes in the government’s recommended isolation period.

We provide consistent messaging on COVID-19 to create awareness and continue encouraging employees to get vaccinated.

Health and safety

To support the new hybrid model and create awareness of potential safety risks associated with working from home, Telkom designed a self-inspection checklist for all telecommuters. It provides information on potential health and safety risks and practical tips to reduce and/or eliminate these.

We also conducted ergonomic assessments to ensure that employees with musculoskeletal disorders and/or physical limitations were issued with work tools and equipment that are appropriate for their conditions.

Our safety performance has steadily improved over the past five years. This is due to initiatives that have been put in place to enhance the safety culture across the Group. We are pleased that Telkom has recorded zero fatalities for FY2022 across all our operations. We continue to invest to improve occupational health and safety to safeguard our employees.

	FY2018	FY2019	FY2020	FY2021	FY2022
Telkom ^{1, 2}					
Total recordable injury frequency rate	1.39	1.24	0.93	0.76	0.79
Lost-time injury frequency rate	1.18	0.98	0.68	0.56	0.70
Fatal injury frequency rate	0.02	0.02	–	0.01	–
BCX ¹					
Total recordable injury frequency rate	0.22	0.41	0.55	0.17	0.13
Lost-time injury frequency rate	0.08	0.29	0.45	0.15	0.07
Fatal injury frequency rate	–	–	–	–	–

¹ Permanent employees only.

² Telkom includes Openserve, Gyro, Swiftnet, Telkom Consumer, Corporate Centre and Yep!.

Key focus areas in FY2023

We aim to:

- Inculcate and advance a high-performance culture and execution bias
- Develop skill sets to improve employee engagement and motivation within the hybrid approach to work
- Evolve culture to be a competitive advantage for Telkom

Whether remote or onsite, high-performing teams need to be supported by leaders who engender a culture of accountability, creativity and collaboration. We will continue undertaking enhancements and developments to current human capital processes to drive a high-performance culture. Ultimately, this will drive execution and a customer-centric mindset.

We will deploy training interventions using a blended approach to learning. The training is directed at management employees and will focus on developing and embedding a coaching mindset, skillset and capability. This allows the shifts to be cascaded from the top into the business.

Building organisational emotional intelligence will promote skills for intentional engagement, transparent communication and enhanced feedback in a hybrid workforce. These skills will drive compassion for stakeholders and enable greater self-awareness for learning and development. Enhancing employee recognition across the Group will support these interventions while nurturing geographically inclusive as well as diverse teams

Through our focus on Investing with Purpose (ESG Strategy: [page 50](#)), we commit to developing and growing our female talent pool for Senior Management positions. We will implement defined programmes that translate intent into action.



 Social and relationship capital

As a post-COVID-19 “new normal” started to emerge, Telkom worked on adapting our capabilities to find sustainable solutions to South Africa’s challenges in education, skills development, technology innovation and entrepreneurship. These are key platforms for building an inclusive digital future for all.

These platforms support socio-economic upliftment, which is aligned with our ESG Strategy focus area of Investing with Purpose, and also indirectly contribute to our commitment under our Digital Services focus area.

- KPIs and key measures**
- Number of SMMEs impacted or supported
 - Number of jobs created (direct and indirect)
 - R'million invested in digital skills programmes
 - R'million invested in the Telkom Foundation
 - Number of learners and teachers impacted
 - B-BBEE ratings
 - Employment equity plan targets
 - Diversification of procurement spend

- Key strategic focus areas**
- Diversify our supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs. This is a mitigating factor in managing supply chain risks
 - Digital skills development
 - Holistic school development and integrating ICT in schools

Governing social and relationship capital

The Social and Ethics Committee is responsible for transformation and B-BBEE oversight. Senior Management is responsible for transformation performance, led by the Group Exco and supported by functional leadership.



 Supporting ESD: FutureMakers

Telkom launched FutureMakers in 2015 to develop ICT SMMEs within the sector and our supply chain. We focused on diversifying our supply chain and partnering with SMMEs that have the potential to enhance our innovation capabilities. FutureMakers currently has 289 (FY2021: 248) SMMEs registered on various programmes.

Through our Supplier Development Programmes, incubation and funding initiatives, we have supported over 2 500 enterprises since 2015.

In FY2022 FutureMakers supported SMMEs on various programmes with R88 million (FY2021: R31 million) comprising R37 million in grant funding; R36 million in incubation, training, and prototyping; and R15 million in interest-free loans.

The grant funding was awarded to 74 SMMEs, of which 38 are on our Supply Chain Programmes and 36 on our Innovation Programmes. The purpose of the grant was to help SMMEs scale their businesses and to mitigate against a tough economic climate. The grant was awarded based on a sound business case, potential to create employment, and the experience of the management team.

In our Supply Chain Programmes, we supported 10 women-owned SMMEs on the Independent Field Technicians Programme by purchasing fibre cables to help them roll out Openserve's fibre programme.

In our Innovation Programmes, the 11 selected businesses that are part of the Township Innovation Incubator completed their training modules and moved to the prototyping stage. BCX's Software Development team worked closely with the entrepreneurs to improve their prototypes, and in some cases develop minimum viable products worth R5 million. In addition, Telkom FutureMakers hosted two hackathons which saw seven start-up teams emerge as winners out of over 50 teams in solving some of Telkom's key innovation challenges. The first hackathon was a Gaming hackathon held in partnership with Tshimologong. The second hackathon was a partnership with 22 on Sloane and marked the celebration of the Global Entrepreneurship Week. All participants received more than R8 million in incubation, mentoring, prizes, and marketing exposure.

The Telkom FutureFund, managed by IDF Capital, has made 137 transactions since 2015, with R238 million in total commitments and net investments (considering repayments and disbursements). Most of the indirect jobs (26 463) were created by the invested portfolio. The Telkom FutureFund has now begun its divestment period, which means that that the fund will only be making follow-on investments and engaging in value creation activities to ensure the growth of the invested portfolio.

Focus area 1

Diverse Supply Chain and Sales Value Chain Programmes are providing opportunities for SMMEs to thrive in our value chains and mitigate supply chain risks identified in the business.

IFT Programme	Objective: Outsource the fault repairs of our network to SMMEs, providing access to the market. Outcome: Telkom procured R203 million from 32 participants (FY2021: R105 million; 31 participants). There were 599 (FY2021: 474) technicians employed by the IFT companies.
Consumer Dealers Programme	Objective: To work with SMMEs in the distribution of Telkom products in the sales value chain. Outcome: R17 million revenue generated by 15 Telkom Consumer Dealers in the FutureMakers Programme (FY2021: R20 million; 12 dealers).
BCX Subcontractor Programme	Objective: To provide IT companies with access to the market through subcontracting opportunities from our clients. Outcome: The programme had 177 registered SMMEs (FY2021: 86). Subcontracting opportunities worth about R225 million were created for SMMEs although none were successfully closed in FY2022. Subcontracting opportunities worth R126 million were successfully subcontracted in FY2021.

Focus area 2

Innovation programmes are geared towards incubating, investing and commercialising enterprises that are developing solutions using emerging technologies.

FutureFund (venture capital fund with IDF Capital)	Objective: To invest in technology start-ups from seed to growth stages through equity, quasi-equity and debt. The total fund is R250 million. Outcome: Total commitments of R238 million in 137 transactions since 2015 (FY2021: R207 million; 108 transactions).
Innovation	Objective: To provide technology support, incubation, and acceleration to emerging technology start-ups solving social challenges. Outcome: Overall, 11 entrepreneurs were selected based on the strength of their entrepreneurial orientation and the social problems they were solving. They have completed their training and have progressed to the prototyping stage.



Developing digital skills for the future

We aim to empower a pipeline of young people with future-ready skills to fuel Telkom's innovation and transformation agenda, as well as support the digitalisation of South Africa's economy. This was driven by an investment of R37 million in FY2022 (FY2021: R37 million), with key programmes being the Explore Data Science Academy and WeThinkCode partnerships.

We renewed our contracts with Explore Data Science Academy and WeThinkCode for a further three years from 2022. This will support an additional 600 students over the period and secure a coding and data science talent pipeline.

Despite the ongoing constraints of COVID-19, the students' performance levels remained high. This stands as testimony to the resilience of the students, agile business models and the strength of institutional leadership. With ongoing support, students have continued to adapt well to hybrid learning approaches, and this is providing valuable lessons for scaling digital learning in the future. We enabled students to study from home with the necessary support in hardware, software and data, as well as with innovative pedagogical support through enhanced peer-to-peer interactions, mentorship and tutoring.

The Explore Data Science Academy transitioned to a hybrid model. Thirty BCX-supported students from geographically dispersed towns are now participating completely online in a pilot to see how well they will cope with the complex subject matter when learning at home. The pilot is also testing prospects for greater access and inclusion. Internet connectivity and electricity outages did pose challenges, particularly between September and December 2021 when students were working on their business projects. However, the projects have still generated business value with their focus on a range of issues including retail shelf space insights, prediction of diabetes, customer experience, cable and infrastructure theft, and digital maturity models.

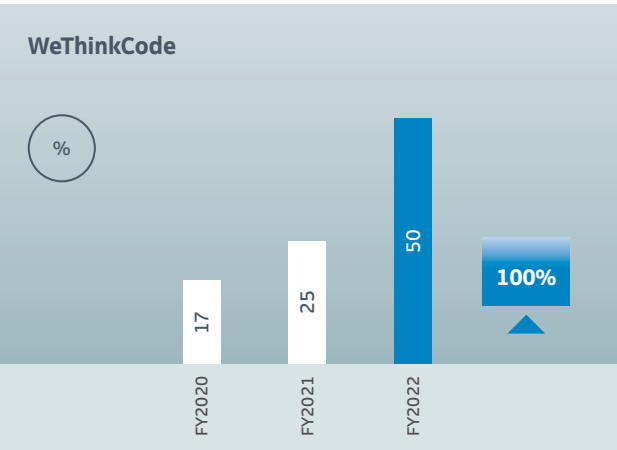
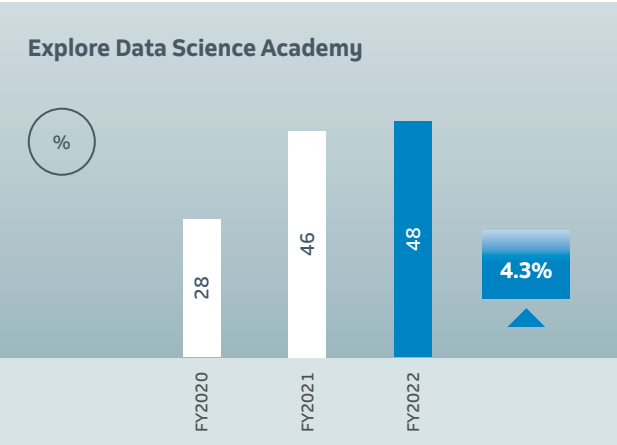
The 2022 cohort of data science students has shown the benefit of the hybrid model, with students from more provinces in South Africa now taking part.

The 2021 WeThinkCode cohort performed well, with a 99% retention rate after four months. Of the 433 students, 49% are women, 94% are black and 90% come from low-income households (with an annual income below R350 000). BCX supported 60 students.

The 2020 cohort has been employed by over 60 companies, many of them small and medium-sized businesses. This was driven by a conscious effort to infuse these skills in technology start-ups as engines of growth.

We made steady progress in improving the representation of women in our coding and data science cohort, as illustrated in the graphs alongside.

Female representation



Investing in digital skills will drive shared value for our business by growing the pipeline of talent to take our business into the future. It also drives our ESG commitment to impact 30 000 lives through digital literacy by 2023. This will directly support national objectives to enhance economic and social innovation in all sectors built on digital skills¹.



Supporting our communities: Telkom Foundation

The Foundation invested R76.8 million (including administration costs), with R36.4 million invested in education, R25.3 million in digital skills and R7.8 million in Social Development Programmes (FY2021: R52.7 million).

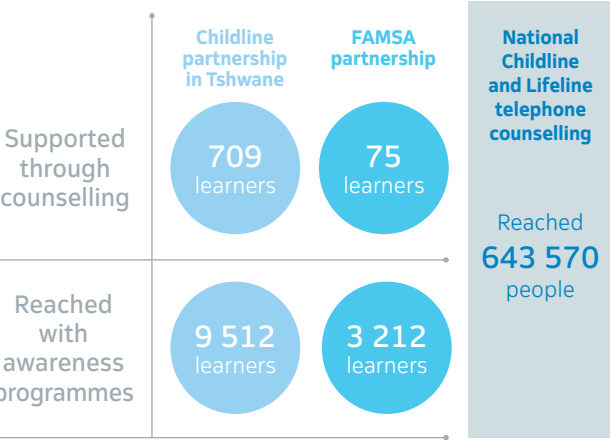
Our social investments are aligned to our purpose and core business, and thus support a shared-value approach to education in a digital age.

The Telkom Foundation (the Foundation) continued to support young people in improving their performance in science, technology, engineering and mathematics (STEM) subjects, which will enable them to access post-schooling and future economic opportunities. The Foundation also continued to invest in reskilling unemployed youth through training accredited by the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA), to enable them to access employment and entrepreneurial opportunities in the ICT sector.

In 2021, the Foundation's integrated High School Support Programme reached a five-year milestone with the first group of 1 343 of the 3 140 learners reaching Grade 12. This group achieved 354 distinctions. Telkom offered bursaries to 25 learners who achieved two or more distinctions. The Foundation provided Grade 12 learners within supported schools with a facilitated and structured programme to help them to apply for and secure post-school study and funding opportunities. The programme supported 492 learners, of whom 187 were able to secure opportunities in various institutions. The STEM Supplementary Tuition Programme continued through a hybrid model of online and physical classes.

Nationally, over 10 700 learners access learning through Lightbulb, the Telkom-supported education platform. Of these, 3 687 learners accessed the platform through learning devices and mobile connectivity provided by the Foundation, making it easier for them to connect and learn remotely.

The Psychosocial Programme continued to support learners in need of counselling. It conducted awareness programmes on relevant topics within the 22 Foundation-supported schools in Tshwane West in Gauteng and Gqeberha in the Eastern Cape.



We migrated the Digital Skills Programme onto an online platform, enabling learning to continue despite COVID-19 challenges. This year, 228 high school learners completed year 3 of the programme. We introduced these learners to various types of technologies including robotics, systems development, fintech and blockchain.

To ensure sustainable and long-lasting impact, the Foundation deployed comprehensive ICT solutions in supported schools that included devices, connectivity, ICT labs and interactive white boards. Support also included training teachers and principals to ensure that they could utilise this investment. We trained at least 150 teachers on the ICT equipment and its role in improving pedagogy and content in STEM subjects. We extended the training to approximately 6 000 teachers outside the seven schools during the pandemic.

The Foundation worked with the schools to develop instructional leadership among the principals. It also focused on creating a network where they can support and share insights and lessons on how to deal with school challenges.

Widening access to learning

The Foundation worked with Telkom to identify education sites that could be zero rated, thus widening access to learning beyond Lightbulb. To date, over 1 000 education sites have been zero rated, enabling more learners to access content at no cost.

Telkom zero rated an additional 200 public service sites to enable easy access to public service information.

¹ Implementation Programme for the National Digital and Future Skills Strategy of South Africa, 2021 – 2025, Department of Communications and Digital Technologies.

Working in partnerships

In partnership with the Department of Education, the Foundation developed a virtual framework to support the establishment of virtual schools. We also developed a framework to manage partnerships to deploy ICT in schools and guidelines on the use of digital content, particularly in general education and training. Furthermore, as part of our ESG drive under the focus area, Investing with Purpose, we piloted the use of technology to improve teaching in schools with multi-grade classes in the Free State and Eastern Cape.

The Foundation worked with its partners to migrate the Digital Skills Programme onto an online learning platform. The programme reached 250 unemployed youth:

- 140 towards the MICT SETA NQF Level 4 Further Education and Training Certificate in Information Technology
- 110 towards the NQF Level 5 National Certificate in Business Analysis Support Practice/Information Technology

Of the 240 youths, 205 completed the training programme. We placed 85 within the Group for experiential learning. We also placed 95 within Gauteng libraries through the Foundation's partnership with the Gauteng Department of Sports, Arts, Culture and Recreation, and a further 25 within SMMEs.



Case study |
Matric class of 2021

The journey with the class of 2021 started in 2017. The Foundation provided these learners with comprehensive support over the years, prioritising supplementary STEM tuition. It included psychosocial support and management as well as digital skills training to develop their skills and expose them to careers in ICT.

This cohort faced unique challenges due to the impact of COVID-19 for Grade 11 and 12 (in 2020 and 2021), drastically reducing their teaching time at school. Through the Foundation's supplementary tuition support, they achieved significantly improved results as illustrated below.

Comparison to the pre-COVID-19
class of 2019

- **1 245 learners** wrote the Grade 12 examinations in 2021, an increase of 53% from the 2019 class
- They **achieved a pass rate of 78.6%**. While this rate may be 6.4% lower than the 2019 class pass rate, there was an increase in the overall number of learners who sat for the examinations and passed
- **979 learners passed** – with 288 more learners passing Grade 12 than the 2019 class, an increase of 42%

Quality of
passes

Of the 979 learners
who passed:

- **445 learners** (45%) achieved bachelor degree passes
- **363 learners** (37%) achieved diploma passes
- **171 learners** (18%) achieved higher certificate passes

Number of
distinctions

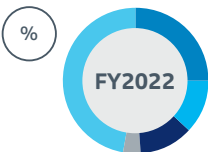
The cohort achieved
256 distinctions:

- **36 distinctions** in maths and science
- **11 learners** achieved three or more (including maths or physical science), with three learners achieving six or more distinctions

Post-schooling

The Foundation assists learners with career management by offering structured hybrid support to assist them connect to post-school opportunities.

- **492 learners** successfully registered for the voluntary support programme. 395 applied to various post-schooling institutions and also applied for funding
- **The top 25 learners** received full bursaries from Telkom and the balance of the 187 learners received other funding from the National Student Financial Aid Scheme or other bursaries
- **Learners are pursuing studies** in various fields including:



25% in health sciences
12% in the engineering field
12% in computer sciences
4% in mathematical sciences
47% other

CASE STUDY



Supporting
B-BBEE

As an integral driver of economic and social transformation in South Africa, B-BBEE continues to be an area of focus and the Telkom Group constantly strives to maintain and/or improve its performance. A Youth Employment Services (YES) partnership was entered into this year which was aimed at contributing to the alleviation of the youth unemployment challenge whilst also improving the B-BBEE level for Telkom Soc by a level.

The Telkom Group therefore was able to achieve level 2 for both BCX and the rest of the Telkom Group:

B-BBEE ratings

Scoring element and weighting points	FY2020	FY2021	FY2022
Telkom			
Ownership (25)	15.91	17.08	18.52
Management control (23)	19.29	16.66	17.81
Skills development (20)	16.69	17.06	19.36
ESD (50)	47.06	47.41	44.13
Socio-economic development (12)	12.00	11.92	12.00
Total (130)	110.95	110.13	111.82

BCX

Ownership (25)	18.76	17.08	18.52
Management control (23)	17.67	15.82	16.17
Skills development (20)	18.78	20.67	19.18
ESD (50)	51.41	49.47	50.60
Socio-economic development (12)	12.00	12.00	12.00
Total (130)	118.62	115.04	116.47

Telkom SA improved from a B-BBEE Level 3 to a Level 2 status. BCX maintained a B-BBEE Level 2 status.

Procurement with black-owned businesses

Category	FY2020 R'billion	FY2021 R'billion	FY2022 R'billion
Overall spend with black-owned enterprises	25.00	29.87	28.69
Spend with black-owned small enterprises	1.61	1.51	2.09
Spend with black-owned generic large enterprises	4.28	28.35	27.92
Overall spend with black women-owned enterprises	9.8	7.02	11.03

Key focus areas in FY2023

The key focus areas and initiatives for FY2023 are as follows:

Enhance our culture, engagement and employee experience



Develop the workforce of tomorrow



Recruit to grow an inclusive workforce



Grow local SMMEs



Invest in township innovation



Zero-rated access to key public websites



Provide educational videos through TelkomONE



Expand educational content through Lightbulb



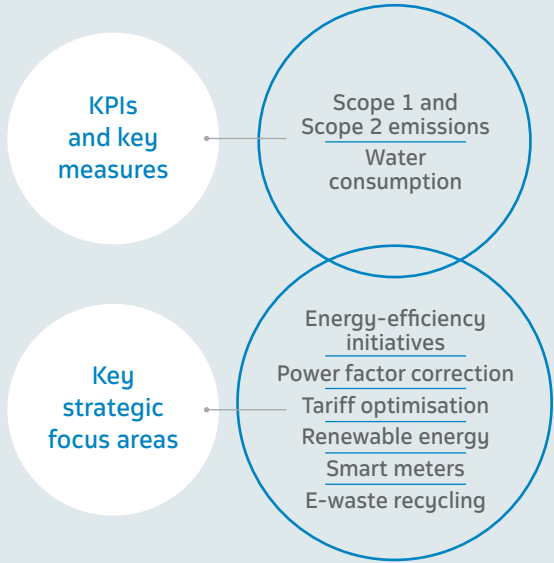


Natural capital

Our focus in FY2022 was to responsibly mitigate the impact of climate change through our energy, water and waste management practices. We stand firm in our conviction as a responsible operator, and we set out our pathway to carbon neutrality by 2035 and a net zero target by 2040. These commitments flow from the Group's ESG Strategy, specifically the Operational Efficiencies focus area. We have several in-flight activities that translate our intention-in-action.

Key highlights:

- Telkom developed an ESG Strategy that is in line with the Global System for Mobile Communications Association's (GSMA) ambition of net zero emissions by 2050
- We signed a Science-Based Target (SBT) letter to combat climate change
- Work is in underway to set Scope 1 and 2 projections for SBT and we will submit the projections to the Carbon Disclosure Project for validation and approval



Telkom's impact on natural capital

As part of the extensive research and analysis undertaken in developing Telkom's ESG Strategy (page 50), we have set a target for the Group to be carbon neutral for Scope 1 and Scope 2 emissions by 2035. Once we have advanced our understanding of our Scope 3 emissions and set a baseline for them, we can advance towards net zero by 2040.

In October 2020, investors requested that the Group commits to setting science-based emissions reduction targets across its value chain. We submitted our Science Based Target (SBT) commitment letter to the CDP in January 2022. Our SBT projections (for Scope 1 and Scope 2) were set with assistance from an external energy advisor, and will be submitted to the CDP for validation and approval.

There were no environmental notices of violation or directives issued against Telkom in FY2022. Environmental regulators did not conduct any compliance inspections. We monitor our compliance with environmental statutes and by-laws through site inspections, audits, and regular reviews of our procedures and operations. We are obtaining an Energy Performance Certificate¹ before the 8 December 2022 deadline set by the regulator.



¹ Energy Performance Certificate means a certificate issued by an accredited body in respect of a building in accordance with the South African National Standard SANS 1544: 2014 Energy performance certificates for buildings, published by the South African Bureau of Standards in terms of the Standards Act, 8 of 2008 that indicates the energy performance of that building.

Climate change risks and opportunities

Telkom has identified the following key and climate-related risks and opportunities.

Climate-related risks	Climate-related opportunities
- The second phase (2023 onwards) of the introduction of carbon tax legislation is expected to have a significant impact on Telkom due to the potential broadening of the tax base to include Scope 2 emissions - The increasing severity and frequency of extreme weather events, such as floods and cyclones, are an acute physical risk to the network as unpredictable weather events and disasters can damage infrastructure and increase network faults - Chronic changes in precipitation patterns, extreme variability in weather patterns and more severe weather conditions, such as acute winter rains in Western Cape, can increase our vulnerability to network down-time and faults - A rise in temperature can increase the air conditioning energy consumption requirements in our data centre and offices, which may potentially place stress on water resources	- Onsite solar energy generation can reduce operating costs, vulnerability to load shedding and carbon tax liability - Sensor technologies and light-emitting diode (LED) lighting can reduce energy consumption and costs - Increased resource efficiency, especially through improved building energy consumption, can reduce operating costs and carbon tax liability. A green star rating can enhance Telkom's reputation - Efficient water consumption can reduce operating costs, mitigate possible drought impact, and reduce possible shortages that could impact water-cooled IT infrastructure - Arranging sustainable finance may lead to cheaper financial capital ring-fenced to sustainability projects that reduce natural capital impacts

Phasing out ozone-depleting substances

The Department of Environmental Affairs promulgated the phasing out of ozone-depleting substances in 2014, outlining 2020, 2025 and 2030 requirements. In 2016 (the baseline year), Telkom had 97 tonnes of R22 gas in the system. To date, we have reduced R22 gas to 39 tonnes. We achieved this by decommissioning different Telkom sites and replacing heat, ventilation and air conditioning units that exceeded the commercial expected life cycle by 30%.

To comply with the 2025 legislative target of 31.5 tonnes, Telkom must reduce R22 gas by a further 7.5 tonnes. We will achieve this by replacing aged heating, ventilation and air conditioning equipment.



Driving energy efficiency

Telkom sources 85% of its energy requirements from the national electricity grid. The remaining 15% comprises fossil fuels consumed by the vehicle fleet and back-up generators, and electricity supplied through our renewable energy plant.

The Group's Operational Efficiencies focus area, as part of its ESG Strategy, continues to deliver change and drive focus and effort where it needs to be. We conducted assessments on several sites and business cases for energy-efficiency improvements are underway or completed.

During FY2022, assessments were carried out at offices, data centres and radio access network sites to determine the feasibility of optimisation projects covering electricity tariffs, power factor correction, lighting efficiency, air conditioning, solar photovoltaic energy production and water heating. We started implementing viable projects in FY2022, which will be completed by the end of FY2023.



Reducing Telkom's carbon footprint

In February 2019, the Board of the GSMA set an ambition on behalf of the industry to reach net zero carbon emissions by 2050. Telkom is a member of GSMA and developed an ESG Strategy with 2035 carbon neutral and 2040 net zero targets.

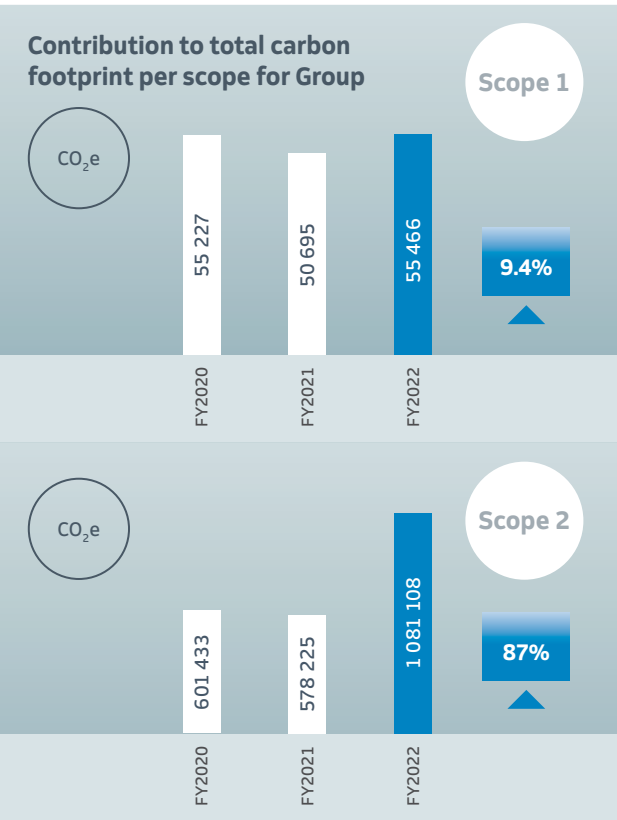
To meet carbon reduction targets for our Scope 2 emissions, Telkom will invest directly in renewable energy technologies, where feasible. We will also indirectly invest through independent green power purchase agreements. The national electricity utility has unbundled its generation and transmission business to support a more competitive energy market. This bodes well for renewable energy and meeting South Africa's carbon emissions reduction commitments.



Key definitions

Scope 1 emissions relate to fossil fuel being consumed by the vehicle fleet, back-up diesel generators and replacement of air conditioning gases. Scope 1 represents approximately 8% of Telkom's total carbon footprint.

Scope 2 emissions relate to energy consumed from the national grid. In South Africa, the national utility has a high grid emissions factor due to the reliance on coal-fired power generation technology. Scope 2 represents 92% of Telkom's carbon footprint.



Scope 1 emissions increased by 9.4%, which resulted from high usage of diesel by standby generators due to load shedding.

Scope 2 emissions increased by 87% due to:

- Reversal of estimates incurred in FY2022
- Inclusion of electricity consumption from leased properties that was not reported in previous years. Telkom is now able to report total electricity usage including direct municipal and Eskom supply, and nett electricity usage across the leased property portfolio
- The increase in Eskom's Grid Emission Power Factor in FY2021 from 1.04 to 1.08 tonnes per MW

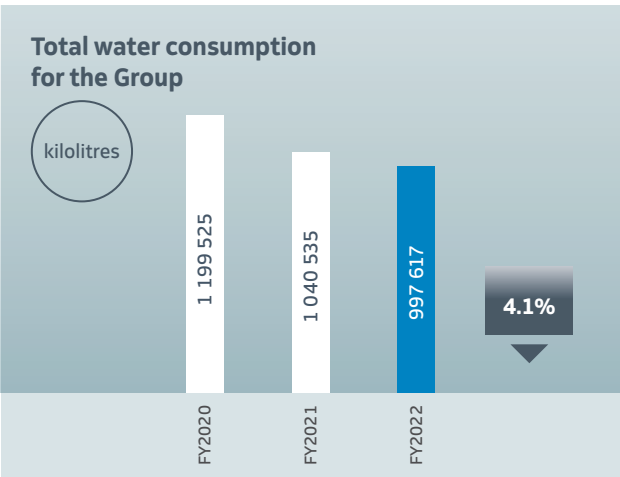
Therefore, the increase is not necessarily attributable to increased electricity usage, but rather improved baseline calculation methodology.



Managing Telkom's water consumption

The Group uses water primarily for cooling, drinking, catering, hygiene and landscaping. Our key source of water is municipal supply. We implemented a smart meter installation project to measure and manage water use to promote efficient water usage. As at March 2022, we have installed 147 smart meters. We deferred the waste-water recycling project to FY2023 due to lower occupancy levels in our offices.

Water consumption decreased due to account terminations in FY2021 (due to the decommissioning project) and rates and taxes revaluations in FY2022. Work-from-home arrangements also contributed to a reduction in our water consumption.



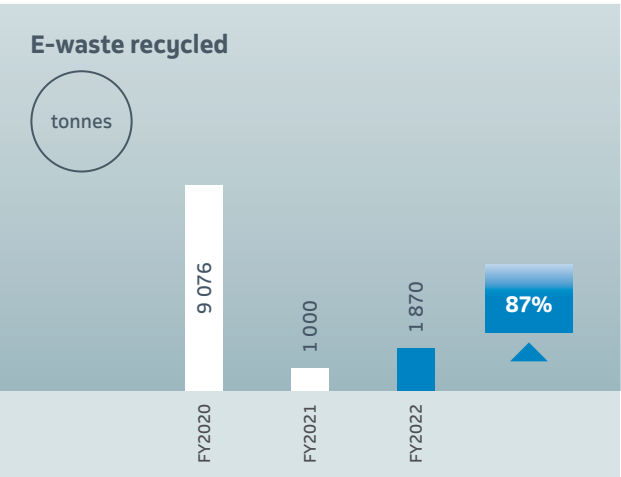
Managing hazardous waste responsibly

The increased availability, affordability and consumption of electronic products has led to increased volumes of e-waste being generated. It is also the largest growing waste stream in South Africa.

Telkom's business activities, products and services also produce high volumes of e-waste, across items like batteries, copper cabling, mobile phones, electrical equipment, etc. It is also our most environmentally impactful waste stream, internally and across our value chain.

Telkom has substantial opportunities to decrease its negative impact by recycling end-of-life products, such as SIM cards. We also sell copper recovered from recycling processes through a third-party contractor who is paid for the services when the recovered copper is sold. We sell our cabling to a leading e-waste recycling organisation, which processes the cabling by using environmentally and socially responsible techniques (that do not use chemicals or burning). This sensitive, labour-intensive process provides employment to an Eastern Cape rural community, where some families rely on this project as their sole source of income.

Telkom recorded an increase in e-waste recycling in FY2022 due to improved measurement of some e-waste that was not included in the total weight of recycling in FY2021.



Key focus areas in FY2023

As part of our ESG Strategy and having defined science-based targets for carbon neutrality and net zero, Telkom developed a sustainability journey map.

The following initiatives are prioritised in FY2023:

- Total building optimisation, including air conditioning and air-flow optimisation
- Efficient water heating and water efficiency and harvesting
- Power factor correction
- Battery technologies
- Lighting and sensors
- Solar Photovoltaic (PV) energy plant commissioning in Telkom Park and Bellville Complex

Task Force on Climate-related
Financial Disclosures

Governance



The Social and Ethics Committee (and Risk Committee, where applicable) are responsible for climate change matters within Telkom. The Committee monitors Telkom’s activities regarding organisational ethics, responsible corporate citizenship, ESG, sustainable development and stakeholder relationships. The Committee considers any relevant legislation and prevailing codes of best practice, including safety, health and environment (including climate change), and stakeholder demands and requests on ESG disclosure. The Risk Committee and Social and Ethics Committee comprise various Non-executive and Executive Directors, including the GCEO and GCFO. Refer to [page 103](#) for more information about these Committees.

We added climate change, specifically extreme weather conditions, as a new material theme in FY2021. This followed various engagements and processes within Exco and the Group Audit Committee. Refer to [page 27](#) for these material themes.

The Social and Ethics Committee facilitated Telkom’s adoption of the TCFD framework in FY2021. The Committee is responsible for monitoring and overseeing TCFD activities. The Risk Committee is responsible for monitoring and assessing TCFD-related risks.

Strategy

Telkom developed a Group ESG Strategy in FY2021 that was approved in FY2022. Read more about the strategy on [page 50](#). The operational efficiency priority themes that are most relevant to TCFD are:

- Mitigating climate change impact, and achieve cost optimisation and security of supply through responsible water/energy use and waste management
- To become carbon neutral by 2035 and achieve net zero by 2040

Telkom identified climate-related risks and opportunities over the short, medium and long term, which may influence our strategy and/or financial planning. They are disclosed on [page 91](#). We considered the effect of climate-related risks and opportunities on our products and services in the short term. However, we are planning a scenario analysis for FY2023, which may extend the consideration into the medium to long term.

Risk management

Risks associated with climate change are integrated into Telkom’s risk identification and management processes and assurance processes. The Group’s risk management approach is based on a Board-approved ERM methodology and philosophy to ensure adequate and effective risk management.

The objective of the ERM framework is to ensure that there is a standard approach to managing risks across the Group and to instil consistency. We identify and assess regulatory, reputational and physical risks annually. We consider these risks three to six years into the future. We use our Group integrated assurance framework to identify, assess, monitor and report the Group’s complex risks and opportunities. Refer to [page 38](#) for more information on Telkom’s risk management and strategic risks.

To protect our business and the environment, Telkom needs to mitigate and adapt to climate change impacts and use our resources responsibly. Climate-related risks and opportunities are initially managed within the business functions where they are identified. However, all major climate-related risks have response plans that specify trigger thresholds (related to the severity of the impact). Once risks are at these thresholds, higher levels of management will be involved.

Our Group Emergency Management Team manages all risks that significantly impact business-as-usual and the execution of Telkom’s Strategy (i.e. the highest trigger threshold). This team reports to Group Exco.

Metrics and targets

Telkom reports its carbon footprint according to the Greenhouse Gas Protocol. This is a global standard for developing an emissions inventory and carbon footprint. Refer to [page 92](#) for Telkom’s Scope 1 and Scope 2 emissions disclosure.

The largest unknown carbon emissions category is Scope 3, which may result in an increase in the Group’s carbon footprint. Within the approved ESG Strategy, we have developed a reasonable three-phase approach to determine appropriate climate change-related activities. While setting a carbon neutral target and in the interest of transition risks, Telkom has accelerated the development of a detailed Group-level plan:

- We analysed 8 807 accounts for FY2020 (the baseline period) based on electricity spend. The top 300 and top 500 accounts represented almost 65% and 73% of spend, respectively
- Desktop analysis on the top 500 accounts considered renewable energy, power factor correction, energy-efficient lighting, building management systems, and air-conditioning opportunities to determine the journey map to carbon neutrality
- The initiatives include capital and operational investments, where the latter provides for procuring renewable energy from independent green power producers through power purchase agreements
- We will identify opportunities through onsite sustainability audits and realise them through approved business cases

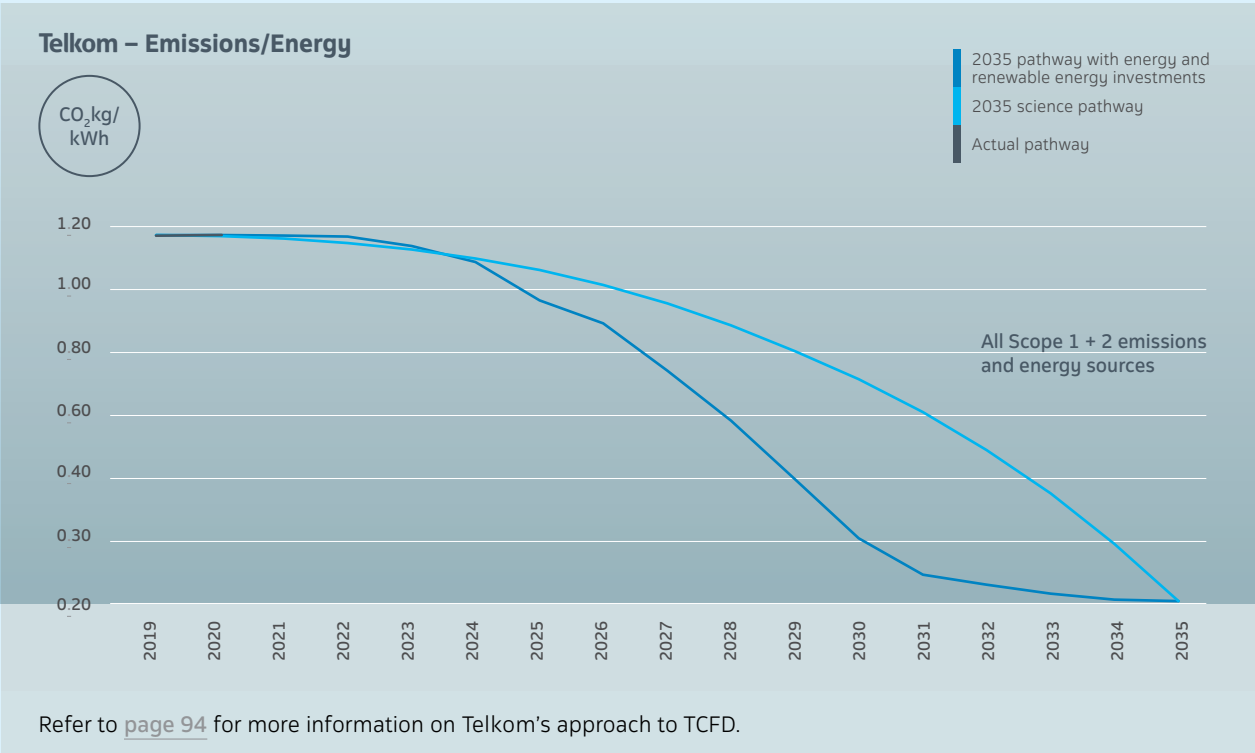
Telkom will also carry out a physical risk assessment to enhance our understanding of transition risks and opportunities.

The following environmental goals statements are a subset of the ESG Strategy:

Goal statement	Goal sub-statement
Carbon neutral by 2035	- 100% reduction in Scope 1 and 2 emissions - Migration from fossil fuels to only comprise 50% of energy use by 2030 - 100% of energy use from renewable sources by 2035 - Migration from R22 refrigerant gases by 25% in 2025 and 100% by 2035
Net zero by 2040	- Determine Scope 3 emissions from use of sold products - Encourage recyclable and bio-degradable materials - 75% reduction in waste to landfill by 2030 - 50% reduction in potable water consumption by 2030 - Carbon offsets for unavoidable emissions

Using the FY2020 baseline and various technology scenarios, Telkom developed a 2035 carbon neutral strategy while investigations into Scope 3 emissions continue.

Emissions projections



Transparency and accountability

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Corporate governance report

The Board practises sound corporate governance embedded in the compliance-based culture, leading to the Group's long-term sustainability. Governance is proactively managed through the nature of the internal controls of accountability between the shareholders, Board and management.

Group governance framework

The DoA sets out the governance model and structures that support the Group's governance framework. The Board reviewed and approved this framework in 2019 and focused on subsidiary governance and applying proportional governance. The Board further reviewed certain portions of the framework in 2021 to enhance corporate governance elements.

- The Directors confirm that Telkom complies with the:
- Provisions of the Companies Act, 71 of 2008 (as amended) (Companies Act)
 - Laws of establishment, specifically relating to its incorporation
 - Memorandum of incorporation and all relevant constitutional documents



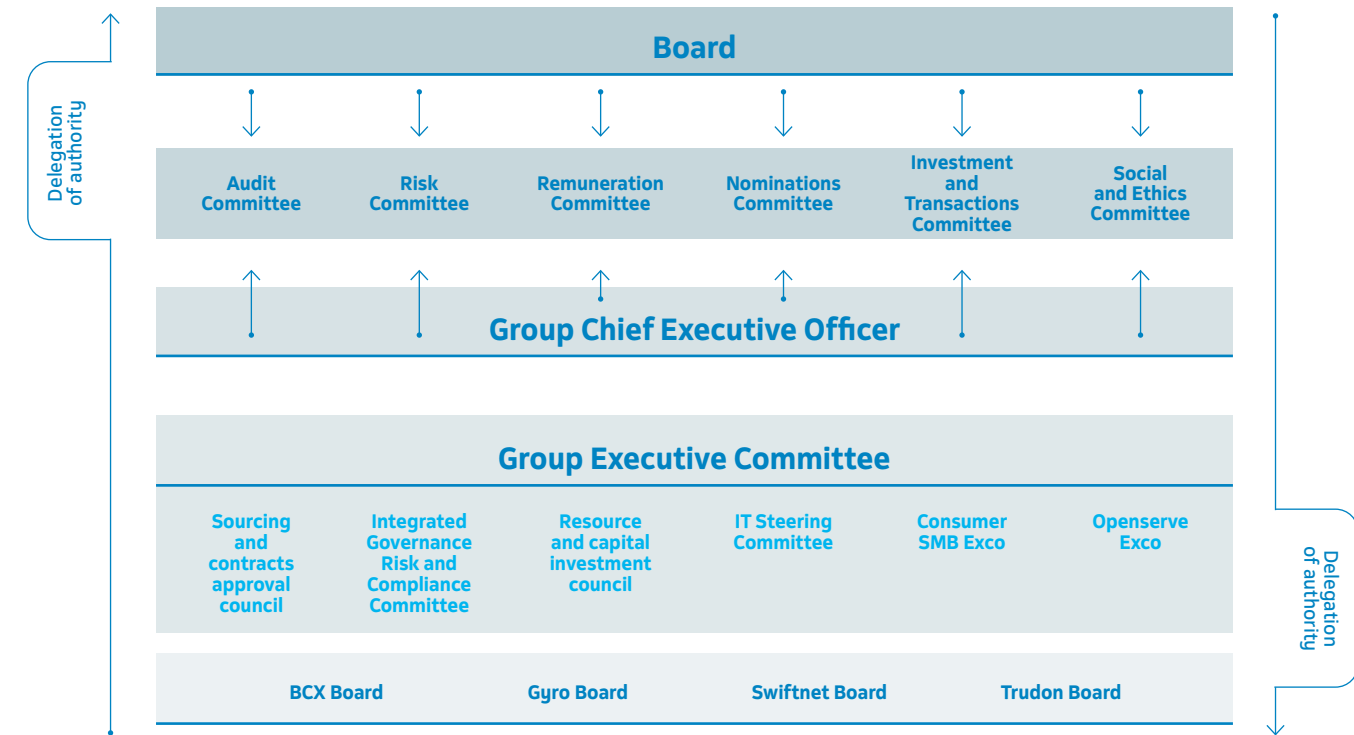
The framework is continually embedded in the Group and its subsidiaries to ensure alignment, standardisation and consistent application of sound governance principles.

The provisions and guidelines set out in the framework assist the Group to mitigate against known governance breaches and possible reoccurrences. These are underpinned by:

- The focus on corporate social responsibility and enhanced responsibility towards the Group's stakeholders
- The Board's increased focus on ESG matters, through the Social and Ethics Committee and governance risk oversight through the Risk Committee
- The King IV governance enhancement areas, among others, embedding an ethical culture, IT governance, enterprise risk management and supplier contract management

The framework's content is subject to the statutory and regulatory environment that the Group operates in. This includes the JSE Listings Requirements, the Companies Act, the MOI and King IV. For the King IV application report, refer to www.telkom.co.za/ir/Governance/Governance.shtml.

Delegation of authority



The Board understands and accepts its responsibility as the custodian of corporate governance in the Group. The governance structures provide for the delegation of the Board's authority, while maintaining effective monitoring and oversight. The Board, through the DoA, ensures effective coverage and legitimacy while delivering good performance.

The DoA is aligned to the JSE Listings Requirements, Companies Act and the MOI. The Board reviewed the DoA in FY2021. Its focus is on embedding its principles in the subsidiaries and measuring its effectiveness in decision-making activities within the approved risk framework. We simplified the DoA to provide an enabling environment for agile decision-making and delivering shared value to all stakeholders. We aligned the subsidiary DoAs with the principles of the Group DoA. The subsidiary Boards adopted and implemented the DoA. Implementing the FY2021 DoA created an agile business with quicker decision-making processes and efficiencies that support the delivery of the Group's strategic objectives.

The Board's Committees assist the Board in discharging its duties and responsibilities. We amended each Committee's terms of reference to align with the JSE Debt Listings Requirements and identified the required King IV enhancements. The Board approved these amendments to the Committee terms of references and the Board Charter in FY2022, which emanated from the prior year's King IV implementation plan. The amendments included, among others, a materiality threshold for personal financial interests or otherwise for Directors, inclusion of fit and proper tests in the nomination of Directors, and the application of ESG frameworks adopted by the Board.

To measure the effectiveness of our King IV applications, the Telkom Group Internal Audit team conducted a governance and ethics audit flowing from the proposed King IV enhancements and the implementation plan in embedding these principles into the normal ways of work. The team issued a clean audit report.

The Group Exco is a management governance structure constituted at the discretion and guidance of the GCEO. It supports him in carrying out Board-delegated operational activities, and feeds into the Board and its Committees.

The Board is satisfied that the provisions and parameters set out in the DoA support a balance of power, authority, and sufficient role clarity, while promoting an agile and evolving business environment.

Non-executive Directors



MS Moloko (57)



Chairperson

Appointed: 20/03/2018

Principal skills: Mergers and acquisitions, investment management and business leadership

Other directorships: Nelson Mandela Foundation, Prudential Investment Managers, Thesele Group (Pty) Ltd, Absa Group Ltd

O Ighodaro (59)



Appointed: 01/07/2021

Principal skills: Business leadership, finance, business strategy and finance

Other directorships: Massmart Holdings Ltd, Old Mutual Ltd, Old Mutual Life Assurance SA, Ascential plc, Sabvest Capital Ltd

N Kapila (68)



Appointed: 16/02/2011

Principal skills: Telecommunications, legal, regulatory and governance

Other directorships: International Telecommunication Union (Switzerland)

PCS Luthuli (49)



Appointed: 25/05/2018

Principal skills: Auditing and accounting, investments, mergers and acquisitions, and business leadership

Other directorships: Mpact Ltd, Mpande Property Fund Manager (Pty) Ltd, Fulzest (Pty) Ltd

EG Matenge-Sebesho (67)



Appointed: 01/07/2021

Principal skills: Financial markets and investments, international business, marketing, risk management and governance

Other directorships: First National Bank Ghana, Distell Group Holdings Ltd, Ashburton Investments, FinMark Trust

KW Mzondeki (54)



Appointed: 09/11/2012

Principal skills: Auditing and accounting, corporate finance, mergers and acquisitions, strategy and governance

Other directorships: Baldwin Properties Ltd, Nampak Ltd, Thungela Resources Ltd, HUZK (Pty) Ltd, Guardrisk Group Holdings Ltd

F Petersen-Cook (46)



Appointed: 10/12/2012

Principal skills: Corporate finance, actuarial, risk management, ESG and investment management

Other directorships: Absa Financial Services, Famous Brands Ltd, Pepkor Ltd

KA Rayner (65)



Appointed: 15/07/2019

Principal skills: Corporate finance, accounting, auditing, governance, risk management, strategy and ESG

Other directorships: Appropriate Process Technologies (Pty) Ltd, Nexus Intertrade (Pty) Ltd, Sibanye Stillwater Ltd

SP Sibisi (67)



Appointed: 01/04/2019

Principal skills: ICT, start-up ventures and business-to-business intelligence skills

Other directorships: FirstRand Bank Ltd, Liberty Holdings (Pty) Ltd

H Singh (61)



Appointed: 25/09/2020

Principal skills: New business development, large-scale IT developments and IT innovation

Other directorships: Adcorp Holdings Ltd, 4Sight Holdings Ltd, Payments Association of SA, African Bank Ltd

RG Tomlinson (59)



Appointed: 03/12/2014

Principal skills: Business leadership, strategy, remuneration, and mergers and acquisitions

Other directorships: None

LL Von Zeuner (61)



Appointed: 10/12/2012

Principal skills: Finance, mergers and acquisitions, risk, ESG and commercial expertise

Other directorships: FirstRand Ltd, FirstRand Bank Ltd, Transnet SOC Ltd

Newly appointed Non-executive Directors



B Kennedy (63)



Appointed: 15/07/2022

Principal skills: Corporate banking, debt and equity capital markets, private equity, commercial property finance, and mergers and acquisitions

Other directorships: Ecobank Transnational Incorporated, AfriSam Holdings (Pty) Ltd

P Lebina (41)



Appointed: 15/07/2022

Principal skills: Accounting, corporate finance, governance, investor relations, private equity, financial reporting, stakeholder management and business development

Other directorships: DRDGold Ltd, Growthpoint Properties Ltd, and Lemas Financial Services (Co-operative) Ltd

M Nyati (57)



Appointed: 15/07/2022

Principal skills: International telecommunications, strategy and innovation

Other directorships: Massmart Holdings Ltd

IO Selele (45)



Appointed: 15/07/2022

Principal skills: ESG strategy, renewable energy, digital technology, supply chain management, AI and innovation

Other directorships: Siemens Energy SA Ltd, Mahlako Energy Infrastructure, Satsanga, Fintech Holdings

S Yoon (59)



Appointed: 01/05/2022

Principal skills: Digital transformation, global strategy, international telecommunications and significant growth by turning around difficult businesses

Other directorships: None

Group Exco team



SN Maseko (53)



Former GCEO and Executive Director*

Appointed to Telkom: 01/04/2013

Principal skills: Business strategy and execution, telecommunications, business leadership, regulatory and policy, corporate governance

Other directorships: None

* Resigned with effect from 31 December 2021

AC Beukes (51)



CEO Openserve and Group Chief Information Officer

Appointed to CEO Openserve: 01/04/2020

Appointed to Group Chief Information Officer: 13/12/2018

Principal skills: Telecommunications, IT, sales, marketing, procurement, technology and business leadership

Other directorships: None

NM Lekota (51)



Chief HR Officer

Appointed: 01/03/2017

Principal skills: HR strategy architecture and business leadership

Other directorships: None

L Siyo (44)



CEO: Telkom Consumer and Small Business and Trudon (Pty) Ltd

Appointed to CEO Telkom Consumer Business: 01/10/2021

Appointed to CEO Trudon: 01/05/2018

Principal skills: Business leadership, sales and marketing, strategy, financial management, digital transformation, and e-commerce

Other directorships: None

S Taukobong (52)



GCEO and Executive Director

Appointed as GCEO: 01/01/2022

Appointed to CEO Telkom Consumer: 01/06/2018

Principal skills: Marketing, customer operations, mergers and acquisitions, and business leadership

Other directorships: Business Connexion Group Ltd, Gyro Properties (Pty) Ltd, Swiftnet SOC Ltd, Trudon (Pty) Ltd

DJ Reyneke (60)



GCEO and Executive Director

Appointed: 14/12/2020

Appointed to CFO Openserve: 01/04/2019

Appointed to CFO Gyro: 01/06/2017

Appointed to Head of Integration Telkom and BCX: 01/08/2016

Appointed to CFO Telkom Mobile: 01/03/2012

Principal skills: Business strategy and execution, telecommunications, business leadership, regulatory and policy, corporate governance

Other directorships: Business Connexion Group Ltd, Gyro Properties (Pty) Ltd, Swiftnet SOC Ltd, Trudon (Pty) Ltd, Capricorn Group Ltd

PJ Bogoshi (56)



CEO: Business Connexion Group Ltd (BCX)

Appointed: 01/06/2018

Chief Revenue Officer: BCX

Appointed: 11/04/2018

Principal skills: ICT specialist, strategy, sales, and business leadership

Other directorships: None

LTS Maloba (48)



CEO: Gyro Group (Pty) Ltd and Swiftnet SOC Ltd

Appointed: 13/11/2017

Principal skills: Business leadership, business strategy, real estate investment management and managing masts and towers

Other directorships: None



Leadership

The Board is adequately skilled and experienced. It is committed to practising good corporate governance principles to successfully deliver Telkom's strategy. The Directors ensure that the business activities are enhanced to foster an ethical culture, good performance, legitimacy and effective control.

The Directors' curricula vitae do not include all directorships and dormant entities. We have rather disclosed public and JSE-listed entities where substantive time will be required. Detailed curricula vitae of the Board Members are available at www.telkom.co.za/ir/Governance/Governance.shtml.

The roles of the Chairperson and GCEO are separated, and the Chairperson is classified as independent.

7 Creating shared value through Board diversity

As at 31 March 2022, the Board consisted of 12 Independent Non-executive Directors and two Executive Directors. Five new appointments have since been made. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, qualifications, experience, age and race diversity relative to the Group's future business requirements.

The Board reviews and considers the broad matters of the diversity policy considering that diversity enables robust deliberations and strategic oversight. The Board diversity policy was reviewed and approved by the Board. The new amendments emphasise gender diversity as it remains a strategic focus when the Board considers new appointments. The Nominations Committee continually reviews Board diversity for adequacy as part of its annual Board and Committee composition activities and makes recommendations where necessary.

The amendments of the Diversity Policy included, among others, the following:

- Diversity attributes
- King IV recommendations on diversity
- A statement on diversity inclusion and equity
- The new provision regarding diversity matters in the JSE Listings Requirements

The appointment of Mses Olufunke Ighodaro and Ethel Matenge-Sebesho in FY2021 enhanced female representation at Board level. Their appointments also enabled succession planning activities and addressed the succession risk identified through the annual skills assessment in FY2021. The Board also appointed Sung Yoon with effect from 01 May 2022.

Further, the Board appointed four new Directors being Messrs Brian Kennedy, Mteto Nyati, Ipeleng Selele and Prudence Lebina with effect from 15 July 2022. The addition of the new female Directors shall further enhance the female representation on the Board to 31%, when excluding Executive Directors. These appointments are subject to the shareholders confirming their appointments (refer to the AGM Notice for the abridged CVs of these Directors).

The Group Secretariat ensured that all new Directors and incoming Committee Members were inducted to assist with their onboarding processes and to enable them to duly fulfil their responsibilities in the various governance structures.

The Nominations Committee manages Non-executive Director succession planning to ensure there is a sound pool of successors. It also ensures that appointments occur in a manner that promotes technical and behavioural knowledge transfer to ensure continuity and enhancements for the Board diversity. These appointments are aligned to the approved governance prescripts.

The Board continued with its succession planning activities. This planning came to fruition with the appointment of Serame Taukobong as the GCEO from January 2022. He was appointed GCEO Designate with effect from October 2021. This appointment process was managed by the Nominations Committee in consultation with the Remuneration Committee.

The Nominations Committee, with the support of the Group Company Secretariat, continuously reviews the composition of the Board and its Committees to ensure all technical and behavioural skills gaps are identified and addressed.

In support of continuous training activities, Telkom rolled out cloud-based online training to the Members of the Board and its Committees. The training focused on ethics, conflicts of interest, fraud and anti-corruption, regulatory compliance, information security and cybercrime tactics. The Social and Ethics Committee

was trained on diversity, equity, inclusion, and ESG Strategy and implementation. Members of the Risk Committee were trained on Directors' and Officers' liability insurance cover.

7

Independence and tenure

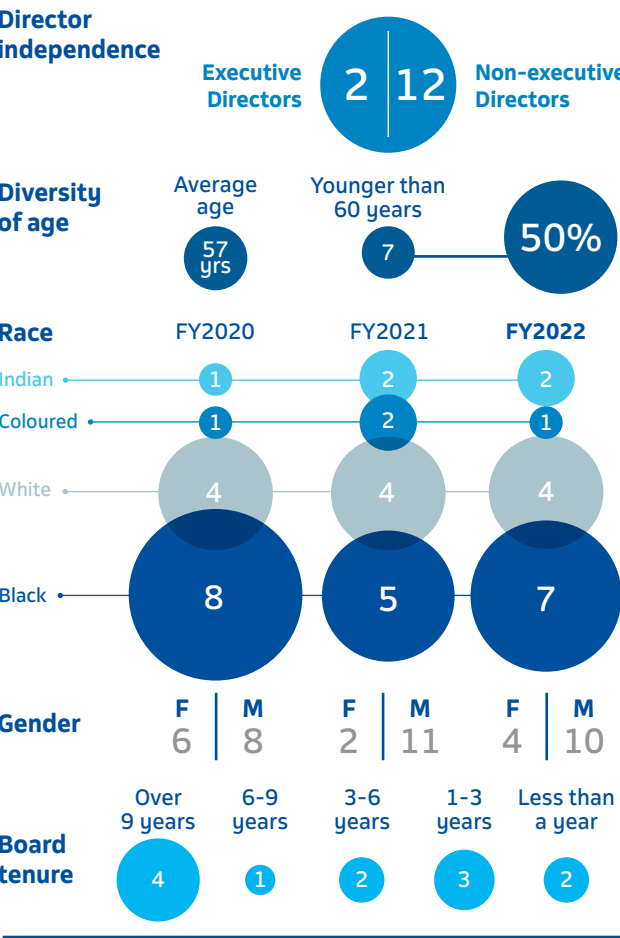
The Board has the advantage of long-serving Members who have in-depth knowledge of Telkom's strategic direction and the evolution thereof. The balance of long-tenured and newly appointed Directors manages continuity, institutional memory, relevance and adaptability to Telkom's regulatory and competitive landscapes.

According to the MOI, the following Non-executive Directors have exceeded their third three-year term:

- Kholeka Mzondeki
- Fagmeedah Petersen-Cook
- Louis Von Zeuner
- Navin Kapila

Other than Louis Von Zeuner, the other three Directors will retire and will not be available for re-election at the forthcoming AGM in August 2022. The Board will conduct an independence review on Louis Von Zeuner in FY2023 as he has served on the Board for nine years. The Board has appointed an independent consultant to conduct the annual Board evaluation process. The service provider will also conduct an independence assessment of Louis Von Zeuner. The assessment will be conducted in two parts: independence in appearance and independence of character and judgement. The results of the assessment will determine the Director's eligibility to stand for re-election at the upcoming AGM. Rex Tomlinson has also resigned with effect from 25 August 2022.

Our key statistics regarding the diversity of the Board of Directors as of 31 March 2022 are set out below.



COVID-19 impact on governance

During the COVID-19 lockdown, the Board and its Committees demonstrated resilience and continued to carry out their respective fiduciary duties to hold meetings as per their approved annual workplans. The Board largely convened all meetings through electronic platforms. Management loaded all Board papers and related attendance registers for consideration on an electronic board portal. The lockdown enhanced the governance structures' uptake in the utilisation of electronic platforms, resulting in minimal disruption to the Board's activities. The Board has resumed in-person meetings on a select basis.

Specific governance processes

1

Board and Committee evaluations

9

The last external evaluation was conducted in FY2019. We appointed an external independent consultant to conduct the annual Board evaluation for FY2022. This was the same independent service provider used in FY2019 to ensure consistency in methodology, continuity and comparison of the findings.

The Board Evaluation Report indicated that the Board scored highest in the item "monitoring the performance of management and having effective oversight" and lowest in the item concerning "appropriateness of the development programme opportunities being offered to Directors." The key finding from the Committee Evaluations Reports was that the respective Committees were generally satisfied with the various aspects of the functioning of the Board Committees, with an improved rating for all Committees from the FY2019 Evaluation.

The proposed key focus areas for the future were highlighted as, amongst others, the following:

- Revenue and growth strategy
- Future competitive landscape and digital
- Financial services, diversification and Value Unlock

The Board and its Committees are satisfied that the annual evaluation outcome rating is an indication that their overall performances are still satisfactory. The Board remains committed to improving any challenges that may arise, which included the appropriateness of the development programme opportunities being offered to the Board.

1

Conflicts of interest management

2

The Group Secretariat actively manages the conflicts of interest process at the start of each financial year. This includes a process wherein mandatory annual declarations are updated by all Directors and Group Prescribed Officers on our electronic platform. These annual declarations are tabled to either the Group Exco or Board for noting purposes and are safely kept at a central repository.

To enhance ethical practices, the declaration of interest process also extends to other employees beyond the Executive Management level and suppliers. Suppliers are required to comply with the Supplier Code of Conduct as they come on board.

Telkom remains committed to promoting and embedding transparency and accountability. The ethics and governance prescripts define the conditions and process for declarations of interests. Telkom encourages continuous declarations of conflicts of interest for Executive Directors, Non-executive Directors, Group Prescribed Officers and Executive Management should the circumstances change during the year.

The Group Ethics Handbook was reviewed and approved by the Board. The enhancements focused on compliance with the ISO 37001 standards, identifying emerging ethics and fraud-related risks and mitigating controls and guidance. The Group governance framework and the Supplier Code of Conduct were reviewed and aligned with the Group Ethics Handbook, and approved by the Board and the respective governance structures.

As we work within a group of companies model, the respective business units and subsidiaries have adopted the Group governance prescripts. There were various potential conflicts of interests recorded in FY2022. The conflict of interests register for the Board and the Group's Ethics Handbook are available at www.telkom.co.za/about_us/humancapital/values/group-ethics-handbook.shtml

AGM

Under COVID-19 regulations and restrictions, the AGM was convened virtually on 25 August 2021. We adequately addressed and closed all matters raised in the 2020 governance roadshow, and there was no governance roadshow convened in 2021.

Most of the proposed ordinary and special resolutions received favourable votes at the AGM. However, Ordinary Resolution Number 5.2: Non-binding advisory endorsement of the remuneration implementation report, did not. A SENS was published on 3 September 2021 requesting an engagement with the shareholders who cast dissenting votes and the engagement was duly held on 5 October 2021. The issues that were raised by the institutional investors are being considered, and some have already been finalised.

Refer to the Chairperson's report on page 15 and remuneration report on page 115 for more information.

10

Group Company Secretary

The Board remains satisfied with the adequacy and effectiveness of the performance of the Group Company Secretary in assisting the Board to discharge its duties. We believe she is competently qualified for the role.

Ayanda Ceba remained the Group Company Secretary. Her role includes engaging and supporting the Board and its Committees regularly. She provides advice regarding their fiduciary duties, JSE Listings Requirements, disclosure obligations, good governance practices, and ethical conduct. There are arrangements in place for accessing external professional corporate governance advisors, where needed. The Board is satisfied that these are adequate and effective through the office of the Group Company Secretary.

The Group Company Secretary maintains an arm's length relationship with the Directors and oversees governance in all subsidiaries aligned to the Group governance framework and the operating model.

The Board, through the Nominations Committee, evaluated the Group Company Secretary in FY2022, and indicated satisfaction with her performance and delivery of targets. She was also evaluated by the Board through an independent service provider. The evaluation covered the individual performance of the Group Company Secretary and the effectiveness of the Group Company Secretariat function. The results indicated that the Board is pleased and satisfied with the performance of the Group Company Secretary and the Group Company Secretariat function.

Key governance actions

The Board's focus areas

The roles and responsibilities of Directors are outlined in the JSE Listings Requirements, the Companies Act and the Board charter. In terms of the common law duty, a Director must exercise his or her powers and perform his or her functions in good faith, for a proper purpose, and in the best interest of the Company. This exercise of power must be with a degree of care, skill and diligence. The Board and its Committees are satisfied that their fiduciary duties and responsibilities, as recorded in their charter and respective terms of references, were duly fulfilled.

The Board had a combination of scheduled and special meetings. The special meetings were necessitated by a range of urgent matters, like the spectrum auction. Unfortunately, it is extremely difficult to ensure that there is 100% attendance for special meetings.

The Board noted that Government Gazette no. 11385, published on 25 January 2022, gives the Special Investigating Unit (SIU) authority to investigate several matters. The SIU investigation is pending and Telkom is engaging with the SIU as to progress the matter. The Group follows robust corporate governance practices and has done so in executing the Telkom strategy to consolidate its operations in South Africa. The aforementioned matters date back as far as 2006 and most of them have been repeatedly reported on in previous Telkom reports.

Regulatory matters	The Board approved Telkom's participation in the spectrum auction in March 2022 (refer to pages 14 and 17). It further engaged on the Spectrum Policy Directive, and the options for consideration. The Board, in its capacity as shareholder, approved the listing of Swiftnet SOC Ltd on the JSE mainboard. Swiftnet followed a rigorous process to complete the pre-listing statement. However, based on global events and market conditions and its impact on capital markets, the Board resolved to postpone the listing. The Board remains committed to its Value Unlock Programme which is further discussed in the Chairperson's report. Refer to page 13. In preparation for the listing, the Swiftnet Board also considered various governance prescripts to support the entity.
Customer centricity	As customer service is central to the operations of the Group, the Board focused on improving service delivery and customer experience: - To pioneer digital solutions that assist customers to operate more responsibly and broaden access to affordable and inclusive digital connectivity - To promote fair and ethical practices towards Telkom's customers and within the Group Refer to page 14.

Risk matters	The Board focused on adverse regulatory matters, unstable market and economic conditions. Refer to the world we operate in on page 28. The Board also focused on the development of the ESG Strategy and the implementation roadmap that it approved. Refer to page 50 for the strategy. The Risk Committee approved the amended risk appetite statement to specifically address the risks related to ESG and creating value for shareholders. Refer to the risk report on page 38.
Succession planning	The Board considered Non-executive Director succession planning, and appointed seven Directors, four of which were female. Refer to pages 98 and 99. The Board considered the succession of Executive Management and appointed Serame Taukobong as GCEO. Refer to page 14.

Changes to JSE Listings Requirements

The JSE announced amendments to the Debt Listings Requirements with effect from 30 September 2020. The gap analysis performed in March 2021 indicated no material gaps. However, there were various elements that needed enhancement. The Nominations Committee monitored the implementation plan of the non-material matters, and the progress was reported to several governance structures.

Telkom's Debt Officer resigned with effect from 31 March 2022. We appointed Ms Nomhle Mnguni, in her capacity as Executive: Treasury of Telkom, as Acting Debt Officer with effect from 1 April 2022.

We introduced the GCEO and GCFO attestation statement in December 2019. Refer to <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml> of the annual financial statements for more details on the Directors' responsibility for financial controls.

Board Committees and their focus

The Board delegated some of its activities to its Committees to assist it in discharging its duties. The Board has six Committees, each guided by its respective terms of reference. The Board and its Committees may invite external advisors and any Executive Management to its meetings, should the need arise.

The Chairperson and Members of each Committee are set out on the pages that follow.

We review the Board charter and the Committees' terms of reference annually, or as and when required, for adequacy and effectiveness. We align them to best practice principles in terms of King IV and the JSE Listings Requirements. For the forthcoming financial year, the revised Board charter and the Committees' terms of reference were approved by the Board on 30 March 2022.

The current Board charter and each Committee's terms of reference are available at www.telkom.co.za/ir/Governance/Governance.shtml.

Audit Committee

KA Rayner
Chairperson



Members:
PCS Luthuli, KW Mzondeki, H Singh, LL Von Zeuner

The Audit Committee is a statutory Board Committee as per provisions of the Companies Act. It is mandated in terms of the DoA and is charged with the independent role of accountability. The Committee has, among others, the responsibilities of internal and financial controls, internal audit, external audit, risk management, combined assurance, financial statements and integrated report, communication with shareholders, King IV compliance, and legal and regulatory matters related to accounting activities. The Committee monitors Telkom's progress in improving its ESG disclosures, as discussed on page 50.

The Committee ensured that appropriate financial reporting procedures exist and are effective, according to paragraph 3.84(g) of the JSE Listings Requirements. These included consideration of all entities forming part of the consolidated Group financial statements. The Committee has access to all of Telkom's financial information to promote transparency and allow the Company to effectively prepare and report on the financial statements.

Over and above the standard activities, the Committee considered and/or approved the following key matters, among others:

- External auditors
 - The Independent Regulatory Board for Auditors review report and Inspection Findings: SNG Grant Thornton Inc. and for PricewaterhouseCoopers Inc.
 - Proposed FY2022 interim plan and audit fees
- Policies and processes
 - Reinstatement of the dividend policy
 - An update on the depreciation review process
- Financial and budget matters
 - Group performance and market expectations
 - FY2023 to FY2027 business plan
 - Domestic Medium-Term Note Programme
- King IV implementation plan status update
- Implementation update on the JSE Debt Listings Requirements

For more details on the Committee's activities, refer to its report in the annual financial statements on <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>. Also refer to the financial capital report on page 20.

Risk Committee

LL Von Zeuner
Chairperson



Members:
EG Matenge-Sebesho*, F Petersen-Cook, KA Rayner, SP Sibisi, H Singh

The Risk Committee assists the Board in ensuring Telkom has an effective risk management process that identifies and monitors the management of the Group's key risks, transversal risks and IT-related cybersecurity risks. The Committee is responsible for overseeing ESG risks linked to the ESG Strategy and its implementation. The Committee also oversees and monitors governance risks through the Group's ERM framework and its system of integral controls. It increased its focus on managing cybersecurity, IT governance and technology and information-related activities.

The Committee considered the following key matters, among others:

- The changes in the Group risk profile and approved the reviewed risk appetite statement
- The legal risk and deliberated on material matters
- IT strategic risks
- The information security mitigating measures and its effectiveness
- The ESG Strategy and implementation roadmap for recommendation to the Board
- BCX's internal control turnaround project
- The regulatory environment
- Compliance with legislative framework
- Reviewed and had oversight of the Group Treasury reports
- Oversight of the forensics report, the physical security management report and the occupational health and safety report
- Received updates on the Group's COVID-19 status and interventions

Refer to page 38 for ERM and compliance and page 75 for technology and information governance.

* Appointed 1 October 2021.

Remuneration Committee

RG Tomlinson
Chairperson



Members:
O Ighodaro*, MS Moloko, KW Mzondeki, LL Von Zeuner

The Remuneration Committee sets the Group's remuneration policy on behalf of the Board. It oversees remuneration for Executive Directors and Senior Executives. It monitors the execution of the remuneration policy for the Group, including Non-executive Directors and makes recommendations to the Board.

The Committee's focus areas are detailed in the remuneration report on [page 114](#). During the year under review, the Committee:

- Recommended KPIs and their measurements to the Board for approval
- Recommended the measurement for long-term incentive
- Benchmarked and recommended the Independent Non-executive Director fees
- Recommended Annual Share Awards
- Recommended the GCEO Designate Transition Proposal
- Recommended the proposed FY2023 Remuneration Review for:
 - Management and Bargaining Unit Employees
 - Prescribed Officers
 - Executive Directors

* Appointed 1 October 2021.

Nominations Committee

MS Moloko
Chairperson



Members:
EG Matenge-Sebesho*, F Petersen-Cook and RG Tomlinson

The Nominations Committee is responsible for reviewing and making recommendations to the Board on most governance-related matters, particularly the composition of the Board and Committees. This includes all aspects of diversity. We updated the Committee mandate to include the process conducted to ascertain the fit and proper testing of the Directors to be appointed. The Committee considered the appointment of a Lead Independent Director and will make a decision in the near future.

The Committee works closely with the Remuneration Committee on succession planning for Executive Directors and critical roles. The Committee recommended the appointment of new Board Members and ensured that the said appointments fulfil the fit and proper test as prescribed by the JSE Listings Requirements and the Companies Act.

During the year under review, the Committee:

- Appointed Non-executive Directors to address the identified skills gaps
- Recommended the appointment of the new GCEO
- Considered the Board and Committee evaluation reports
- Appointed an independent service provider to conduct the external Board evaluation
- Recommended changes to the share dealing policy to align it to the DoA and JSE Listings Requirements
- Considered changes to the Board diversity policy for recommendation to the Board for approval
- Reconfigured the Board and its Committees to address the skills gaps and Board diversity
- Reviewed the King IV compliance status, the proposed amendments to the Companies Act and the revised Group Governance Framework
- Assessed the implications of the August 2021 AGM proxy report
- Recommended the Ethics and Governance Strategy

* Appointed 1 October 2021.

Investment and Transactions Committee

F Petersen-Cook
Chairperson



Members:
Ms O Ighodaro, N Kapila, SN Maseko***, KA Rayner, SP Sibisi, S Taukobong**, RG Tomlinson

The Investment and Transactions Committee deals with any significant investment or transaction relating to the acquisition of another business or legal entity. This includes any equity injection or possible merger or acquisition approved by the Board. It ensures that approved transactions' post-merger integration plans are adequate. It monitors the performance of investments against the original investment criteria and pre-investment assumptions through a formal post-acquisition review.

During the year under review, the Committee considered:

- Various strategy projects
- The extension of the existing Identity Development Fund Managers (Pty) Ltd partnership agreement to manage the IDF Future Fund
- Group investment monitoring
- Recommending participation in the spectrum auction to the Board for approval (refer to [page 14](#)).
- The Group's strategic and Value Unlock rationale (refer to [page 46](#))
- Updating capex deployment and the FY2023 business plan

** Appointed 1 January 2022.

*** Resigned 31 December 2021.

Social and Ethics Committee

KW Mzondeki
Chairperson



Members:
N Kapila, PCS Luthuli, EG Matenge-Sebesho*, SP Sibisi

The Social and Ethics Committee is a statutory Board Committee per the provisions of the Companies Act. Its activities emphasise the environment and social, governance and ethics-related matters.

The Committee considered the following key matters, among others:

- Including the aspect around "gender" in the leadership pledge to demonstrate Telkom's commitment to gender diversity
- Approving the ESG Strategy for recommendation to the Board, focusing on the ESG-related frameworks that Telkom adopted, and the goal statements provided to which business should commit (refer to [page 50](#))
- Overseeing the setting of science-based emission targets (refer to [page 90](#))
- Overseeing the development of the 10-year water and energy strategy with targets, which was part of the ESG Strategy
- Proposing the Group Ethics Handbook and Group Ethics and Governance Strategy
- Management's response to mandatory vaccinations
- The implications of the August 2021 AGM proxy report, and the required interventions implemented during the year in relation to ESG activities (refer to [page 50](#))
- Recommended the Ethics and Governance Strategy

* Appointed 1 October 2021.

6 Board and Committee meeting attendance

Director	Board*	Audit Committee	Remuneration Committee	Nominations* Committee	Investment and Transactions* Committee	Social and Ethics Committee	Risk Committee
Independent Non-executive Directors							
MS Moloko	11/11	–	4/4	6/6	–	–	–
O Ighodaro ²	9/10 ¹		1/1 ²	*	4/5 ¹ ²		
N Kapila	10/11	–	–	–	7/8 ¹	5/5	–
PCS Luthuli	10/11 ¹	7/7	–	–	–	5/5	–
EG Matenge-Sebesho ³	10/10			3/3 ³		2/2 ³	2/2 ³
KW Mzondeki	11/11	7/7	4/4	–		5/5	–
F Petersen-Cook	11/11	–	–	6/6	8/8	–	4/4
KA Rayner	11/11	7/7	–	–	8/8	–	4/4
SP Sibisi	11/11	–	–	–	8/8	5/5	4/4
H Singh	11/11	7/7	–	–	–	–	4/4
RG Tomlinson	10/11 ¹	–	4/4	6/6	8/8	–	–
LL Von Zeuner	10/11 ¹	7/7	4/4		–	–	3/4 ¹
Executive Directors							
SN Maseko	6/6 ⁴	5/5 ⁴	1/1 ⁴	3/3 ⁴	5/5 ⁴	3/4 ¹ ⁴	3/3 ⁴
DJ Reyneke	11/11	7/7	3/3	–	8/8	4/5 ¹	4/4
S Taukobong	7/7 ⁵	3/3 ⁵	1/1 ⁵	3/3 ⁵	5/5 ⁵	2/2 ⁵	2/2 ⁵

¹ Apology.

² Ms Funke Ighodaro – Appointed to the Committees from 1 October 2021.

³ Ms Ethel Matenge-Sebesho – Appointed to the Committees from 1 October 2021.

⁴ Mr Maseko resigned with effect from 31 December 2021.

⁵ Mr Taukobong appointed with effect from 1 January 2022.

* The Board, Nominations Committee and Investment and Transaction Committees’ meetings include scheduled and special meetings.

1 Managing our business with integrity

2 Embedding an ethical culture

The Board approved the annual ethics leadership and employee commitment statement for FY2023 focusing on the commitment to gender and age diversity. The Chairperson of the Board and the GCEO signed the statement on behalf of the Board and management. This sets the tone from the top and demonstrates ethical behaviour and leadership tangibly.

The Group Company Secretariat developed a joint ethics and governance strategy to further embed the relationship between ethics and governance to our stakeholders which was approved by the Board.



Group Ethics Officer	The Group Ethics Officer will focus on continuous ethics awareness initiatives, embedding a Group-wide ethical culture. She will also promote initiatives in support of ethical behaviour of employees and suppliers with the support of the business unit Ethics Champions.
Group Ethics Handbook	The handbook continues to serve as a guide to employees to promote and encourage ethical behaviour and decision-making, enabling Telkom to live its values and standards. The handbook provides clear parameters and acceptable principles that empower Directors and employees to make decisions and act.
Annual ethics compliance	The annual ethics compliance by employees demonstrated commitment to ethical conduct and doing what is right. A 96% compliance was achieved, with the declaration of interest compliance improving to 95% (FY2021: 74%). There will be a range of interventions and enhancements to ensure that we achieve 100% compliance.
Ethics and fraud survey	We launched a Group ethics and fraud survey in April 2021. In total, 3 751 (27%) of the Group's employees participated in the survey. The survey measured the adequacy and effectiveness of the Ethics and Fraud Programme, specifically regarding the ethical culture, ethical climate and reporting of fraudulent and unethical conduct. The results of the survey underpinned the Ethics and Governance Strategy and key initiatives from FY2022.
International fraud awareness week	The international fraud awareness week, held in November 2021, included: - An updated pledge and the relaunch of the Group Ethics Handbook, focusing on diversity inclusion - Conflict of interest awareness and education - Discussion on findings of the Ethics and Fraud Survey, with a special focus on whistle-blowing - Cybersecurity and creating an ethical cyberspace (security, confidentiality and ethical conduct)
Supplier survey	We conducted a supplier survey in August and September 2021 to evaluate the knowledge of suppliers regarding the Supplier Code of Conduct and their awareness of the whistle-blowing procedure. This was in preparation for the Supplier Day in December 2021, where we discussed matters regarding tenders, commercial aspects, the Supplier Code of Conduct and whistle-blowing.
Process for dealing with ethical and reputational issues	We compiled the process for dealing with ethical and reputational issues where, in certain instances, members of the public, employees or certain entities may report alleged misconduct by Telkom or its suppliers through the ethics reporting protocol.

An ethics survey was conducted for employees and service providers. In response to the negative findings from the ethics survey, the planned ethics, governance and fraud-related initiatives are the following:

Negative findings of Group ethics and fraud survey	Planned initiatives	KPI date
Employees do not trust the anonymity of the Telkom whistle-blowing channels	- Quarterly messages to the Group to confirm the protection of whistle-blowers, i.e. examples of matters reported without disclosure of personal information - Further information regarding the process followed when matters are reported relating to the independence of the Tip-Offs anonymous supplier, Advanced Call - Combined message from the GCEO, Group Ethics Officer and Chairperson of the Social and Ethics Committee on the importance of the protection of whistle-blowers, and the cradle to grave case management strategy followed by the Group Forensics team	2022/23
		2022/23
		2022/23
The fear of victimisation from top management	- The Annual Ethics Leadership Pledge to be revised to amplify the importance of the protection of whistle-blowers and diversity to be signed by the Chairperson and the GCEO to demonstrate leadership's commitment to ethical conduct - Creating awareness among employees regarding the protection provided to whistle-blowers in the Group Ethics Handbook and related legislation - The appointment and training of business unit Ethics Champions to be another point of contact for employees to discuss fears of victimisation and guide these employees	Ongoing in 2022/23
		Ongoing in 2022/23
Retaliation of affected parties during investigations	Communication of the Group Ethics Handbook portion on whistle-blowing and cloud-based training on the procedure to be followed. This will also entail consequences of malicious reporting	Ongoing in 2022/23

To further embed ethical conduct, a Group supplier ethics and fraud survey was conducted to assess the knowledge of suppliers around the Supplier Code of Conduct and their awareness of the whistle-blowing procedure in preparation of Supplier Day.

The negative findings of the survey and the planned initiatives are discussed in the following table:

Key negative findings of the supplier survey	Planned initiatives	KPI dates
Do not trust the anonymity of the Telkom whistle-blowing channels	- Follow-up awareness messages to suppliers twice a year - Ensuring that the Supplier Code of Conduct is compulsory for new and existing suppliers which forms part of the onboarding process. This will be in collaboration with Group Procurement - Development and implementation of a Supplier Ethics Pledge for signature by the suppliers to commit to doing business with Telkom ethically - Updating the Group Procurement system to enhance the monitoring of compliance	2022/23
		2022/23
		2022/23
		2022/23 2023/24
Procurement supplier ethics and fraud interventions	Group-wide supplier and employee blacklisting processes through the Supplier Compliance Council. New suppliers' due diligence to verify the following: - Capacity and capability to deliver - Supplier ethics and fraud policies - Financial sustainability - Adverse media and social media findings - Criminal records	2022/23
		Ongoing

Share dealing policy

Telkom reviewed its share dealing policy due to the amendment in the JSE Listings Requirements. The policy is included in the Group Ethics Handbook, but also remains a standalone policy due to its critical role in promoting transparent disclosure requirements. This policy is informed mainly by the Financial Markets Act, 19 of 2012 and the JSE Listings Requirements. All Directors and Group Prescribed Officers must obtain clearance from the dealing Committee prior to trading and a SENS announcement must be released thereafter according to the provisions of the JSE Listings Requirements.

Directors and employees must adhere to the policy's provisions. We do not permit trading in the Company's securities during prohibited periods, which comprise price-sensitive periods and closed periods (financial and cautionary closed periods).

1 2Zero tolerance for fraud and irregular conduct

As per the Group Ethics Handbook, Telkom has zero tolerance towards fraud, corruption, and irregular conduct. To that end, Telkom Group Forensics (TGF) investigates allegations of fraud and irregular conduct without regard to any employee's relationship with the business, stature, position or length of service.

TGF conducted its activities as per the ERM Strategy plan 2022–2025 and the annual fraud risk management (FRM) plan. The FRM services offered by TGF includes ethics and fraud awareness and training, fraud prevention, fraud detection, and forensic investigations, advisory and remedial services.

At the core of TGF's services is value-adding proactive forensic activities to mitigate fraud risk. Activities performed in FY2022 included the launch of the Vulumlomo – Speak Up whistle-blowing campaign. Working with Group Communications, the Ethics Office and other assurance providers in the combined assurance awareness forum (CAAF), we conducted 75 awareness campaigns or engagements with customers/members of the public, employees and suppliers and their employees. This is an average of 6.25 engagements per month. The engagements were made through online internal articles, face-to-face, video messages, social media, webinars or panel discussions, media articles, radio interviews, and other initiatives like surveys, phone bill inserts and lock screens.

These initiatives, specifically the Vulumlomo – Speak Up whistle-blowing campaign, led to 2 049 incidents being reported to the Tip-Offs Anonymous Hotline. These were mainly directed to physical security, network protection services, credit management fraud and TGF. This represented a 70% increase in the number of reports to the hotline compared to FY2021.

We made it easy for incidents to be reported by increasing the whistle-blowing reporting channels from two to six. These channels are email, telephone, intranet, website, WhatsApp and a post-box. Apart from the hotline, incidents are also reported to TGF through walk-ins, that is, direct internal escalation to forensics. Several of these hotline and walk-in incidents were converted into cases that were fully investigated. The increase in the number of reported incidents, led to the 25% increase in the number of investigations conducted by TGF in FY2022, compared to FY2021.

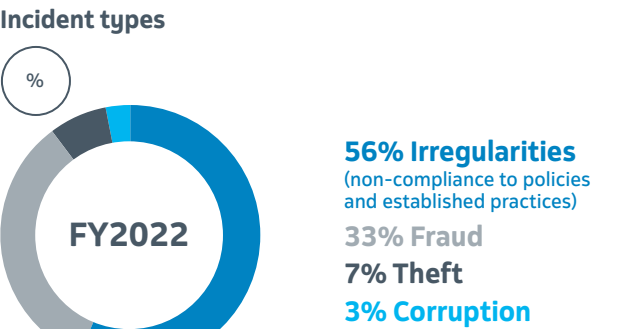
TGF performed an ISO 37001 anti-bribery management system gap analysis to align with the ISO 37001 standards or best practice. TGF worked with management to mitigate the identified gaps.

As part of CAAF we conducted employee surveys, supplier surveys, and the Supplier Day awareness to obtain their views on issues regarding whistle-blowing and other related issues. Telkom's key message was "whistle-blowing without fear". We dealt with the concerns raised by employees and suppliers regarding fears of victimisation and lack of trust in the anonymity of the hotline. This led to improvement in the number of reported incidents by suppliers.

We are pleased that no incidents of whistle-blower victimisation were reported. On average, 88% of our whistle-blowers preferred to be known, 6% claimed partial anonymity, and only 6% claimed full anonymity.

Other than forensic investigations triggered by reported incidents, we conducted proactive measures like fraud detection reviews, fraud risk assessments, and fraud data analytics exception reporting. The outcomes of these forensic assignments led to an improvement in internal controls, corrective action against employees, third-party employees and suppliers, recovery of fraud loss, opening of criminal cases, and provision of litigation support.

The pie chart below shows the percentage split of various incident types that TGF dealt with.



Outcomes

The following actions emanated from the forensic assignments conducted:

- 28 employees or third-party employees were dismissed
- 29 employees or third-party employees received various types of warnings
- 16 employees or third-party employees resigned due to investigations or disciplinary proceedings being initiated against them, and one third-party employee absconded due to being implicated in an investigation

At the end of FY2022, three employees were due to be disciplined based on the outcomes of forensic investigations.

We reported suspected criminal acts to the police. Several internal and external people were implicated in criminal cases that were opened. Where warranted, implicated parties were arrested. These cases are in various stages of the criminal justice system, and some were convicted and sentenced based on the criminal cases that were opened in prior financial years. Where Telkom suffered fraud losses, we used appropriate legal remedies to recover the losses from the responsible parties.

Social and Ethics Committee Report

KW Mzondeki
Chairperson



The Committee monitors the Group's activities in relation to:



The Social and Ethics Committee is a statutory Committee in terms of section 72(4) of the Companies Act, read in tandem with Regulation 43 of the Companies Regulations, 2011. The Committee fulfilled its duties in terms of its approved terms of reference. The Committee monitors the Group's activities in relation to organisational ethics, responsible corporate citizenship, the ESG Strategy, sustainable development, and stakeholder relationships.

The Committee's Membership is detailed on [page 105](#) and meeting attendance on [page 106](#). Members of the Group Executive Committee and other senior employees are standing invitees. From time to time, various subject matter experts are invited to engage the Committee on topical matters. Some of the year's key focus areas are set out on the following pages, with cross-references to where more detailed information is included.

No material issues were identified during the period. In accordance with the Committee's terms of reference, the Committee effectively discharged its statutory duties and responsibilities over the year under review. As Chairperson of this Committee, I will be available at the Group's AGM to respond to any enquiries regarding the statutory obligations of the Committee.

The past year was not without its challenges. COVID-19 continued to cause disruption and necessitate new ways of working and engaging with our employees. The turbulent macro-environment, locally and beyond our borders, emphasised the importance of being socially and environmentally responsible and accountable.

The Committee, with management's assistance, played a crucial role in overseeing the Group's response to and management of these and other important matters to ensure they were addressed. This is critical to safeguarding Telkom's long-term success and ensuring we remain responsive to our stakeholders' needs.

Overseeing constructive and open stakeholder engagement

COVID-19 continued to highlight the changing employer-employee relationship and the actions required to assist employees in recovering from the impact of the pandemic. Therefore, the Committee had an important role in assessing management's response to the pandemic. This included interrogating the Group's trade-offs to protect employees' health and safety and responding to new ways of working.

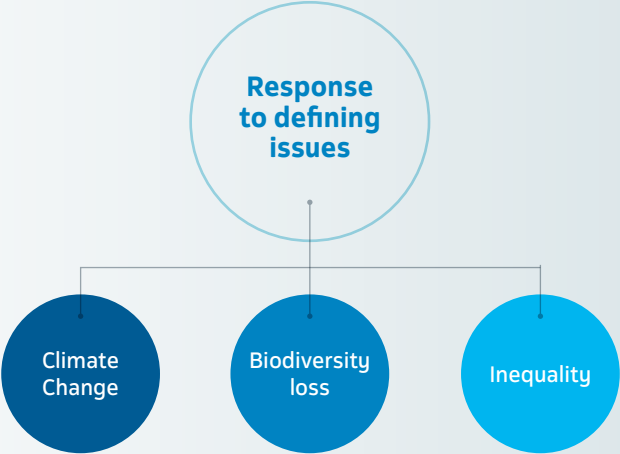
The Committee considered management's decision to implement the Group's mandatory vaccination policy and work-from-home policy, both of which were announced this year. These policies were the outcome of constructive and open engagement with employees, and while difficult conversations were necessary, the Committee is pleased with how these conversations were managed. Ultimately, the Committee believes these policies demonstrate Telkom's commitment to take action to mitigate the impact of COVID-19 in the workplace and among our broader communities.

Since the start of the pandemic in 2020, 64 employees passed away due to COVID-19. These employees contributed to the Group's culture and success and are sorely missed. Our sympathies are with their loved ones.

The Committee continued to oversee the Group's approach to stakeholder engagement to ensure that issues and concerns were addressed and responded to accordingly. The Committee noted an improvement in the Group's relationship with customers, including a reduction in customer complaints and persistent, strong brand equity affirmed through third-party market research.

Ongoing monitoring of Telkom's ESG performance

The focus on environmental, social and governance risk is increasing globally. Stakeholders expect businesses to do more in response to some of the most defining issues of our time, including climate change, biodiversity loss, good governance and inequality.



Telkom's commitment to ESG performance against globally recognised standards/frameworks:



While Telkom has a proud legacy of being a good corporate citizen, the Group recognised that more could be done to formalise its approach to ESG. This includes providing stakeholders with evidence of progress, tracked against strategy, metrics and targets. Telkom, therefore, adopted a formal ESG Strategy during the year, which was reviewed and approved by the Board. This strategy demonstrates that the Group is serious about its environmental, social and governance commitments. It further builds on Telkom's strong foundation to deliver on its ESG ambitions and create sustainable economic, environmental and social value that aligns with the needs of today's society.

The Committee welcomed Telkom's commitment to greater transparency on its ESG performance, aligned with globally recognised reporting standards and frameworks. This includes expanding its reporting on climate-related risks and opportunities in line with the requirements of the TCFD and science-based emissions targets.

We believe the Group is on the right track, as can be seen by Telkom retaining its certification as a constituent company in the FTSE4Good Index Series. In alignment with accountability, ESG will be linked to rewards through the Remuneration Committee.

Ensuring a commitment to ethical conduct and doing what is right

As a Committee, we were particularly comforted and encouraged to see the Group maintain its strong focus on ethics, without exception. This is critical to maintaining business resilience, protecting Telkom's reputation and retaining stakeholders' trust in the business in uncertain times.

During the year, the Committee recommended to the Board for approval of the Group Ethics and Governance Strategy and the revised Group Ethics Handbook. These resources are critical to ensure Telkom proactively embeds an ethical culture across the Group and is properly equipped to identify and mitigate emerging ethics-related risks.

The Committee reviewed the results of the Group ethics and fraud survey undertaken during the year to measure the adequacy of Telkom's Ethics and Fraud Programme. The results were encouraging, and the Committee was pleased to see that most respondents strongly agreed that the Group's Programme is effective. This survey was supplemented by an International Fraud Awareness Week and a supplier survey to further embed a culture of ethics and compliance among employees and suppliers. These initiatives further increased awareness and comfort with mechanisms available to report unethical and fraudulent behaviour.

The Committee strengthened its governance of ethics by establishing a process whereby employees and the public can report alleged misconduct by Telkom or its suppliers through the hotline. Finally, the Committee monitored and was satisfied with the outcomes of the Vulumlomo: Speak Up Campaign, which was launched in May 2021. This campaign encouraged stakeholders to report suspected acts of fraud, unethical conduct and other issues that could harm Telkom, and strengthened the Group's ability to reduce corruption and mitigate against potentially fraudulent activities.

Programme	Outcome
Telkom Ethics and Fraud Programme 	The Committee reviewed the survey to assess the adequacy of Telkom's Ethics and Fraud Programme, and the results were encouraging.
Telkom Vulumlomo: Speak Up Campaign 	The Committee monitored and was satisfied with the outcomes of the campaign, which was launched in May 2021.

Actions taken by the Group during the year were important to ensure that Telkom is appropriately positioned to continue fulfilling its role as an ethical and responsible corporate citizen in the year ahead.



Strengthening our focus on equity, diversity and inclusion

To deepen awareness about the importance of equity, diversity and inclusion, the Committee introduced these elements into its Annual Ethics Leadership Pledge for FY2023. In particular, the Board diversity policy now includes a special focus on gender. This supports our commitment to SDG 8, one of the Group's four priority SDGs, emphasising decent work and economic growth.

Ensuring a robust approach to sustainable development

While the global economy is recovering from the worst effects of COVID-19, conflict and supply chain disruptions are slowing progress. Locally, rising unemployment, continued power supply disruptions and socio-political instability exacerbate already constrained economic growth and development. The civil unrest in July 2021 is a stark reminder of the consequences of South Africa's social inequality and the urgent need for meaningful socio-economic transformation.

The Committee noted the developments from the Zondo Commission. This encouraged us as a company to look into any lessons learnt and improve any governance and internal control gaps we may have.

Telkom Foundation positive impact
- Providing academic support
- Supplementary tuition
- Psychological support
Telkom Foundation teacher development
- Investment in teacher development
- School leadership development
- Digital Skills Programmes

During the year, the Committee oversaw the actions taken by the Group and the Telkom Foundation to deliver positive and transformational impact at scale. This included an ongoing focus on providing academic support through an expanded network of zero-rated educational sites, academic support through supplementary tuition, psychosocial support to contribute to learner psychosocial wellness, and ongoing investment in the Telkom Foundation's Teacher Development, School Leadership Development and Digital Skills Programmes.

The Group further partnered with Youth Employment Service (YES) to provide South African youth with access to workplace experiences and the opportunity to learn future-fit skills. These investments play an important role in contributing to social and economic development that injects critical skills into the economy. The Group's partnership with YES aims to address the challenge of youth unemployment in South Africa, which is particularly important considering South Africa's record-high unemployment in 2022.

Through its supplier development, incubation and funding initiatives, the Group has supported over 2 500 enterprises since 2015. FutureMakers, which aims to develop ICT SMMEs within Telkom's supply chain, supported SMMEs with an investment of R88 million (FY2021: R31 million). FutureMakers created 772 direct jobs and 26 463 indirect jobs, respectively, through the invested portfolio. The increase in indirect jobs is due to including all income opportunities created on platforms we invested in.

The R88 million SMME funding was made up of:

R37 million in grant funding	
R36 million in incubation, training and prototyping	
R15 million in interest-free loans	

The Committee is satisfied with Telkom's contribution to many of South Africa's biggest socio-economic challenges.

In closing

We are committed to ensuring that Telkom remains a responsible corporate citizen, led by our purpose of seamlessly connecting our customers to a better life.

Thank you to management and my fellow Directors for championing this important journey. In particular, we recognise the contribution of Mr Navin Kapila, who is retiring after serving as a long-standing Member of the Committee. Working with him has been a great pleasure, and we wish him a purposeful and enjoyable retirement. It was also my pleasure to serve on the Telkom Board for over nine years and recently as Chairperson of this Committee and will miss the culture and the people.

The Group has experienced unprecedented challenges in recent times. Despite these challenges, there has been a persistent effort and investment to move Telkom forward. We look forward to advancing even further against our ESG goals and priorities in the year ahead.

Kholeka Mzondeki
Chairperson
Social and Ethics Committee

14 Remuneration report

This report includes our remuneration philosophy and policy for Executive and Non-executive Directors. It describes how we implemented the policy. It also discloses payments made to Directors during the year.

The remuneration report relates to FY2022. It does not include subsequent events after year-end. The remuneration report includes two sections that are subject to non-binding advisory votes at the AGM:

- Section 1, page 120: Our remuneration philosophy, policy and framework for FY2022
- Section 2, page 136: Implementation report and remuneration disclosure of Executive Directors, Non-executive Directors and other Group Prescribed Officers for FY2022

Key abbreviations used in the remuneration report

EBITDA	earnings before interest, tax, depreciation and amortisation
ESG	environmental, social and governance
ESOP	employee share ownership plan
FCF	free cash flow
FSP	forfeitable share plan
GP	guaranteed package
HEPS	headline earnings per share (the weighted average number of shares outstanding excludes treasury shares)
LTI	long-term incentive
LTIP	long-term incentive plan
PAT	profit after tax
PwC	PricewaterhouseCoopers Inc.
Remco	Remuneration Committee
ROIC	return on invested capital (invested capital is the book value of fixed assets <i>plus</i> current assets <i>less</i> current liabilities <i>less</i> cash)
STI	short-term incentive
TRF	Telkom Retirement Fund
TSA	talent share award
TSR	total shareholder return (combines share price appreciation and dividends paid to show the total return to the shareholder, expressed as an annualised percentage)

Remuneration Committee Chairperson's report

RG Tomlinson
Chairperson
Remuneration Committee



Year in review

The COVID-19 pandemic continues to create uncertainty and challenges for the business. While the fourth wave of COVID-19 is receding and the virus enters its third year, it leaves a weakened economy and deepening unemployment in its wake.

Telkom is well-positioned for the next growth phase as the business edges closer to its ambition to lead in broadband, with Openserve delivering a 16.6% increase in fixed data consumption and 62.9% of the mobile base using broadband services over the past year. Group revenue was down by 1.1% to R42.8 billion and the business delivered a flat EBITDA as a result of well-managed cost containment. Looking forward, although containing costs remains a key priority, we expect the Group to drive growth by growing the customer base, and growing products and services offerings.

Remco applied the practice to incentivise and reward the right behaviour based on the achievement and delivery of Telkom's strategic objectives. The STI pool was reduced in line with actual Company performance in terms of the targets set in the approved STI plan.

While regulations introduced during the pandemic have steadily been relaxed, the impact of the COVID-19 pandemic has reshaped the way we live our lives and the way we work. As with all major change, it has meant that businesses have re-evaluated their priorities, shifted resources, and then tracked how well they have adapted. During this time, Telkom has sought to better understand the needs of our employees, clients and partners and to translate these into the foundation for the new way of working. Following a period of 24 months supporting a work-from-home policy, Telkom adopted a hybrid workforce model that was implemented in March 2022. Refer to the human capital report on page 78.

A hybrid workforce, while having numerous advantages, creates challenges for both our leadership, who need to learn to lead and manage our employees in a different way, and for Company policy and procedures that need to change to underpin the hybrid model. These have to be addressed through a re-evaluation and intentional refocus to ensure we give impetus to our desired high-performance culture. The successful implementation of the hybrid workforce model is a key business deliverable. Telkom operates in an intensely competitive environment (a key part of our overall employee value proposition) where the attraction and retention of talent and skills are critical to our performance.

The Value Unlock Strategy (page 13) is a key focus for our Board. Remco is focused on the strategic role of remuneration and reward in supporting organisational performance and stakeholder value creation. We will continue to assess and align reward policy, plans and practices to incentivise the right behaviour for the positive outcomes required to deliver Telkom's strategic objectives. These are aligned with shareholders' expectations to create a financially sustainable business.

Attracting and retaining talent in a competitive environment remains challenging for the Group. We compete with larger competitors for the same scarce talent in our key business environments. Therefore, our reward levels will continue to be under pressure to reward employees for their contribution while seeking to ensure we attract and retain key talent for success, and simultaneously balance the requirements of all our stakeholders. The attraction and retention of leadership and specialist skills therefore remains a key business challenge, especially in the current uncertain environment. Remco is cognisant of the role that remuneration plays in supporting and addressing this challenge.

Leadership stability and retention along with rigorous succession planning is critical to successfully navigate the uncertain macro business environment. As a company, we continuously balance and complement this need for retention and stability with a rigorous succession planning process in a scarce skill and highly talent mobile environment.

During the last year Telkom lost its Group Chief Financial Officer (GCFO) to the same role at a larger competitor, and we filled the role with Dirk Reyneke, an internal candidate. Sipho Maseko joined Telkom in April 2013 as GCEO and after eight years signalled that he felt it was time to step down; he exited Telkom at the end of June 2022. The robustness of the succession plan was again put to the test as we benchmarked our internal candidate against the market before appointing the CEO of Telkom Consumer, Serame Taukobong as GCEO, with effect from 1 January 2022.

Remco believes that the remuneration decisions taken represent a fair outcome and are aligned to stakeholder interests in ensuring a sustainable Telkom

Shareholder engagement

The remuneration policy and implementation report are subject to non-binding advisory votes at every AGM as required by the JSE Listings Requirements and recommended by King IV.

At the AGM on 25 August 2021 we received an 80.06% vote in favour of the remuneration policy and a 65.4% vote in favour of the implementation report. Given that more than 25% of the voting rights were exercised to vote against the implementation report, we published a SENS announcement on 3 September 2021 inviting shareholders to an engagement session. This was attended by the Board Chairperson, Remco Chairperson and Group Company Secretariat on 5 October 2021 to seek to understand the reasons for the dissenting votes. A few shareholders responded to the invitation and were engaged.

After this engagement, the Remco deliberated on the inputs received in order to agree on the most suitable way to address legitimate and reasonable objections and concerns raised.

The table below sets out the voting results of the past four years.

AGM voting results in favour of the:

	FY2018 %	FY2019 %	FY2020 %	FY2021 %
Remuneration policy	95.84	97.19	79.57	80.06
Implementation report	73.62	98.80	79.69	65.40

The Chairperson of the Board engaged with shareholders on the resolutions prior to the AGM. Their main concerns and Remco's feedback on these matters are detailed below.

The value of Sipho Maseko's (previous GCEO) retention payment	
Shareholder concerns	Our response
While shareholders acknowledged that retaining the GCEO is a key objective, they were concerned about the total value of the award (R10 million paid in FY2021 and R10 million paid in FY2022). Shareholders were also concerned about the lack of rationale for such a large sum being paid to the GCEO. In addition, they were concerned that Telkom did not deliver the retention payment as equity and is additional to other variable pay he is eligible to receive.	The combination of a constrained market that drove tough trading conditions with regulatory events pointed to an even tougher outlook for Telkom in 2020 and 2021. The Board considered it to be strategically important to retain Mr Maseko's services for a minimum period of two years. The decision at the time was supported and approved based on the following key reasons: - The timing of the Value Unlock Strategy, including the restructuring that was underway to facilitate this, together with the significant shifts taking place in the telecommunications space - The implementation status of key strategic matters, such as the spectrum auction and optimisation of the business units - The competitive environment within which Telkom found itself, with its largest competitors in flux with their leadership The retention award was a restricted cash award that vested over a period of time with 50% paid in FY2021 and 50% paid in two instalments in FY2022. - 50% upfront payment (1 April 2020) - 25% paid (1 April 2021) - 25% paid (31 March 2022) The following conditions were linked to the retention payment: - Mr Maseko must remain in Telkom's employment until 31 March 2022. If he resigns during the retention period, he will be expected to repay the gross amount received, which includes the tax portion, up to the exit date/termination date of the agreement - The notice period of three months will be enforceable if he resigns or if his service is terminated by Telkom for any reason other than those outlined in the agreement - A malus and clawback clause was included The Board remains of the opinion that the right decision was taken to retain Mr Maseko's service for two years. He remains in an advisory capacity from 1 January 2022 until 30 June 2022 to assist with completing selected strategic matters.

The target associated with the 2020 talent share awards									
Shareholder concerns	Our response								
The performance condition of TSAs awarded in 2020 is TSR. The target for the three years from grant date is a risk-free rate + 4%. The full award will vest if and when the target is achieved. Considering that the 2017 TSAs vested in full in FY2021, this target is not considered sufficiently stretching, particularly considering the size of the awards.	The awarding of talent shares forms part of Telkom's remuneration philosophy and existing talent management framework. This is aimed at retaining leadership, critical skills and key talented individuals. These talent shares incentivise employees to grow shareholder returns and were awarded to individuals who are critical to Telkom delivering on its strategic objectives, ensuring the Company's sustainability and business continuity. Telkom acknowledges that the market practice for TSR measurement is against a market peer group with a threshold and stretch. The risk-free rate that we apply is the yield on the R186 government bond. The yield on 1 July 2020 when the TSAs were issued was 7.62%. The target was 11.62% (risk-free rate +4%), compounded year on year with an average of approximately 13% over the three years. <table><tr><th>Telkom believes this target is fair considering</th><th>Therefore, the target of 11.62% represents a target which is:</th></tr><tr><td>A money market/cash rate as proxied by JIBAR is 3.9%</td><td>7.7% above money market return</td></tr><tr><td>The target band set by the South African Reserve Bank for CPI of between 3% and 6% (4.5%)</td><td>7% return above CPI if the Reserve Bank's targeted band is considered</td></tr><tr><td>An average CPI rate of 3.3% during 2020 when the TSAs were issued</td><td>8.3% return above CPI (based on the 2020 average CPI)</td></tr></table> Based on the above, the target is considered fair and equitable, and aligns with shareholder interests. Remco affirmed its support for using the 10-year R186 government bond as the risk-free rate +4% for FY2022. Given the business units within Telkom determining an appropriate listed weighting, market peer group is a challenge. Consideration to introduce threshold, target and stretch targets for TSR against an appropriate market peer group will be considered for TSR in FY2023.	Telkom believes this target is fair considering	Therefore, the target of 11.62% represents a target which is:	A money market/cash rate as proxied by JIBAR is 3.9%	7.7% above money market return	The target band set by the South African Reserve Bank for CPI of between 3% and 6% (4.5%)	7% return above CPI if the Reserve Bank's targeted band is considered	An average CPI rate of 3.3% during 2020 when the TSAs were issued	8.3% return above CPI (based on the 2020 average CPI)
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An average CPI rate of 3.3% during 2020 when the TSAs were issued	8.3% return above CPI (based on the 2020 average CPI)								

Inclusion of FCF as a measurement in LTI

Shareholder concerns	Our response
This issue was raised previously by shareholders. However, Telkom did not agree to include FCF as an LTI measure since it is a measure in STI.	It is not best practice to duplicate metrics across STI and LTI plans and Remco was conscious of this at the outset. Remco will ensure that FCF and the parameters and targets set are appropriate for LTI purposes. The individual weightings have yet to be finalised. FCF will be introduced in the FY2023 share awards (awarded in June 2022) and an ESG metric will be introduced for the FY2024 share awards (to be awarded in June 2023).

Including ESG as a measure in the STI and LTI

Shareholder concerns	Our response
Remco notes the best practice for including ESG targets in both the STI and LTI, aligned with international trends.	Telkom has been conscious to carefully consider ESG insights and research on the broader approach companies are taking to ensure fit-for-purpose metrics are adopted that drive tangible value relevant to a telecommunications business. This will consider, but is not limited to: - Ensuring the health of the organisational culture and good corporate governance - The health of key relationships - Shared value - Climate change - Transformation - Talent management and succession planning The growing best practice for increased disclosure in the remuneration and implementation reports to secure shareholder approval is noted. Remco will gather further insights from the shareholder engagement process scheduled for June 2022. An ESG measure will be included in the FY2023 STI plan.

Key decisions taken in FY2022

After assessing remuneration factors, including the number of Group-wide participants and with due cognisance of market conditions, Remco made the following key decisions in FY2022.

Element of remuneration	Rationale for decision	Remco decision
Salary increase: Executive Directors and Group Prescribed Officers management and bargaining unit employees	Telkom's remuneration philosophy aims to pay at the market median in salary in order to ensure the retention and attraction of talent. Therefore, Telkom awarded increases slightly higher than inflation, to take into account salary market movements and ensure pay remained competitive and market-related.	Telkom awarded an overall increase of 7%. Management-level employees who achieved a minimum performance rating of 3, received a 6% increase. Those who did not achieve individual performance targets, received a 0% increase. In addition, 1% of the budget was allocated to critical skills, talent, and high-performing employees. The bargaining unit employees received a 6% salary increase calculated on the 50th percentile of each employee's functional area per job grade. An additional 1% was allocated for employees not aligned to the market's 50th percentile.
2021 annual share awards including performance conditions	Telkom approved the 2021 share award performance conditions. These were carefully chosen to drive long-term value creation aligned to our business plan while being conscious of best market practice and the ability to reward at market-competitive levels.	Telkom awarded 11 504 349 forfeitable shares to permanent employees who were in the Group's service on the award date of 1 June 2021. The following performance conditions were approved: - TSR: 50% weighting: Risk-free rate + 4% in a year - HEPS: 25% weighting: As per business plan - ROIC: 25% weighting: As per business plan

Key decisions taken in FY2022 continued

Element of remuneration	Rationale for decision	Remco decision
FY2021 STI payment approval	Telkom achieved the two key triggers for payment of the STI, namely EBITDA and PAT. The STI pool is built up equally (25% each) of EBITDA, PAT, Revenue and FCF.	The Board approved the STI pool based on actual company performance in terms of the approved plan.
Remuneration of Non-executive Directors	The approved new fees structure considers current market competitiveness and practices (refer page 166).	Remco recommended to the Board an all-inclusive fee structure, including a 7% increase for Non-executive Directors, which was approved by shareholders at the AGM on 25 August 2021.
FY2022 STI plan	The STI scheme principles will remain the same as for FY2021 given there has been no significant change in trading conditions nor operating model to warrant a change.	Approved the FY2022 STI plan, with both Telkom Group EBITDA and PAT to be achieved before any payment to participants. Business units are required to meet their respective financial targets to trigger a payment. The STI pool for meeting the threshold is built on the achievement of EBITDA, PAT, Revenue and FCF in equal weightings of 25% each. The threshold remains 85% for FY2022.
Notice period and restraint agreement	Strengthen and broaden both notice period and restraint agreements	All newly appointed Executive Directors and Group Prescribed Officers will have: - Six calendar months' notice in their employment contracts - A six-month restraint agreement effected upon termination date
Restraint agreements	To further protect Telkom's interest of not allowing exiting Executives to join competitors, the latest FSP allocations, made as part of the LTIP awards, were awarded on the basis that the GCEO, the CEO: Consumer and CEO: BCX entered into a six-month restraint agreement, which unlike the restraint conditions for TSA made in 2020 applies in perpetuity, with the restraint period commencing post-termination date.	Approved and concluded restraint agreements for: - S Taukobong (GCEO) (278 552 FSP shares) - LM Siyo (CEO: Telkom Consumer) (90 833 FSP shares) - PJ Bogoshi (CEO: BCX) (189 972 FSP shares) The shares were awarded on 9 November 2021 at R43.08 per share.
Restraint agreement with exiting GCEO	Telkom appointed Mr Maseko on 1 April 2013. He will exit the Group on 30 June 2022. Given no provision exists in his original employment contract and in order to mitigate potential risk to Telkom of the GCEO joining any competitor of the Group and to protect both shareholders and the Group's interest, the Board concluded a restraint agreement with Mr Maseko after the termination date of 30 June 2022 for a restraint period of 12 months.	No restraint agreement was in place or concluded in Mr Maseko's initial employment contract in April 2013. No shares were allocated to him during the last two financial years. Additional facts to note since Mr Maseko joined Telkom: - He joined Telkom on 1 April 2013 when the organisation faced severe challenges. The Company was running at a loss, had a bloated cost structure, and its share price traded at an all-time low - He was tasked with addressing and implementing numerous strategies during his tenure that have ensured that Telkom has become the sustainable business that it is today - The current Group Executive and numerous other Senior Executives were brought into Telkom personally by Mr Maseko - In the absence of a restraint of trade being concluded when Mr Maseko joined Telkom in 2013, and given the significant influence that he had as GCEO of Telkom over eight years, the Board agreed that it was in the best interests of the business to engage with Mr Maseko and agree on terms of a restraint A 12-month restraint agreement was concluded for the period 1 July 2022 to 30 June 2023. A taxable restraint amount of R32 million is payable on 1 July 2022.

Remco objectives for FY2023

We will continuously assess remuneration market trends, best practice and governance frameworks to ensure our policies and structures support achieving Telkom's strategic business objectives. Our remuneration policy, practices and decisions will underpin a fair and balanced remuneration mix to retain key leadership, top talent and critical specialist skills and to reward superior performance.

Key focus areas:

- Continually review and ensure that the FY2023 STI plan is aligned with the operating model required to facilitate the Group's Strategy
- Ensuring pay for reward supports management's desire to drive a high-performance culture within a hybrid way of working
- Inclusion of ESG metrics in conjunction with input from the Social and Ethics Committee for the FY2023 STI
- Implementing FCF as a performance condition for the FY2023 (June 2022) FSP share awards
- Agreeing ESG performance conditions for the LTI in the FY2024 (June 2023) FSP share awards
- Overall performance of the Company
- How the Company's Strategy and approach to rewarding influences the remuneration paid

We are concerned with the perceived lack of effective shareholder engagement regarding remuneration matters and wish to enhance our dialogue with shareholders. It is in Telkom's best interest that we consider and balance the legitimate and reasonable needs, interests and expectations of all stakeholders.

We are committed to building and maintaining a relationship of trust with our shareholders by ensuring our remuneration policy and practices are well understood though continued engagement and feedback.

Independent external advisors

Remco contracted PwC for general external advice including market practice, remuneration mix and the NED fee structure. We are satisfied with its independence and objectivity.

Closing remarks

The challenges of the past year were exacerbated by the resignation of both our GCFO and GCEO, who was in office for eight years. Our remuneration decisions have been mindful of this context as we sought to balance what was in the best interest of our business. Our priority is to ensure that we balance the interests of all stakeholders as we seek to attract and retain the leadership, skills and talent we require for sustainable business success in a competitive marketplace.

The Committee is satisfied that Telkom's current remuneration policy remains relevant and fit for purpose and we will continue to focus on ensuring that it remains so, in support of the Group's Strategy. The remuneration philosophy underpins the work our employees do in delivering the Group's strategic ambition, and in so doing supports the fair value creation for all our stakeholders. We believe that the remuneration decisions taken represent a fair outcome and are aligned to shareholder and stakeholder interests in ensuring Telkom's sustainability.

Rex Tomlinson
Chairperson
Remuneration Committee

Our remuneration philosophy, policy and framework

As we unlock value in the Group, it is imperative that we renew our focus on attracting high-calibre talent, supported by robust succession planning and the talent retention offering. We must ensure that remuneration structures support and reward both team and individual performances. These structures should support the appropriate recognition of top performers and talent, and drive greater employee engagement and a culture of performance and innovation. Remco will continue to ensure that the remuneration policy remains relevant for all stakeholders and that remuneration decisions support the Company's long-term strategy.

Governance

Role of Remco

The Committee assists the Board of Directors to fulfil its responsibility to shareholders by making recommendations on policies and processes regarding the appointment, remuneration, development and succession of Executive Directors in support of the Company's strategic objectives.

Remco's role and responsibilities include, but are not limited to:

- The Board of Directors which supports the achievement of the Company's strategic objectives
- Recommending the total remuneration of the Executive Directors to the Board of Directors, and approving the remuneration of the Group Prescribed Officers
- Ensuring remuneration is competitive, responsible and transparent to promote the creation of value in a sustainable manner
- Ensuring incentives are equitable, relative to both the qualitative and quantitative performance indicators and are compliant with Company policy, regulatory and legal requirements, and disclosure
- Ensuring that the costs of all employee benefits are included in the evaluation of the individual's cost to company
- Approving the terms upon which the Group Prescribed Officers are employed and remunerated
- Reviewing and recommending the terms upon which the Executive Directors of the Company are employed

Policy compliance and regulatory context

The Company fully complied with the provisions of its remuneration policy and both short-term, and long-term variable scheme rules and no deviations were approved. Remco ensures our remuneration principles and practices are aligned with the Companies Act, King IV principles and recommended practices, and the JSE Listings Requirements.

Approval structure

Remco acts under the delegated authority of the Board to determine and set remuneration levels, except for the fees payable to Non-executive Directors, which are subject to the approval of shareholders at the AGM. The authority levels are set out below:

Item	GCEO	Remco	Nominations Committee	Social and Ethics Committee	Board	Shareholders
Executive Directors remuneration		R			A	
Group Prescribed Officers' remuneration	R	A			N	
Annual remuneration review for rest of the organisation	R	A			N	
Performance targets for STI and LTI including ESG targets	R	A		C	N	
Remuneration implementation policy	P	A			R	E
Non-executive Directors' remuneration	P	R			R	A

- A

Approval
- N

Noting
- P

Propose
- C

Consult
- E

Endorse
- R

Recommend

Remuneration structure and risk management

Our remuneration structure aligns with the Group Strategy and the agreed risk appetite, which seek to reward success fairly, responsibly and transparently. We review remuneration risk to align remuneration decisions with strategic business objectives.

Remco ensures that the remuneration policy is transparent and that incentive plans are reviewed annually. The remuneration policy includes malus and clawback policy provisions, which apply to all STI amounts paid and the vesting of share awards (LTI). Executives are not involved in any remuneration policy decisions which directly impact their remuneration.

Remco annually reviews the Group's financial results to determine STI payments before any payments are made to Executives and other employees. It reviews performance conditions for shares to vest as per the rules of the scheme prior to the vesting being approved and has full discretion to adjust the final payment or vesting downwards if it believes circumstances warrant it. In addition, STI and LTI performance achievements are reviewed by the Audit Committee and our external auditors.

Malus and clawback

Remco has the discretion to use either malus or clawback as it sees appropriate. In the case of malus, the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested, or vesting may be delayed. In the case of clawback, Remco may recover incentive payments that were paid for up to three years after the relevant payment date or recover the vesting value of shares vested for up to three years after the relevant vesting date since introduction thereof.

- Malus and clawback will be triggered in the following events:
- If there was misconduct or material misstatement of performance, material miscalculation of performance condition outcomes and/or gross misconduct by a participating employee, or where the actions of an employee resulted in reputational damage to the business
 - If the business suffers a material downturn in financial performance due to irregularities or a material failure of risk management
 - If awards were based on material misstatements of the Group's financial results, or information arises which would have caused benefits to lapse or would have resulted in Remco rewarding differently had the information been known at the time
 - If the business suffered a material financial loss due to actions or circumstances attributable directly to an employee or which could have been avoided by the reasonable actions of an employee
 - If the Board or Remco, in their discretion, deem it necessary to apply malus or clawback

Fair and responsible remuneration

Telkom applies the principles of fair remuneration based on job complexities and relative worth of the job. Our remuneration policy follows the same fundamental principles across all employee levels. Remuneration must be both externally competitive and internally equitable.

We continuously review our practices to ensure that remuneration levels are appropriate across business units and all functional areas of the business and that employees are remunerated fairly, aligned with their different skills and competency levels to ensure that any remuneration differentiation is fair and equitable. Where we identify any anomalies, these are addressed as part of our annual remuneration review process.

We believe fair and responsible remuneration can be defined as follows:



In ensuring fair and responsible remuneration, Telkom focuses on the important issues of employment equity, gender equity and pay differentials. As we continuously review our practices at all levels of remuneration, we ensure that any pay differential based on race or gender is addressed. We ensure fair and responsible remuneration by investigating income disparities and calculating ratios that include the following:

- Assessing the pay gap and differentiation between employees at the same level/grade, including an analysis across gender and race
- Assessing the vertical wage gap ratio, which analyses the 5% highest paid against the 5% lowest paid
- Assessing the wage gap ratio between the GCEO and 5% lowest paid
- Examining the underlying reasons for disparities

The gender wage gap across all grading/complexity levels in Telkom ranges between 0% and 3% and is viewed to be acceptable. A key component that may impact the gender wage gap is gender composition. We calculate the gender wage gap based on the actual value that a female would earn if she occupied the same position as a male across all grade/complexity levels.

The race wage gap ranges between 0% and 4%. We calculate the race wage gap based on the actual value that a black employee would earn in comparison to a white employee if they occupied the same position across all grade/complexity levels. Telkom has made a concerted effort over the years to deal with inequalities, considering the equal pay for equal work, of equal value.

As an ethical and responsible employer, we recognise "equal pay for work of equal economic value" principles and we strive to remunerate employees doing substantially the same work, within the same pay range. Telkom recognises that there could be differences attributed to the following:

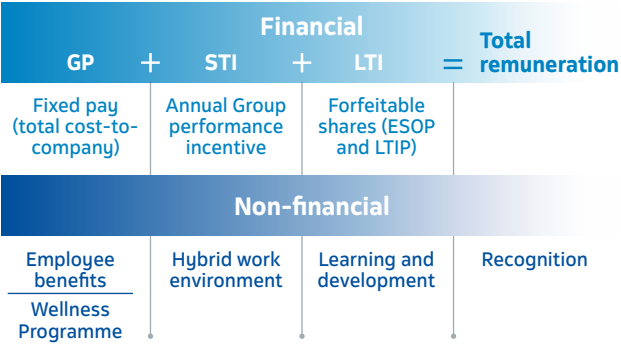
- Individual's seniority or length of service
- Individual's qualifications, ability, competence, critical skills or potential above required levels of performance for the job
- Individual's performance (all employees are equally subject to Telkom's performance framework)
- Demotion due to restructuring without a concomitant reduction in remuneration
- Individual's lack of relevant experience for a job level
- Any other non-discriminatory differentiator

A disclosure requirement of a vertical gap between the highest and lowest paid workers in the organisation should guide employers on how to close the gap in employees' fixed earnings by offering a similar or the same salary that is in line with the true value of the work. It should be in line with the pay grade set within that particular occupational level, regardless of race or gender.

There are some challenges with perceptions around the GINI co-efficient that may exist if the vertical gap is considered while ignoring the intra-occupational level perspective.

Telkom appreciates the intention to reinvigorate the debate on how corporates can strengthen transparency mechanisms to close pay gaps. However, this should not be undertaken in a manner that undermines the ability to differentiate pay in pursuit of creating competitive sustainable businesses.

Telkom's reward framework



- Telkom's remuneration strategy is designed to:
- Attract, motivate and retain talent
 - Support and drive a pay-for-performance culture within an appropriate risk framework
 - Differentiate between satisfactory performance and high performance
 - Reward employees for the execution of business strategy in a fair and responsible manner
 - Support the delivery of our evolving strategy aligned to shareholders' interests

We follow a holistic balanced approach across the following remuneration elements:

Element	Type	Desired outcome
GP	Fixed	Influenced by the scope of the role, knowledge, skills and experience required. Salary levels are positioned at the market median.
STI	Variable	Delivers rewards for the achievement of annual performance targets. The level of achievement determines the level of payment against each weighted performance measure.
LTI	Variable	Motivates long-term sustainable stretch performance and aligns the interests of management with those of shareholders.

Remuneration objectives and principles

We designed the remuneration policy to attract talent in a competitive labour market and enable Telkom to achieve the following objectives:

Line of sight	Competitive	Sustainable
Promote sustainable value creation through transparent alignment with the Group Strategy. Ensure proper risk management processes. Ensure that remuneration is aligned with short and long-term performance and that performance measures in variable pay are linked to the medium- to long-term strategy and growth of the business.	Ensure all employees are remunerated competitively relative to industry benchmarks, provided with appropriate incentives to encourage performance, and are rewarded for their contributions to the Group's success.	Ensure that remuneration is affordable and reasonable to deliver sustainable value creation for shareholders.

We based our remuneration and reward policies and practices on the following principles:

- **Pay for performance** | Motivate and reinforce superior performance, encourage the development of organisational, team and individual performances and let employees share in the success of the Group
- **Development** | Develop future required competencies and skills
- **Holistic approach** | Aim to achieve an appropriate remuneration mix to ensure the Group achieves its strategic financial and operational objectives in the short and long term
- **Internal equity** | Be fair and non-discriminatory

Benchmarking

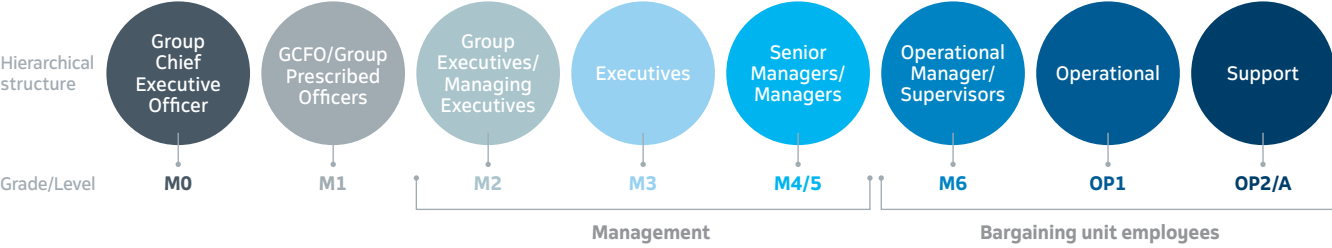
Telkom consults with independent remuneration consultants to benchmark remuneration. This assists Remco in setting appropriate remuneration levels and gross pay for Directors and Senior Executives. We use companies with similar market capitalisation and size in the benchmarking process. Remco ensures an appropriate peer group review is conducted to retain the integrity and appropriateness of the benchmark data. We benchmark Executive Directors' and Senior Management's remuneration annually against Executive remuneration surveys provided by PwC and Remchannel. We use PwC's remuneration surveys for employees below management level. We set total remuneration comprising GP, STI and LTI against a market median for targeted performance.

Guaranteed package

GPs are aligned throughout the Group with no significant disparities. Benefits and service conditions are similar within the Group. Employees are not entitled to annual GP increases. We review GPs against individual performance on a total cost-to-company basis.

GPs are subject to industry market conditions, employee performance, internal equity, and the Group's financial performance. GPs are reviewed against individual performance, set against a market median, and determined on a total cost-to-company basis. We ensure our remuneration policy is market-related to reflect skills levels, functions and employee roles. To ensure we remunerate all employees competitively, we use market and industry benchmarks to determine the appropriate market-related remuneration.

All positions are evaluated to determine their relative value and contribution in terms of complexity and required outcomes. Positions are evaluated using the Company's job evaluation system, which correlates with the Paterson grading system. Telkom's hierarchical levels are reflected below:



Fixed GPs comprise a basic pensionable salary, retirement provision and flexible benefits.

Salary is paid monthly. We review fixed pay annually, and any increases are typically effective from 1 April each year.

GPs are influenced by the scope of the role and the knowledge, skills and experience required of the position.

Our philosophy and strategy are to pay GPs that are aligned to the market median, which is determined through external salary benchmarking.

Additional benefits offered to employees:

Retirement funding The Telkom Retirement Fund is a defined contribution pension scheme, and participation is compulsory for all permanent employees. Management-level employees are also required to participate in the Telkom Management Provident Fund which is also a defined contribution scheme. Employees have the option to choose their contribution level to the Telkom Retirement Fund. Contributions are based on pensionable salary. An investment option is available based on an employee's risk profile. Normal retirement age is 65 for all employees. Telkom's contribution is included in GP.	Group life insurance - Death benefit Disability cover - Permanent disability - The temporary disability income benefit is equal to 100% of the employee's monthly pensionable salary at date of disability Funeral benefit - Administered by the insurer, Guardrisk - The monthly premiums will be paid by the Company and are taxable Medical aid - Medical aid is not compulsory, and the Company's contribution is included in GP - Bestmed, Discovery Health and Bonitas are recognised schemes
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Short-term variable incentives

	Bargaining unit employees are eligible for a quarterly incentive referred to as performance pays. Payment is linked to Company, business unit and individual performances. Net revenue serves as the trigger for payment.	No STI or 14th cheque is payable to employees who do not meet individual performance outputs.	Bargaining unit employees are eligible for a 14th cheque, subject to the achievement of Group financial targets and individuals meeting their KPIs as outlined in their performance contracts.
	- The STI plan is measured both against agreed financial and non-financial metrics aligned to shareholder expectations. A single STI structure is applied across the Group. Payment occurs annually in June, post-Board approval - Remco recommends the STI pool based on Group achievement together with individual payments for Executive Directors on approval. The STI pool is allocated to the respective business units based on business unit performance - For FY2022, the payment triggers are both EBITDA and PAT; the PAT hurdle rate is 85% of budget. The STI pool is set at a maximum of 12% of PAT and capped at 120%. Group STI pool is allocated based on the achievement of: - Group EBITDA before STI - Group PAT before STI - Group Revenue - Free Cash Flow Each allocation has a 25% weighing - On target STI percentages: - GCEO (100% of GP) - Group Prescribed Officers (80% of GP) - Group Executives (55% of GP) - Executives (30% of GP) - Senior Managers/Managers (20% of GP)		

Long-term variable incentives

Purpose The share incentive plan is designed to align management and shareholders' interests and grow shareholder value. The objectives are to motivate long-term sustainable performance and retain key Executive leadership, business-critical and top talented employees.	TSA The purpose of additional TSAs is to provide a reward mechanism that motivates and retains key critical and core talented individuals to meet business requirements. Telkom awards talent shares to top talent and critical skills specialists based on the talent mapping process and business requirements. - TSAs to retain top talent and critical specialist skills - Three-year vesting conditions
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Long-term variable incentives continued

Forfeitable shares: We award free transfer of shares to employees, under the condition of forfeiture in the case of termination of service before the vesting/ release date and achieving performance vesting conditions. Annual share awards are calculated based on the percentage of GP: - GCEO (150% of GP) - Group Prescribed Officers (75% of GP) - Group Executives (35% of GP) - Executives (20% of GP) - Senior Managers (15% of GP) - Managers (10% of GP) Employees are eligible for annual share awards subject to Remco approval: - 90% vesting achievement threshold equates to 50% vesting - No possibility to overperform against the targets, which are set at 100% ESOP: Middle management and bargaining unit employees (A to M4/M5) - Three-year vesting conditions LTIP: Senior Leadership (M3 to M0 employees) - Five-year vesting conditions from award date: - Year 3: 50% based on 3-year performance condition metrics - Year 4: 30% based on 4-year performance condition metrics - Year 5: 20% based on 5-year performance condition metrics - 15% of GP shareholding acquisition requirements	Linked to Telkom and individual performance - We do not award shares to employees who do not meet individual performance outputs - No shares will vest if performance conditions are not met
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Performance management

Performance management processes are well embedded in the Group, including the measuring and tracking of performance. While formal performance reviews remain a key component of the performance management process, we have shifted the focus towards a continuous performance management approach.

During FY2021, Telkom enhanced the performance management system in response to the changing world of work, including working in a hybrid world. The shift towards a stronger performance management cadence throughout the Group empowers all employees to be results oriented and drive higher levels of productivity. This enhancement introduced a clear performance management cadence throughout the Group to adapt and thrive in the changing world of work. This creates an up and down flow of engagement focused on real-time feedback and solution generation, with the aim being to have more frequent performance discussions and real-time feedback to address potential performance challenges.

During the FY2022 cycle, in support of our hybrid work model, we started to focus on building coaching skills among line managers to support our drive towards a high-performance culture. A customised e-learning course was designed and deployed to all line managers, equipping them with basic coaching skills and tools. Additional training, support and focus will be deployed during FY2023 to enhance coaching skills and continuous performance management. Refer to [page 78](#) in the human capital chapter for more information.

We consider remuneration adjustments outside the annual remuneration review process in exceptional circumstances. These will be subject to approval by the Remco or GCEO based on level and subject to a motivation.

Management employees

Telkom's remuneration philosophy aims to pay at the market median in GP in order to ensure the retention and attraction of talent. In FY2021 the Group had no increases. In order to ensure we do not fall behind our intention to pay at market median, the average GP increase for employees who met their performance targets was 6% with an additional 1% allocated to employees who delivered superior performance. The overall increase was 7% for FY2022 (FY2021: 0%) for management-level employees.

Bargaining unit employees

The Company and the Alliance (CWU and SACU) concluded a one-year substantive wage collective agreement on 20 April 2021 for the period 1 April 2021 to 31 March 2022. The annual cost-to-company increase was 7.3% (FY2021: 0%).

Refer to the human capital report, [page 78](#).

Linking total remuneration to performance

We determine our remuneration outcomes through on-target performance with three performance drivers. These drivers aim to achieve a sustainable high-performance culture with clear line of sight to Group, business unit and individual performances.

Focus	Impact on payment	Individual performance assessment category
1. Group performance		
Group financial and non-financial targets	STI - Trigger STI payments	- Minimum threshold performance required - 85% of PAT and EBITDA
	LTI - Vesting of shares (performance conditions)	- 90% of required achievement against targets equates to a 50% vesting outcome
2. Business unit targets		
Business unit financial and non-financial targets	STI payment pool distribution based on the business unit's achievement in line with its balance scorecard and GCEO's discretion	Achievement of business plan targets
3. Individual performance		
Individual KPIs	- GP increase - Individual STI payments - Share vesting - Eligibility for future share awards	Individual performance assessment
		1 – Exceptional
		2 – Above standard
		3 – On target
		4 – Requires improvement
		5 – Unsatisfactory

Guaranteed package	Short-term incentives	Long-term incentives																	
Individual performance - Financials: Achieving the business plan targets - Customers: Overall customer satisfaction - People management: How people are managed - Operational management: Operational measures to sustain the business - Strategic: Key strategic milestones Weightings might differ between levels of employees.	<table><tr><th colspan="2">Group target: STI</th></tr><tr><td>Group EBITDA before STI</td><td rowspan="4">25%</td></tr><tr><td>Group PAT before STI</td></tr><tr><td>Group revenue</td></tr><tr><td>FCF</td></tr></table>	Group target: STI		Group EBITDA before STI	25%	Group PAT before STI	Group revenue	FCF	Group target Performance vesting conditions for 1 June 2022 <table><tr><th colspan="2">LTIP: 20% of the 2016 award</th></tr><tr><td>TSR</td><td>50%</td></tr><tr><td>HEPS</td><td>25%</td></tr><tr><td>ROIC</td><td>25%</td></tr></table>	LTIP: 20% of the 2016 award		TSR	50%	HEPS	25%	ROIC	25%		
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	<table><tr><th colspan="2">Business unit targets</th></tr><tr><td>Business unit financials</td><td>50%</td></tr><tr><td>Execution of key strategy milestones, including operational measures</td><td>30%</td></tr><tr><td>Customer experience</td><td rowspan="2">20%</td></tr><tr><td>People management</td></tr></table> Weightings might differ between business units.	Business unit targets		Business unit financials	50%	Execution of key strategy milestones, including operational measures	30%	Customer experience	20%	People management	<table><tr><th colspan="2">LTIP: 30% of the 2017 award</th></tr><tr><td>TSR</td><td>50%</td></tr><tr><td>HEPS</td><td>25%</td></tr><tr><td>ROIC</td><td>25%</td></tr></table>	LTIP: 30% of the 2017 award		TSR	50%	HEPS	25%	ROIC	25%
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LTIP: 100% of the 2018 TSA award																			
TSR	100%																		

Environmental, social and governance

ESG
In FY2023, the Group will hold a key focus on the inclusion of ESG metrics in both STIs and LTIs, underpinned by measurable metrics and KPIs with clear business owners.
Expand on and enhance previous commitments on SDGs undertaken by the Telkom Group as per the integrated report.
Onboard and socialise the ESG Strategy and associated implementation plans with business stakeholders.
ESG targets will be included in the FY2023 STI plan and the FY2024 LTI share awards.

Executive Directors’ key performance areas

GCEO

Telkom rewards the GCEO based on the delivery of the strategic and operational objectives in line with shareholder expectations and business strategy. Remco designed the remuneration strategy for the GCEO to align remuneration with long-term shareholder growth and sustainable profitability. The reward should demonstrate the critical and pivotal role that the GCEO plays in the achievement of the Group’s strategic objectives and operational goals.

We contracted the following key performance areas with the GCEO.

Key metrics	Measures
Financial (40%)	
- Defend revenues: manage financial recovery plan in response to COVID-19 - Increase market share - Accelerate new revenue streams to offset the decline in traditional revenue - Increase shareholder returns - Disciplined capital allocation	- % decline in revenue - % clawback of loss revenue - Efficiency ratio - Percent growth in gross operating revenues, EBITDA, PAT and HEPS - FCF - TSR
Executing key strategic milestones (25%)	
- Respond to COVID-19 - Digitise value chains - Transform our operating model to embed agile working practices - Accelerate the implementation of the Value Unlock Programme - Work with external and internal stakeholders in creating an efficient spectrum pathway - Accelerate our fibre business - Continue to invest in our data-led network	- Adherence to government regulations - Growth of digital platforms - Ability to provide employees with access to digital platforms and network connectivity to increase productivity
Customer experience (20%)	
Retain existing customers and customer satisfaction	- Orange index/customer retention index - Composite score improvement - % increase in customer base
Group combined assurance framework and people (leadership and employees) (15%)	
- Implement the Group assurance framework - Responsible corporate citizenship including sustainability management - Implement new ways of working in the context of a hybrid working archetype - Inclusion and diversity culture - Manage talent/succession plans for Executive Management - Identify top talent and critical skills - People development	- Compliance with framework - Social and relationship capital initiatives - Hybrid working model implemented that focuses on employee support and engagement, effective facilities management and productivity management - Statistical improvement on vital behaviours in corporate culture audit - Identified successors for each Exco position - Retention of top talent/critical skills specialists - Quality of succession pipeline

GCEO (CEO: Consumer)

Key metrics	Measures
Financial 50%	
- Generate targeted EBITDA for Consumer business unit underpinned by the Mobile stream and Fixed business	- Maintain Mobile EBITDA-targeted corridor - Manage Fixed business EBITDA decline while transitioning away from copper-based revenues - Realise and grow non-connectivity revenue ambitions
- Maintain positive FCF	- Improve working capital management - Judicious capital allocation - Progress on cash release initiatives
Customer 20%	
- Protect the Telkom brand and grow affinity	- Brand measurement
- Improved customer experience	- Identified customer experience scores
- Balance customer acquisition, growth and retention mix	- Acquisition vs retention ratios - Revenue per customer - Product profitability mix
Operational 20%	
- Flexible and reliable information system platforms	- Measured uptime and downtime
- Be operationally efficient	- Operational performance improvement (baseline measurements and % improvement)
- Channel and regional execution	- Cost management per domain
- State-of-the-art network	- Operating design completed, channel profitability measured
- Integrated go-to-market	- Network availability and quality of service; spectrum deployed; effective capital expenditure
People (10%)	
- Structure alignment	- Implemented updated structure
- Implemented performance management	- Performance appraisal aligned to Consumer Strategy
- Talent management	- Implemented talent management strategy
- Embedding consumer culture	- Identified three relevant behaviour business KPIs per area which directly/indirectly impact culture

GCFO

Key metrics	Measures
Financial 40%	
- A strong balance sheet	- Maintain a healthy balance sheet geared towards supporting the business strategy - Net debt to EBITDA in line with Board-approved plan and market guidance - Disciplined capex spend within the approved business plan - Net debt to EBITDA aligned to market guidance
- EBITDA improvement through cost reduction	- Growth in gross operating revenues, EBITDA, PAT and HEPS - PAT growth in line with approved budget - Sustainable cost savings as per Board-approved business plan
- Maintain adequate FCF to reinvest in our business and provide a buffer to mitigate against adverse market conditions	- Responsible FCF management - Average monthly cash balance at Board-approved levels - Progress on cash release initiatives - Responsible capex allocation
- Increase shareholder returns	- Achieve TSR targets
Executing key strategic milestones 25%	
- Sustainable cost management and savings through focused initiatives	- Consolidate spend to reduce the growth in external spend through strategic sourcing, leveraging on our purchasing power
- Improved tax planning and efficiency	- Tax strategy implemented/rolled out and optimal tax payments for Group - Maintain effective tax structure at current levels - Effective tax structure for the Group and M&A
- Disciplined capital allocation framework	- Optimal capital prioritisation criteria - Capital efficiency ratio between 16% and 18%
- Optimise net working capital through cash release initiatives	- Maintain healthy working capital levels for the Group - Vendor payment scheme in place - End-user device financing arranged
- Investor Relations: Enhancing Telkom's investment case to the market	- Create an effective investor climate - Quarterly market feedback
- Treasury	- Mitigation of exchange risks - Reduction in “facilities fees” - Optimise “net financing cost”
- Balance sheet carve-out	- Each business unit to have a full top-down separate set of financial statements based on agreed principles
- Business plans finalisation	- Business plans approved by Board and loaded in SAP at business unit level - To be finalised before year-end
- Deliver M&A value-creating strategic opportunities	- Support from the Investment and Transactions Committee; Board approvals; executed value-accretive transaction/s
- Execution of the TRF investment strategy	- Returns in line with benchmark
- Governance and control – a compliant and appropriate risk control environment	- Risk compliance/appropriate levels and structures in place - Maintenance and improvement of internal control environment
- Effective legal services	- Peer reviews, litigation success rate and achievement of targets for ad hoc/strategic projects

Key metrics	Measures
Operational 25%	
- Effective procurement governance	- Value-adding strategic procurement services - Automation - Supplier risk segmentation - Supplier risk management
- Combined assurance framework	- Compliance with Group assurance framework - 100% compliance for all internal compliance requirements for yourself as well as all in functional area (POPIA training/ monthly compliance/zero overdue internal audit findings, etc.) - First line (management) ensures that risk mitigation action plans for respective functional areas' top risks are adhered to so as to minimise the exposure and improve the control environment
- Effective safety, security and forensics (SSF) service delivery	- Reduction of total recordable incident rate (TRIR) and lost time injury frequency rate (LTIFR) - Zero fatality injury rate (FIR)/reduction of fatalities - COVID-19 compliance - Protection of infrastructure and assets - Security policies and procedures, reviews, approvals and implementation - Improve forensics response turnaround time
- Talent management and succession planning	- Number of successors identified up to M4 level – aligned with talent management framework - Succession plans, job cover plans and work instructions in place and staff training completed - Develop finance team and ensure high employee engagement through diversity and inclusion
- Performance management	- All employees have individual performance plans
People 10%	
- Visible management – external	- Evidenced external profile visibility
- Visible management – internal	- Positive 360-degree feedback

STIs

The STI scheme rewards management-level employees who meet and exceed annual performance targets if the Group meets its financial threshold targets. The level of achievement determines payment against each weighted Group performance measure. We design and align the STI plan with shareholder expectations. Eligible management employees participate in the STI plan. Employees who receive a performance score of at least a “3” (on target performance) or better, qualify for payment.

Eligible bargaining unit employees participate in quarterly incentives and a 14th cheque. Employees who receive a performance score above “3” each year, will receive a 14th cheque.

An employee must be in the employment of the Group on payment date to qualify for an STI payment.

STI plan

Remco annually recommends the STI plan’s rules, targets and measurements to the Board for approval, subject to final actual audited Group performance. The FY2022 plan was approved with the following clearly defined principles:

Triggers	Achievement of EBITDA and PAT at Group level to trigger any STI payment If the Group meets its targets, the final STI payment/amount available at the end of the financial year will be allocated to business units based on the discretion of the GCEO and the business unit’s performance.
Allocation	The STI pool is generated by achieving the following targets, each with a 25% weighting: - Group EBITDA before STI - Group PAT before STI - Group revenue - FCF
STI payout	STI pool is set at 12% of Group PAT before STI

The STI payout mechanism is based on the actual financial targets achieved.

Target	Achievement (%)	Payout of STI pool (%)
Less than hurdle rate	<85	0
Hurdle rate	85	85
Target	100	100
Stretch	110	110
Maximum cap	120	120

LTIP

The plan is designed to align management and shareholder interests to grow shareholder value. The objectives are to motivate long-term sustainable performance and retain business-critical and talented employees.

Termination of employment in respect of LTI

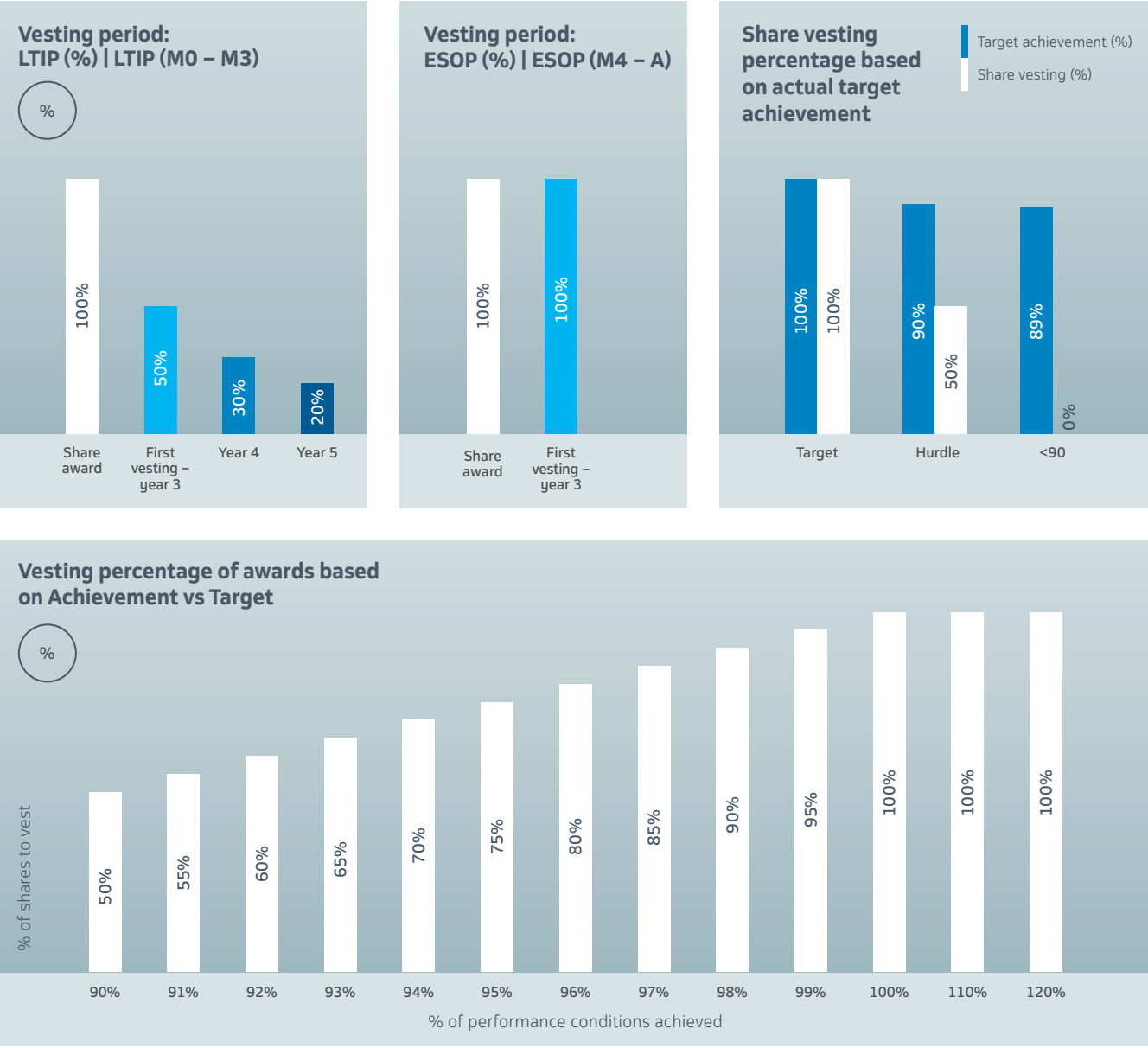
The following conditions will apply when an employee’s employment is terminated:

- **Resignation, dismissal and/or abscondment:** If a participant ceases to be employed by the Group before the vesting date, through resignation, dismissal or abscondment, they shall cease to be entitled to any rights associated with the award. The forfeitable shares that are the subject of the award shall be forfeited.
- **Death, redundancy, medical disability and retirement:** If a participant ceases to be employed by the Group before the vesting date for these reasons, a portion of the award shall vest on the date of cessation of employment. The portion that vests shall be pro-rated to reflect the number of full months that have lapsed at the date of cessation of employment relative to the total months of the performance period (with any remaining balance being forfeited). The performance condition shall not apply to the vesting of the awards.

Vesting of awards

The performance conditions are measured after three years, and the number of shares to vest is based on the extent to which the performance conditions are met. No over-performance on vesting is allowed and vesting is capped at 100%.

The following graph indicates the percentage target achievement to determine the number of shares to vest.



TSAs

Telkom’s talent management aims to identify, develop, refresh and retain highly talented and diverse individuals. This seeks to ensure a continuous supply of candidates and successors in leadership and critical positions.

The purpose of additional TSAs is to provide a reward mechanism that motivates and retains key critical and core talented individuals to meet business requirements. Telkom awards talent shares to top talent and critical skills specialists based on the talent mapping process and business requirements.

Vesting conditions of the TSAs are as follows:

- Vesting is based on achieving the target TSR over the three-year vesting period
- The employee must remain in the service of the Group for the full three-year vesting period
- In accepting the shares, the employee further agrees to and signs a restraint period of six months until his/her shares vest
- On resignation, the employee forfeits all shares

Total number of shares issued up to 31 March 2022

Year awarded	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Date awarded	November 2013	April 2015	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020	June 2021
Total number of shares available	26 039 195	23 614 292	21 033 323	22 577 505	19 548 886	17 136 267	14 232 977	13 120 767	13 301 555
Total number of shares awarded Telkom	(6 559 290)	(4 685 734)	(4 733 159)	(4 886 209)	(5 266 158)	(4 690 718)	(3 507 227)	(9 280 180)	(6 744 840)
Gyro					(178 645)	(222 356)	(129 830)	–	(342 375)
BCX				(881 075)		(127 008)	(1 404 181)	–	(4 358 083)
Yellow Pages								–	(59 051)
Subtotal	19 479 905	18 928 558	16 300 164	16 810 221	14 104 083	12 096 185	9 191 739	3 840 587	1 797 206
Total number of forfeited shares									
Telkom	4 134 387	2 104 765	2 567 215	2 203 084	1 591 110	1 022 378	807 814	1 460 968	266 897
Gyro					140 513	107 484	30 562	–	11 223
BCX				535 581		105 862	342 636	–	260 134
Yellow Pages								–	1 587
Shares purchased									
Telkom			3 710 126		1 300 561	901 068	1 688 016	8 000 000	8 416 809
Gyro							–		
BCX							1 060 000		
Yellow Pages									
Remaining shares available	23 614 292	21 033 323	22 577 505	19 548 886	17 136 267	14 232 977	13 120 767	13 301 555	10 753 856



Employment contracts continued

Executive Directors

GCEO

Telkom appointed Sipho Maseko on 1 April 2013. He exited the Group on 30 June 2022 (refer to [page 116](#) of the Remuneration Committee Chairperson's report).

The new GCEO, Serame Taukobong joined Telkom on 1 June 2018 as CEO: Consumer. He was appointed as GCEO Designate with effect from 1 October 2021 and appointed as GCEO from 1 January 2022. He is a full-time employee with a six-month notice of termination period. He may be required to work notice, be placed on garden leave or, if not required to work, full notice may be paid in lieu of notice period on duty. Telkom concluded a six-month restraint agreement on his appointment to GCEO, which will be effected upon termination date.

GCFO

Dirk Reyneke was appointed as GCFO with effect from 5 February 2021. He joined Telkom on 1 March 2012 as Chief Financial Officer: Telkom Mobile. He is a full-time employee with a three-month notice of termination period. A standard restraint of trade clause is incorporated into his employment contract for a maximum of three months without any compensation.

There are no other obligations in the Executive Directors employment contracts that could give rise to payments on termination of employment or office.

Refer to [page 99](#) for the GCFO's other Directorships.

Group Prescribed Officers

All Group Prescribed Officers are employed on full-time employment contracts. Employment contracts require three months' notice of termination by the employee or by Telkom. Lunga Siyo signed a six-month notice period on his appointment as CEO: Consumer. Group Prescribed Officers may be required to work notice, be placed on garden leave or, if not required to work, full notice may be paid in lieu of notice period on duty.

Group Prescribed Officers must be in service on payment date to qualify for STI payments, subject to individual and Group performance. No STI is payable in cases of dismissals. Employees must be in service on the vesting date of shares to qualify for any vesting.

There are no other obligations in Group Prescribed Officers' employment contracts which could give rise to payments on termination of employment or office.

A standard restraint of trade clause is incorporated into the employment contract of three months without reward.

Six-month restraint agreements were concluded with Lunga Siyo and Jonas Bogoshi from termination date.

The retirement age for Executive Directors and Group Prescribed Officers is 65 years.

External Directorships

Executive Directors can hold one external Directorship following Board approval. All compensation earned from external Directorships accrues to the Telkom Foundation. Refer to [page 99](#) for external Directorships.

Employment contracts

A summary of employment contracts for Executive Directors and Group Prescribed Officers is reflected below:

Employee	Designate	Notice period	Restraint agreement
Executive Directors			
Sipho Maseko	Exiting GCEO	3 months	Yes* – 12 months
Serame Taukobong	GCEO	6 months	Yes – 6 months
Dirk Reyneke	GCFO	3 months	Yes – 3 months
Group Prescribed Officers			
Jonas Bogoshi	CEO: BCX	3 months	Yes – 6 months
Althon Beukes	CEO: Openserve	3 months	Yes – 3 months
Lunga Siyo	CEO: Consumer	6 months	Yes – 6 months
Lesiba Maloba	CEO: Gyro	3 months	Yes – 3 months
Melody Lekota	CoHR**	3 months	Yes – 3 months

* Negotiated restraint agreement post resignation as not in contract of employment
** Chief of Human Resources

Non-executive Directors' remuneration policy

Non-executive Directors do not have contracts of employment with the Company. Appointments are made in terms of the Company's memorandum of incorporation (MOI) and are confirmed initially at the first AGM of shareholders following their appointment, and thereafter retire by rotation in accordance with the Company's MOI.

Non-executive Directors are appointed subject to the provisions in terms of appointment, duties and responsibilities, fees and other payments, and provisions related to termination of services.

Board and Committee fees are benchmarked against a comparator group of JSE-listed companies compiled by PwC. The Non-executive Directors' fee structure is based on the following principles:

- All-inclusive annual retainer for the Chairperson of the Board, irrespective of the number of Committees that he/she may be serving on
- Annual Board retainer and Committee meeting fees consolidated in an all-inclusive annual Committee retainer fee for Board Members. Board Members receive a Board retainer fee plus an annual Committee fee based on the Committees they are Members of and/or chair
- The meeting fee structure is not to be linked to the number of meetings, and no additional fees will apply for special meetings
- The overall fee is to be paid monthly in arrears, with fees invoiced and paid in 12 equal instalments. If there is a change of Committee Membership for a Board Member, the appropriate amended monthly fee will be paid
- Fees are reviewed annually, and increases affected after approval by shareholders at the AGM

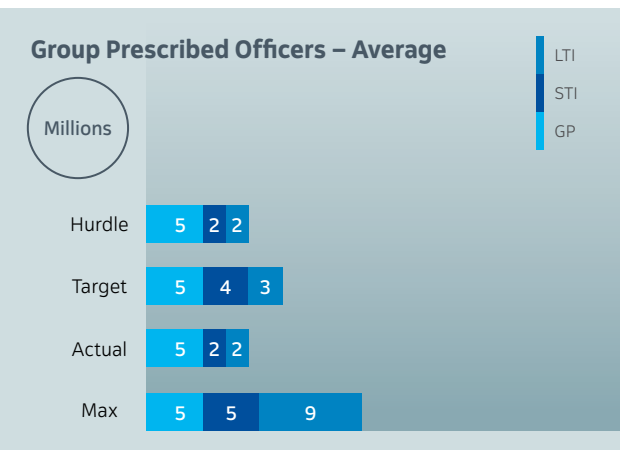
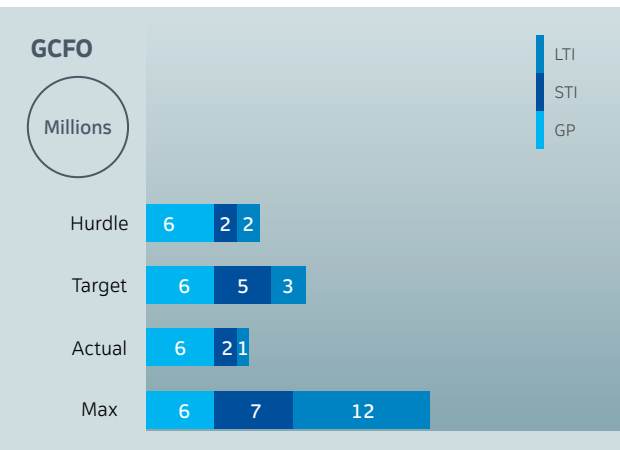
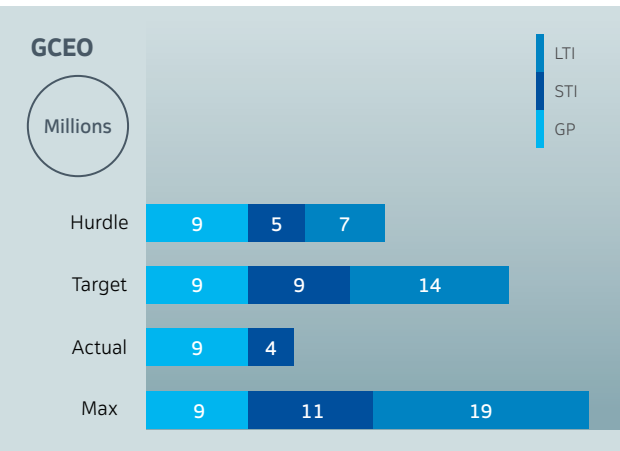
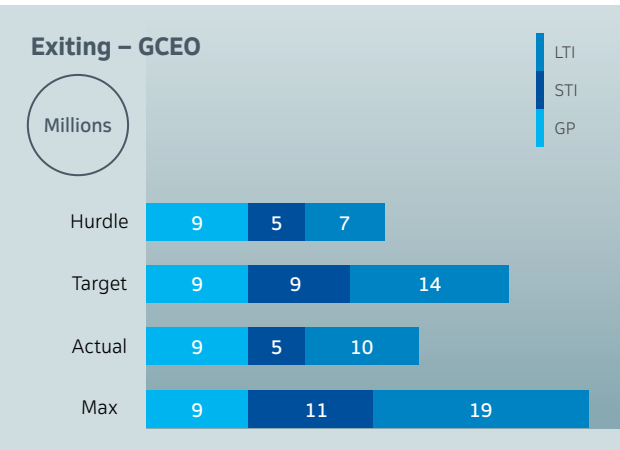
Non-executive Directors are not eligible to receive any short or long-term incentives. Non-executive Directors are reimbursed for travel expenses on official business and other direct business-related expenses.

Implementation report

This report highlights the outcomes of the implementation of the approved remuneration policy. It includes remuneration disclosures of Executive Directors, Non-executive Directors and Group Prescribed Officers for the year.

Potential consequences of the total remuneration

The potential consequences of the remuneration policy on the total remuneration for Executive Directors and Group Prescribed Officers are illustrated alongside in hurdle rate, on-target earnings and maximum cap. Actual remuneration in FY2022 is also included.



Please note: LTI numbers reflect vested shares for the reporting period

Annual guaranteed package increases

Annual increases for the year under review were awarded as follows:

Executive Directors and Group Prescribed Officers

The actual increases awarded to all Executive Directors and Group Prescribed Officers on 1 April 2021 are reflected in the tables below. The increases are performance-based and aligned with market benchmark comparisons as per our policy. The above-inflationary increase percentages awarded were to address alignment with market median following a 0% increase in 2021.

Initials	Surname	Job title	Performance rating	Increase (%)
SN	Maseko	GCEO	●	6.4%
AC	Beukes	CEO: Openserve and GCIO	●	7.0%
PJ	Bogoshi	CEO: BCX	●	6.5%
S	Taukobong	CEO: Consumer	●	7.5%
LTS	Maloba	CEO: Gyro	●	7.0%
L	Siyo	CEO: SMB and Yellow Pages	●	8.0%
DJ	Reyneke	GCFO	●	4.0%
NM	Lekota	CoHR	●	9.0%

Individual Performance Rating Legend:

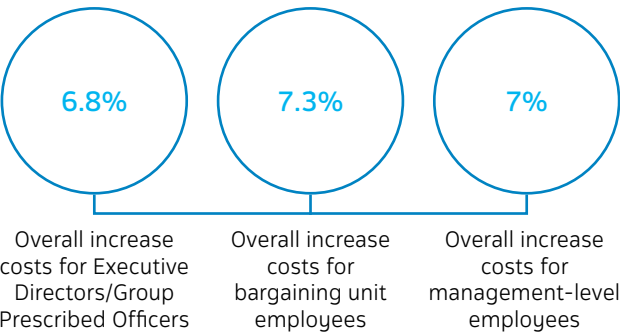
● Unsatisfactory ● Requires improvement ● On Target ● Above Standard ● Exceptional

Management employees

The average GP increase was a 7% performance-based increase for other Executives and management-level employees. The average increase was 6% for on-target performance with an additional 1% allocated for retention of top talent and critical skilled specialists.

Bargaining unit employees

An average GP increase of 7.3% (overall settlement costs with Organised Labour) was implemented for bargaining unit employees in terms of the substantive wage agreement signed with organised labour (CWU and SACU). Refer to the human capital report, [page 78](#).



Short-term incentives – STI payment awarded for FY2022

STIs pool are allocated to business units based on their actual achievement according to the approved plan. The STI pool was reduced based on actual achievement as reflected in the table below. We recognise individual performance in the respective business units based on the achievement of individual performance contracts. The FY2022 Group STI targets and achievements are shown below. The Group STI pool payment for FY2022 was R244 million (after tax).

Performance criteria	Weighting %	Target FY2022 Rm	Actual achievement Rm	Target achievement
Group EBITDA before STI	25	12 998	12 249	94.2%
Group PAT before STI	25	2 853	2 873	100.7%
Revenue	25	48 279	42 756	88.6%
FCF	25	2 000	(2 080)	0%

Summary STI outcomes - The weighted performance outcome was determined based on PAT (100.7%), EBITDA (94.2%), FCF (0%), Revenue (88.6%), and business unit performance and have been calculated as summarised below:

Remco applied the practice to incentivise and reward the right behaviour based on the achievement and delivery of strategic objectives. The STI pool was reduced in line with actual Company performance in terms of the targets set in the approved STI plan.

Int	Surname	Job Title	On-target STI % of GP	Final STI payable	Final STI payment % of on-target STI	Final STI % of GP
SN	Maseko	Exiting GCEO	100%	5 265 974	56%	56%
S	Taukobong	GCEO	100%	3 543 762	54%	46%
DJ	Reyneke	GCFO	80%	2 166 926	47%	37%
AC	Beukes	CEO: Openserve & CIO	80%	2 645 240	62%	49%
PJ	Bogoshi	CEO: BCX	80%	2 426 696	56%	44%
L	Siyo	CEO: Consumer	80%	2 003 039	53%	42%
LTS	Maloba	CEO: Gyro	80%	1 421 788	42%	33%
NM	Lekota	CoHR	80%	2 101 891	64%	51%

Pro-rated bonus/STI of GCEO

Job title	Grade	Pro-rata period	GP per annum	Potential on-target STI % of GP	Potential on-target STI	Final STI payable
GCEO	M0	1 January 2022 to 31 March 2022	9 000 000	100%	2 250 000	1 260 473
GCEO Designate	M1	1 October 2021 to 31 December 2021	8 000 000	80%	1 600 000	896 336
CEO: Consumer	M1	1 April 2021 to 30 September 2021	6 772 500	80%	2 709 000	1 386 954
Total			7 636 250*		6 559 000	3 543 762

* Average GP per annum

Summary of Telkom Group 2021 vesting (shares awarded in 2016, 2017 and 2018)

The following shares vested on 1 June 2021 at R48.02 per share.

Award date	Scheme	% of performance conditions achieved	Potential vesting %	Actual vesting %	Total number of shares vested	Total shares forfeited	Total shares awarded on Award date
2016	LTIP	100	20	20	125 598	–	125 598
2017	LTIP	100	30	30	177 402	–	177 402
2018	LTIP	100	50	50	576 970	–	576 970
2018	TSA	100	100	100	127 392	–	127 392
2018	ESOP	100	100	100	2 099 012	–	2 099 012
Total					3 106 374	–	3 106 374

LTIP: 20% vesting of the 2016 share award – achievement

	Performance condition	Weighting	Target Rand value					% of Achievement
			FY2017	FY2018	FY2019	FY2020	FY2021	
Category: Financial 100%	TSR	50%	Risk free* + 4% (R24.0)	Risk free* + 4% (R26.67)	Risk free* + 4% (R29.63)	Risk free* + 4% (R33.29)	Risk free* + 4% (R37.40)	50%
	Overall achievement (R)		75.03	52.94	72.92	20.53	42.36	
	Achievement %		312.63%	198.50%	246.10%	61.67%	113.26%	
	HEPS (cps)	25%	526.0	616.0	536.5	400.0	314.0	25%
	Overall achievement (cps)		729.8	598.0	591.8	208.1	522.2	
	Achievement %	25%	138.75%	97.08%	110.31%	52.03%	166.31%	25%
	ROIC %		12.10%	14.90%	9.00%	10.50%	6.10%	
	Overall achievement %		14.50%	10.70%	11.20%	8.10%	7.90%	
Total vesting			119.83%	71.14%	124.44%	77.14%	129.51%	100%

LTIP: 30% vesting of the 2017 share award – achievement

	Performance condition	Weighting	Target Rand value				% of Achievement
			FY2018	FY2019	FY2020	FY2021	
Category: Financial 100%	TSR	50%	Risk free* + 4% (R26.67)	Risk free* + 4% (R29.63)	Risk free* + 4% (R33.29)	Risk free* + 4% (R37.40)	50%
	Overall achievement (R)		52.94	72.92	20.53	42.36	
	Achievement %		198.50%	246.10%	61.67%	113.26%	
	HEPS (cps)	25%	616.0	536.5	400.0	314.0	25%
	Overall achievement (cps)		598.0	591.8	208.1	522.2	
	Achievement %	25%	97.08%	110.31%	52.03%	166.31%	25%
	ROIC %		14.90%	9.00%	10.50%	6.10%	
	Overall achievement %		10.70%	11.20%	8.10%	7.90%	
Total vesting			71.14%	124.44%	77.14%	129.51%	100%

LTIP 50% vesting and ESOP 100% vesting of the 2018 share award – achievement

	Performance condition	Weighting	Target Rand value			% of Achievement
			FY2019	FY2020	FY2021	
Category: Financial 100%	TSR	50%	Risk free* + 4% (R29.63)	Risk free* + 4% (R33.29)	Risk free* + 4% (R37.40)	50%
	Overall achievement (R)		72.92	20.53	42.36	
	Achievement %		246.10%	61.67%	113.26%	
	HEPS (cps)	25%	536.5	400.0	314.0	25%
	Overall achievement (cps)		591.8	208.1	522.2	
	Achievement %	25%	110.31%	52.03%	166.31%	25%
	ROIC %		9.00%	10.50%	6.10%	
	Overall achievement %		11.20%	8.10%	7.90%	
Total vesting			124.44%	77.14%	129.51%	100%

TSA: 100% vesting of the 2018 TSA – achievement

	Performance condition	Weighting	Target Rand value			% of Achievement
			FY2019	FY2020	FY2021	
Category: Financial 100%	TSR	100%	Risk free* + 4% (R29.63)	Risk free* + 4% (R33.29)	Risk free* + 4% (R37.40)	100%
	Overall achievement (R)		72.92	20.53	42.36	
	Achievement %		246.10%	61.67%	113.26%	
Total vesting						100%

* Risk free rate is the appropriate government bond with matches the vesting period of the Long term incentive (LTI) scheme which is 3 to 5 years.

Summary of the vesting of shares for Executive Directors and Group Prescribed Officers is reflected below:

Initials	Surname	Job title	Grade	Shares vested – 1 June 2021				Total shares
				FSP 2016 – (100% of the 20%)	FSP 2017 – (100% of the 30%)	FSP 2018 – (100% of the 50%)	FSP 2018 – (100% of the 100%)	
SN	Maseko	GCEO	M0	39 413	48 410	110 456	–	198 279
AC	Beukes	CEO: Openserve and CIO	M1	–	–	12 318	20 819	33 137
PJ	Bogoshi	CEO: BCX	M1	–	–	31 306	–	31 306
S	Taukobong	CEO: Consumer	M1	–	–	39 965	106 573	146 538
LTS	Maloba	CEO: Gyro	M1	–	–	11 043	–	11 043
L	Siyo	CEO: SMB and Yellow Pages	M1	–	–	–	–	–
DJ	Reyneke	GCFO	M1	4 255	5 308	12 111	–	21 674
NM	Lekota	CoHR	M1	4 208	10 199	23 271	–	37 678

FY2022 share award

Based on the share allocation policy, Telkom awarded a total number of 11 504 349 forfeitable shares to permanent employees who would be in the service of Telkom on the award date of 1 June 2021.

Subsidiary	Number of shares
Telkom	6 744 840
Trudon	59 051
Gyro	342 375
BCX	4 358 083
Total	11 504 349

We awarded these shares based on the following:

- The number of shares awarded is based on the share price of R40.39, which is the volume weighted average share price from 1 April 2021 to 30 April 2021
- Annual guaranteed package of employees on 1 June 2021
- No shares are awarded if employees do not meet individual performance targets
- Overall Group performance for FY2021

The following performance vesting conditions will apply, which are all financial:

Performance condition	Target Rand value					
	Weighting	FY2022	FY2023	FY2024	FY2025	FY2026
TSR	50%	Risk free + 4%	Risk free + 4%	Risk free + 4%	Risk free + 4%	Risk free + 4%
HEPS	25%	As per the business plan				
ROIC	25%	As per the business plan				

A summary of shares awarded to Executive Directors and Group Prescribed Officers on 1 June 2021 is reflected below:

Initials	Surname	Job title	Grade	FSP 2021 Share Award	
				Face value: % of GP	FSP number of shares
AC	Beukes	CEO: Openserve and CIO	M1	75%	99 344
PJ	Bogoshi	CEO: BCX	M1	75%	291 284
S	Taukobong	CEO: Consumer	M1	75%	125 758
LTS	Maloba	CEO: Gyro	M1	75%	79 475
LM	Siyo	CEO: SMB and Yellow Pages	M1	75%	171 051
DJ	Reyneke	GCFO	M1	75%	108 146
NM	Lekota	CoHR	M1	75%	76 230

The aggregate remuneration, benefits paid and STIs approved in respect of FY2022

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares) 1 June 2021	Dividend paid on unvested shares	Leave pay-ments	Retention**	Home office equip-ment	Total FY2022	Pension TRF contribution of basic pensionable salary*
SN Maseko	9 400 000	5 265 974	11 997	296	9 521 358			10 000 000		34 199 625	1 052 800
S Taukobong	4 250 000	3 543 762	5 998	148	–					7 799 908	386 750
DJ Reyneke	5 824 000	2 166 926	11 997	296	1 040 785				7 385	9 051 389	658 694
Total	19 474 000	10 976 662	29 992	740	10 562 143	–	–	10 000 000	7 385	51 050 922	2 098 244

* Employees have the flexibility to determine Company pension contributions.
** Outstanding balance of retention payment: 25% - R5 million paid on 1 April 2021, 25% - R5 million paid on 31 March 2022

The aggregate remuneration, benefits paid and STIs approved in respect of FY2021

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares) 1 July 2020	Dividend paid on unvested shares	Leave pay-ments	Retention#	Total FY2021	Pension TRF contribution of basic pension-able salary*
SN Maseko	8 830 449	10 216 240	11 997	296	6 019 357	365 418	–	10 000 000	35 443 755	989 010
DJ Reyneke	908 539	4 000 000	1 849	46	–	–	–	–	4 910 434	102 756
TBL Molefe	5 600 000	–	6 998	296	2 588 538	108 871	113 077	–	8 417 780	422 240
Total	15 338 988	14 216 240	20 844	637	8 607 895	474 289	113 077	10 000 000	48 771 970	1 514 006

* Employees have the flexibility to determine Company pension contributions.
A retention amount was paid to the GCEO.

Group Prescribed Officers' remuneration

The aggregate remuneration, benefits paid and STIs approved for FY2022 are set out in the following table.

FY2022 emoluments per Group Prescribed Officer

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares) 1 June 2021	Home office equipment	Total FY2022	Pension TRF contribution of basic pensionable salary*
NM Lekota	4 105 238	2 101 891	–	296	1 809 298		8 016 723	431 050
AC Beukes	5 350 000	2 645 240	11 997	296	1 591 239		9 598 772	486 850
S Taukobong	3 386 250		5 998	148	6 600 072		9 992 468	308 149
PJ Bogoshi	5 455 995	2 426 696	–	296	1 385 917		9 268 904	531 960
LM Siyo	4 768 710	2 003 039	11 997	296	–		6 784 042	276 585
LTS Maloba	4 280 000	1 421 788	11 997	296	530 174	7 385	6 251 640	361 660
Total	27 346 193	10 598 654	41 989	1 628	11 916 700	7 385	49 912 549	2 396 254

* Employees have the flexibility to determine Company pension contributions.

FY2021 emoluments per Group Prescribed Officer

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares)	Total FY2021	Pension TRF contribution of basic pension-able salary*
NM Lekota	3 766 273	4 500 000	–	296	1 960 436	10 227 005	395 459
AC Beukes	4 809 998	5 130 000	11 997	296	66 619	10 018 910	437 708
S Taukobong	6 300 000	6 936 300	11 997	296	–	13 248 593	573 300
PJ Bogoshi	5 123 000	5 322 797	–	296	–	10 446 093	499 493
LM Siyo	4 000 000	4 092 000	11 997	296	–	8 104 293	232 000
LTS Maloba	4 000 000	4 208 000	11 997	296	–	8 220 293	338 000
Total	27 999 271	30 189 097	47 988	1 776	2 027 055	60 265 187	2 475 959

* Employees have the flexibility to determine Company pension contributions.
Executives' and Group Prescribed Officers' emoluments are set out in the annual financial statements, which is available online at <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>

Managing Executives/Group Executives (M2 only)

	Executive Management team	Number of employees
GP	110 409 450	
STI	30 045 081	
Motor car insurance	379 890	
Funeral benefit	10 148	
LTI (vested shares) 1 June 2021	15 262 418	
Dividend paid on shares		
Transfer payment	204 500	
Acting allowance	213 225	
Ex-gratia payment	2 225 000	
Leave payments	808 590	
Home office equipment	231 751	
Separation package/Separation agreement	7 744 000	
Total FY2022	167 534 052	40
Total FY2021	198 305 315	41
Pension TRF contribution of basic pensionable salary	9 575 826	

Beneficial shareholding

Directors' shareholding as at 31 March 2022

	Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect
Directors' and Group Prescribed Officers' interests				
Executive Directors				
SN Maseko	22 200	30 320		
S Taukobong	22 200	–		
DJ Reyneke	–	–		
Total	44 400	30 320		
Non-executive Directors				
KW Mzondeki	748	–		
Direct Total	748	–		

The beneficial interest of Sipho Maseko remained the same at 52 520 due to no changes.

Directors' shareholding as at 31 March 2021

	Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect
Directors' and Group Prescribed Officers' interests				
Executive Directors				
SN Maseko	52 520	–	–	–
DJ Reyneke	–	–	–	–
TBL Molefe	–	–	–	–
Total	52 520	–	–	–
Non-executive Directors				
KW Mzondeki	748	–	–	–
AN Samuels	102 094	–	–	–
Total	102 842	–	–	–

Share awards (LTIP)

In line with the new reporting requirements of King IV, the number of vested and unvested shares are disclosed below:

	Year of the award (June)	Shares awarded	Share award price R	Face value of award	Vested shares	Vesting date	Vesting price R	Value of vested shares R	Shares forfeited	Closing number
SN Maseko										
FSP	2013	163 866	23.80	3 900 011	81 933	06/06/2016	59.63	4 885 665	–	–
					36 870	05/06/2017	78.76	2 903 881	12 290	
					–	01/06/2018	52.39	–	32 773	
TSA	2013	54 622	23.80	1 300 004	54 622	06/06/2016	59.63	3 257 110	–	–
FSP	2014	138 352	76.11	10 529 971	51 882	05/06/2017	78.76	4 086 226	17 294	–
					26 979	01/06/2018	52.39	1 413 430	14 527	
					13 835	03/06/2019	93.72	1 296 616	13 835	
FSP	2015	150 428	74.20	11 161 758	41 368	01/06/2018	52.39	2 167 270	33 846	–
					–	03/06/2019	93.72	–	45 129	
					25 573	01/07/2020	31.35	801 714	4 512	
TSA	2015	50 143	74.20	3 720 611	25 072	06/06/2016	59.63	1 495 043	–	–
					25 071	05/06/2017	78.76	1 974 592		
FSP	2016	197 066	56.64	11 161 818	98 533	03/06/2019	93.72	9 234 513	–	–
					56 164	01/07/2020	31.35	1 760 741	2 956	
					39 413	01/06/2021	48.02	1 892 612		
TSA	2016	65 689	56.64	3 720 625	32 845	05/06/2017	78.76	2 586 872	–	–
					32 844	01/06/2018	52.39	1 720 697		
FSP	2017	161 366	74.83	12 075 018	56 479	01/07/2020	31.35	1 770 617	24 204	32 273
					48 410	01/06/2021	48.02	2 324 648		
TSA	2017	53 789		4 025 031	53 789	01/07/2020	31.35	1 686 285	–	–
FSP	2018	220 912	56.30	12 437 346	110 456	01/06/2021	48.02	5 304 097	–	110 456
FSP	2019	196 596	80.85	15 894 787	–	–	–	–	–	196 596
Total		1 452 829		89 926 977	912 138			52 562 629	201 366	339 325

S Taukobong										
FSP	2018	79 930	56.30	4 500 059	39 965	23/06/2021	45.04	1 800 024	–	39 965
TSA	2018	106 573	56.30	6 000 060	106 573	23/06/2021	45.04	4 800 048	–	–
FSP	2019	53 899	80.85	4 357 734	–	–	–	–	–	53 899
TSA	2020	637 007	19.78	12 599 998	–	–	–	–	–	637 007
FSP	2021	125 758	40.39	5 079 366	–	–	–	–	–	125 758
FSP*	2021	278 552	43.08	12 000 020	–	–	–	–	–	278 552
Total		1 281 719		44 537 237	146 538			6 600 072	–	1 135 181

* Restraint agreement

DJ Reyneke										
FSP	2014	28 415	76.11	2 162 666	10 656	05/06/2017	78.76	839 267	3 552	–
					5 541	01/06/2018	52.39	290 293	2 984	
					2 842	03/06/2019	93.72	266 352	2 840	
FSP	2015	44 353	74.20	3 290 993	12 197	01/06/2018	52.39	639 001	9 980	–
					–	03/06/2019	93.72	–	13 306	
					7 540	01/07/2020	31.35	236 379	1 330	
FSP	2016	21 276	57.03	1 213 370	10 638	03/06/2019	93.72	996 993	–	–
					6 064	01/07/2020	31.35	190 106	319	
					4 255	01/06/2021	48.02	204 325	–	
FSP	2017	17 693	74.83	1 323 967	6 193	01/07/2020	31.35	194 151	2 654	3 538
					5 308	01/06/2021	48.02	254 890		
FSP	2018	24 221	56.30	1 363 642	12 111	01/06/2021	48.02	581 570	–	12 110
FSP	2019	14 900	80.85	1 204 665	–	–	–	–	–	14 900
TSA	2020	345 893	32.38	11 200 015	–	–	–	–	–	345 893
FSP	2021	108 146	40.39	4 368 017	–	–	–	–	–	108 146
Total		604 897		26 127 335	83 345			4 693 327	36 965	484 587

	Year of the award (June)	Shares awarded	Share award price R	Face value of award	Vested shares	Vesting date	Vesting price R	Value of vested shares R	Shares forfeited	Closing number
NM Lekota										
FSP	2016	21 042	57.03	1 200 025	10 521	03/12/2020	31.48	331 201	-	-
					5 998	03/12/2020	31.48	188 817	315	
					4 208	01/06/2021	48.02	202 068	-	
FSP	2017	33 997	74.83	2 543 996	11 900	03/12/2020	31.48	374 612	5 099	6 799
					10 199	01/06/2021	48.02	489 756	-	
TSA	2017	33 997	74.83	2 543 996	33 997	01/07/2020	31.35	1 065 806	-	-
FSP	2018	46 542	56.30	2 620 315	23 271	01/06/2021	48.02	1 117 473	-	23 271
FSP	2019	46 583	80.85	3 766 236	-	-	-	-	-	46 583
TSA	2020	380 816	19.78	7 532 540	-	-	-	-	-	380 816
FSP	2021	76 230	40.39	3 078 930	-	-	-	-	-	76 230
Total		639 207		23 286 037	100 094			3 769 734	5 414	533 699

PJ Bogoshi										
FSP	2018	62 611	56.30	3 524 999	31 306	28/06/2021	44.27	1 385 917	-	31 305
FSP	2019	63 364	80.85	5 122 979	-	-	-	-	-	63 364
TSA	2020	517 998	19.78	10 246 000	-	-	-	-	-	517 998
FSP	2021	101 312	40.39	4 091 992	-	-	-	-	-	101 312
FSP*	2021	189 972	43.08	8 183 994	-	-	-	-	-	189 972
Total		935 257		31 169 965	31 306			1 385 917	-	903 951

* Restraint agreement

AC Beukes										
FSP	2014	21 926	76.11	1 668 788	8 222	05/06/2017	78.76	647 565	2 741	-
					4 276	01/06/2018	52.39	224 020	2 302	
					2 193	03/06/2019	93.72	205 528	2 192	
FSP	2015	12 500	74.20	927 500	3 438	01/06/2018	52.39	180 117	2 812	-
					-	03/06/2019	93.72	-	3 750	
					2 125	01/07/2020	31.35	66 619	375	
FSP	2018	24 636	56.30	1 387 007	12 318	01/06/2021	48.02	591 510	-	12 318
TSA	2018	20 819	56.30	1 172 110	20 819	01/06/2021	48.02	999 728	-	-
FSP	2019	36 275	80.85	2 932 834	-	-	-	-	-	36 275
TSA	2020	505 561	19.78	9 999 997	-	-	-	-	-	505 561
FSP	2021	99 344	40.39	4 012 504	-	-	-	-	-	99 344
Total		721 061		22 100 739	53 391			2 915 087	14 172	653 498

LTS Maloba										
FSP	2018	22 085	56.30	1 243 386	11 043	07/06/2021	48.01	530 174	-	11 042
FSP	2019	46 356	80.85	3 747 883	-	-	-	-	-	46 356
TSA	2020	404 449	19.78	8 000 001	-	-	-	-	-	404 449
FSP	2021	79 475	40.39	3 209 995	-	-	-	-	-	79 475
Total		552 365		16 201 265	11 043	44 354		530 174	-	541 322

LM Siyo										
FSP	2019	37 106	80.85	3 000 020	-	-	-	-	-	37 106
TSA	2020	404 449	19.78	8 000 001	-	-	-	-	-	404 449
FSP	2021	80 218	40.39	3 240 005	-	-	-	-	-	80 218
FSP*	2021	90 833	43.08	3 913 086	-	-	-	-	-	90 833
Total		612 606		18 153 112	-			-	-	612 606

* Restraint agreement

Non-executive Directors' fees

The Group benefits from Non-executive Directors who attend meetings and actively contribute to the success of our business. Non-executive Directors receive an all-inclusive annual retainer fee for attendance at Board meetings and an annual retainer fee based on the Committees they serve.

Telkom's memorandum of incorporation states that shareholders must approve these fees at the AGM. The current fees were approved at the AGM on 25 August 2021.

Non-executive Directors' fees (rand per annum)	FY2020	FY2021	FY2022
Annual retainer			
Chairperson of the Board	1 446 635	1 591 299	2 060 000
Non-executive Director of the Board	424 000	424 000	470 000
International Board Member	584 908	584 908	735 000
Annual Committee meeting retainer			
Audit Committee Chairperson	384 250	384 250	410 000
Audit Committee Member	201 400	201 400	215 000
Remuneration Committee Chairperson	231 080	231 080	250 000
Remuneration Committee Member	138 788	138 788	150 000
Nominations Committee Chairperson	153 699	153 699	-
Nominations Committee Member	104 091	104 091	110 000
Investment and Transactions Committee Chairperson	213 132	224 317	250 000
Investment and Transactions Committee Member	138 860	138 860	150 000
Risk Committee Chairperson	224 932	224 932	250 000
Risk Committee Member	134 832	134 832	150 000
Social and Ethics Committee Chairperson	231 080	231 080	250 000
Social and Ethics Committee Member	138 860	138 860	150 000

All fees are paid in proportion to the period in which office is held. Directors' emoluments are set out in the annual financial statements in note 39, which is available online at <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>.

15 Combined assurance relating to our integrated report

We follow a combined assurance approach (page 2), which integrates our internal audit function, TGIA, other independent assurers and risk management activities across the Group. TGIA assessed the completeness and accuracy of a sample of strategic, non-financial KPIs presented in this report. We are in the process of enhancing our combined assurance framework to be applied across all combined assurance functions.

PwC and SizweNtsalubaGobodo Grant Thornton Inc. are the joint independent external auditors. They provided assurance over our consolidated annual financial statements and expressed an unmodified opinion. Refer to <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>.

Reporting suite

Our reporting suite as outlined below can be found at www.telkom.co.za/ir.

Report	Framework	Assurance provider
Integrated report, including the notice of AGM	- IIRC <IR> Framework - King IV - Companies Act - JSE Listings Requirements	- Management - Audit Committee - Board - IBIS ESG Assurance - Internal audit - Social and Ethics Committee
Consolidated annual financial statements	- IFRS - Companies Act - JSE Listings Requirements	- Management - Audit Committee - Board - External auditors
Assurance statement	- AA1000AS Standard	- IBIS ESG Assurance
King IV application report	- King IV	- Management - Internal audit - Audit Committee - Board
Annual results presentation	- No framework	- Management - Audit Committee - Board
B-BBEE certificate	- Amended B-BBEE ICT sector codes	- BEE online

IBIS ESG Assurance provided assurance over certain non-financial indicators in the report. Assured non-financial indicators are indicated with this icon ⓘ. For the FY2022 assurance certificate, please refer to www.telkom.co.za/ir.

The Group Exco, Audit Committee, Social and Ethics Committee and the Board reviewed and approved this report. The Board takes ultimate responsibility for the report. Refer to the Board's approval statement on page 2.

Feedback

We recognise that integrated reporting and stakeholder information requirements continue to evolve. We welcome feedback to improve our integrated report. Comments and feedback can be sent to our investor relations team at telkomir@telkom.co.za.

Forward-looking statements

Many of the statements in this document, and verbal statements that may be made by Telkom or by Officers, Directors or employees acting on Telkom's behalf, constitute or are based on forward-looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives capex, projected costs and anticipated cost savings and financing plans, and projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can generally be identified by terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to", "forecast", "guidance" or similar phrases. However, the absence of such words does not necessarily mean that a statement is not forward looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in the strategic risks section of this report, page 40.

Telkom cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, so that they conform either to the actual results or to changes in our expectations.

Any forward-looking financial information disclosed in this report has not been reviewed or audited or otherwise reported on by our external joint auditors.

Pro forma information

Certain financial information presented in the results announcement released on 14 June 2022 and in the integrated report constitutes pro forma financial information. This is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present Telkom's financial position, changes in equity and results of operations or cash flows. The pro forma financial information is the responsibility of Telkom's Board.

The pro forma financial information in the results announcement released on 14 June 2022 was reviewed by the Group's joint independent external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 relating to the results announcement is available for inspection at <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>.

The financial information presented in the results announcement was prepared excluding the impact of the VSP, VERP and S189 costs and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated financial statements for the years ended 31 March 2021 and 31 March 2022. This pro forma financial information was presented to eliminate the impact of the pro forma adjustments from the consolidated financial results for the years ended 31 March 2021 and 31 March 2022 to achieve a comparable year-on-year analysis and show the underlying performance of the business.

Reported March 2021 and March 2022 refers to the March 2021 and March 2022 financial information, respectively, as included in the audited consolidated financial statements.

The joint independent auditors' report by PwC and SizweNtsalubaGobodo Grant Thornton Inc. does not report on the information contained in the integrated report. Therefore, shareholders are advised that, to obtain a full understanding of the nature of the joint independent auditors' engagement, they should obtain a copy of the joint independent auditors' audit report together with the accompanying financial information from Telkom's website at: <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml>.

The Directors of Telkom take full responsibility for the preparation of the integrated report including the pro forma financial information that was correctly extracted from the underlying audited financial statements.

Telkom's contribution to the United Nations SDGs

The following four SDGs and selected underlying targets present the most material opportunities for Telkom to enhance its positive impacts (**SDG 4, SDG 8 and SDG 9**) and decrease its negative impacts (**SDG 12**) in support of the SDGs. This table provides an overview of Telkom's contribution to the SDGs, detailed further in the report, indicated with various cross-references.

An additional four SDGs (**SDG 1, SDG 6, SDG 10 and SDG 16**) that Telkom can support and influence were adopted during the development of the new ESG Strategy. The strategy is discussed on [page 50](#).

For Telkom's approach to SDGs, refer to [page 150](#).

Quality education



Subtargets	Our contribution	Telkom KPI
4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.	We materially impact proficiency in mathematics and science at high school level and support the development of teachers in pedagogical and content areas (specifically mathematics and science).	Social and relationship capital (page 84) - Learners who complete National Senior Certificate - Proficiency in mathematics and science - Teachers empowered in improving the teaching practice in mathematics and science
4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	Telkom provides teachers and learners with an integrated ICT solution to bridge the digital divide and improve the quality of teaching and learning.	Social and relationship capital (page 84) - 22 schools connected - Teachers connected in supported schools - Learners connected in supported schools - Zero-rated education sites - Corporate social investment invested in school infrastructure

Decent work and economic growth



8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.	Our products and services predominantly enable technology which is a key driver for economic growth. Through investing in our networks and infrastructure, we increase our positive impact on this target. Investments made in innovation and launching new value propositions that contribute to economic growth and sustainability.	Productive capital (page 54) - Investment in infrastructure - Network reach - Network reliability indicators - New value propositions launched - Revenue from new value propositions launched
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Decent work and economic growth



Subtargets	Our contribution	Telkom KPI
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.	We materially impact this target through our procurement policy with specific considerations towards B-BBEE, ESD and investment activities, and the development and support of digital e-commerce solutions to support entrepreneurship and growth of SMMEs.	Social and relationship capital (page 84) - B-BBEE procurement spend - SMMEs impacted or supported - Entrepreneurs impacted or supported - Investment in development programmes - Finance provided to SMMEs - Suppliers supported on the e-commerce platform
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	Telkom is an equal opportunity employer irrespective of gender, race or physical ability. Telkom's positive impact is material regarding quality education, Skills Development Programmes, our remuneration policies, workforce breakdown and investment into ESD.	Social and relationship capital (page 84) Jobs created (direct or indirect including new hires) Human capital (page 78) - Internal promotions - Employee voluntary turnover - Employee diversity statistics (including differently abled employees) Remuneration report (page 114) - Remuneration and benefit disclosure - Income differentials (gender and race wage gap)
8.6 By 2030, substantially reduce the proportion of youth not in employment, education or training.	We directly employ a significant number of people (11 898) and support a greater number of indirect jobs by providing business to local organisations and through our ESD programmes (see SDG 8.5). Telkom is committed to developing youth through internships and training opportunities.	Human capital (page 78) - New employee hires - Employee turnover - Employee diversity statistics - Training spend - Internship programmes Remuneration report (page 114) - Remuneration and benefit disclosure
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	We provide network access and maintenance to banks, ATMs and point of sale platforms. We also provide insurance and funeral cover through our mobile products. Telkom Digital Wallet allows payments and receipt of money for customers. Telkom offers the platform to enable other access to financial service through the provision of connectivity and infrastructure.	- 34 720 people accessing Digital Wallet

Industry, innovation and infrastructure



Subtargets	Our contribution	Telkom KPI
9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.	We have a material/positive impact on this target through: - Extending and upgrading our infrastructure - Connecting remote, less-included communities - Stimulating economic participation - Supporting IoT-related innovation Telkom can further increase its positive impact through the provision of affordable products and services, supporting equitable access to connectivity for all.	Productive capital (page 54) - Mobile sites integrated - FTTH homes passed - Enhanced fibre speeds - Data centre revenue (co-location, dedicated managed services, cloud services)
9.3 Increase the access of small- scale industrial and other enterprises in developing countries to financial services, including affordable credit, and their integration into value chains and markets.	We contribute to this target through our ESD Programmes (refer to SDG 8.3). We also provide a platform for technological advances to other industries through our products and services.	Social and relationship capital (page 84) - Number of SMMEs impacted and/or supported - R'million finance provided to SMEs Productive capital (page 54) - Digital transformation as a KPI
9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities.	We increase our positive impact by leveraging Gyro and its infrastructure upgrades to increase resource use efficiency and adopt clean and environmentally sound technologies. This includes: - Solar photovoltaic plants expansion - Moving from copper to fibre cables further increases the use of more environmentally friendly technologies and products - Water and energy smart meters at high-consuming sites to optimise consumption of utilities	Natural capital (page 90) - Carbon footprint - Water consumption - Electricity usage from renewable resource Productive capital (page 54) - FTTH
9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	We have a material opportunity to increase our positive impact on research and innovation in the ICT space through partnerships and utilising our current platforms, for example, the Openserve Centre of Excellence.	Human capital (page 78) - Number of research and development learners per annum - Number of research and development interns per annum

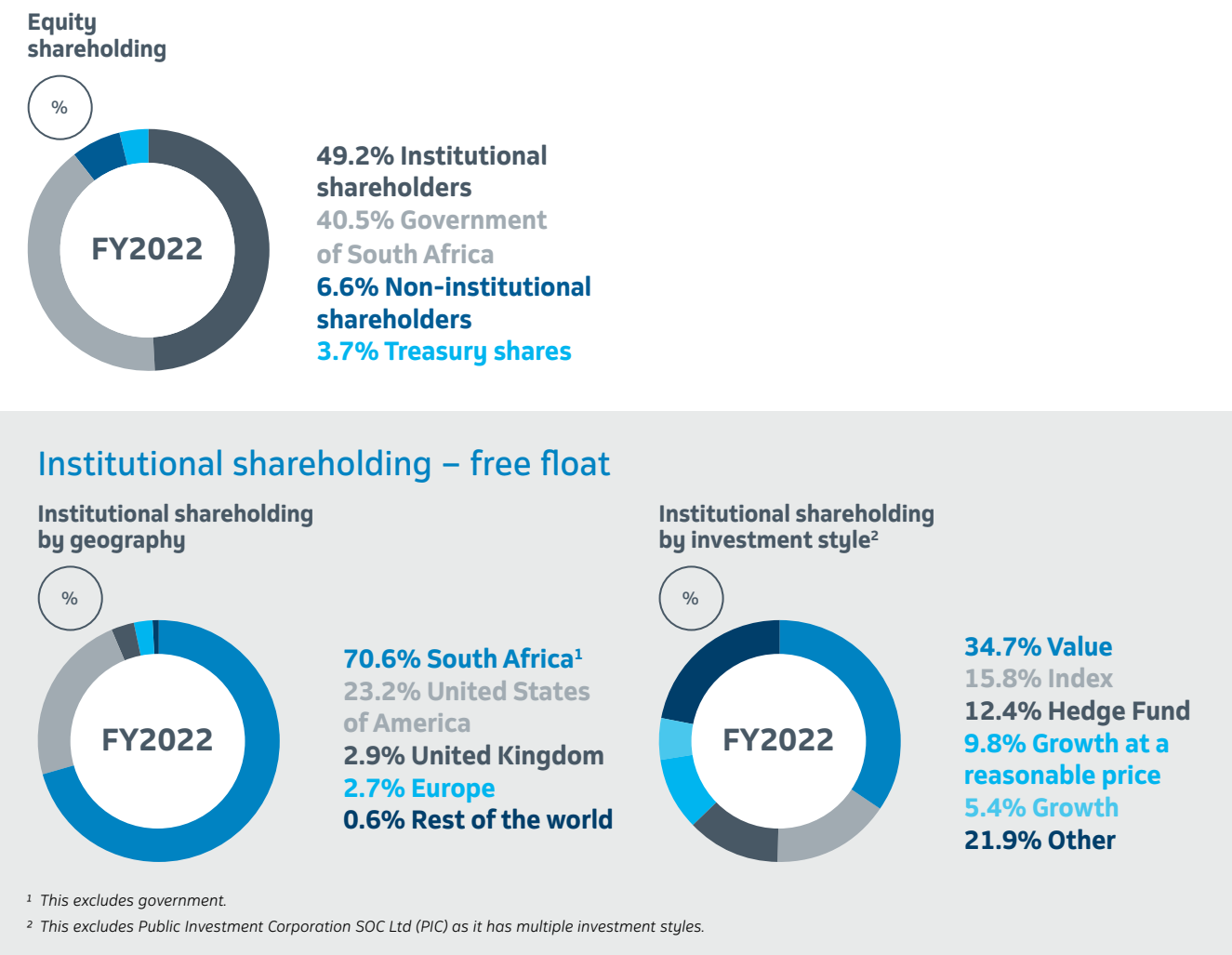
Responsible consumption and production



Subtargets	Our contribution	Telkom KPI
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Our business activities, products and services lead to high volumes of e-waste, such as batteries, copper cabling, phones, electronic equipment, etc. There are significant opportunities for Telkom to decrease its negative impact through, among others, the recycling of end-of-life products.	Natural capital (page 90) - Volumes of e-waste disposed of
12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities.	We can materially impact this target with our procurement practices and terms and conditions.	No KPI information reported for FY2022.

Share and debt holding information

This section provides insight into our shares and debt holding for the year ended 31 March 2022.



Summary financial reports

Consolidated summary statement of profit or loss and other comprehensive income

for the year ended 31 March 2022

	Notes	31 March 2022 Rm	31 March 2021 Rm
Revenue	5	42 756	43 222
Operating revenue		42 474	42 939
Interest revenue		282	283
Other income		686	619
Insurance service result		(2)	15
Payments to other operators	6.1	(3 393)	(3 878)
Cost of handsets, equipment, software and directories	6.2	(5 648)	(4 781)
Sales commission, incentives and logistical costs	6.3	(2 516)	(2 425)
Employee expenses	6.4	(8 693)	(9 312)
Other expenses	6.5	(2 315)	(2 197)
Maintenance		(3 879)	(3 971)
Marketing		(729)	(747)
Impairment of receivables and contract assets		(803)	(1 039)
Service fees		(3 388)	(3 316)
Lease-related expenses	6.6	(168)	(487)
EBITDA		11 908	11 703
Depreciation of property, plant and equipment		(4 713)	(4 918)
Depreciation of right-of-use assets		(1 184)	(947)
Amortisation of intangible assets		(831)	(805)
Write-offs and impairments of property, plant and equipment and intangible assets		(247)	(200)
Operating profit		4 933	4 833
Investment income		144	188
Income from associates		–	1
Net finance charges and fair value movements		(1 279)	(1 527)
Finance charges on lease liabilities		(450)	(445)
Net finance charges – other		(662)	(804)
Cost of hedging		–	(153)
Foreign exchange and fair value movements		(167)	(125)
Profit before taxation		3 798	3 495
Taxation	13.1	(1 167)	(1 067)
Profit for the year		2 631	2 428
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange gains/(losses) on translating foreign operations ¹		4	(25)
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	10	341	(69)
Income tax relating to other comprehensive income		(79)	19
Other comprehensive income for the year, net of taxation		266	(75)
Total comprehensive income for the year		2 897	2 353
Profit attributable to:			
Owners of Telkom		2 630	2 422
Non-controlling interests		1	6
Profit for the year		2 631	2 428
Total comprehensive income attributable to:			
Owners of Telkom		2 896	2 347
Non-controlling interests		1	6
Total comprehensive income for the year		2 897	2 353
Basic earnings per share (cents)	7	536.6	489.9
Diluted earnings per share (cents)	7	519.9	484.0

¹ This component of other comprehensive income does not attract any tax.

Consolidated summary statement of financial position

for the year ended 31 March 2022

	Notes	31 March 2022 Rm	31 March 2021 Rm
Assets			
Non-current assets		49 893	47 901
Property, plant and equipment	8	38 319	36 271
Right-of-use assets		4 945	4 519
Intangible assets	8	4 248	4 605
Other investments		170	115
Employee benefits	10	1 566	1 317
Other financial assets	9.1	113	81
Finance lease receivables		224	270
Deferred taxation	13.3	308	723
Current assets		16 124	15 930
Inventories	11	1 084	1 026
Income tax receivable	13.4	30	91
Finance lease receivables		183	228
Trade and other receivables	18.1	7 797	7 227
Contract assets	18.2	2 055	1 747
Other current assets	19	466	459
Other financial assets	9.1	69	88
Investment in cell captives		59	61
Cash and cash equivalents	12.1	3 239	5 003
Restricted cash	12.2	1 142	–
Total assets		66 017	63 831
Equity and liabilities			
Equity attributable to owners of the parent		34 069	31 366
Share capital		5 050	5 050
Share-based compensation reserve		1 238	1 036
Non-distributable reserves		968	1 361
Retained earnings		26 813	23 919
Non-controlling interests		(25)	(25)
Total equity		34 044	31 341
Non-current liabilities		13 422	15 121
Interest-bearing debt	15	8 221	10 173
Lease liabilities		4 340	3 761
Provisions	16	380	619
Other financial liabilities	9.2	106	107
Deferred revenue		138	235
Deferred taxation	13.3	237	226
Current liabilities		18 551	17 369
Trade and other payables ¹		10 339	11 493
Shareholders for dividend		28	31
Interest-bearing debt	15	3 711	693
Lease liabilities		1 034	1 211
Provisions	16	1 276	1 613
Deferred revenue		1 633	1 696
Income tax payable	13.4	3	9
Other financial liabilities	9.2	527	622
Credit facilities utilised	12.1	–	1
Total liabilities		31 973	32 490
Total equity and liabilities		66 017	63 831

¹ R1 169 million of the total trade payables is subject to supplier financing where the suppliers have decided to receive the invoice amounts before the due date from independent external funders.

Consolidated summary statement of changes in equity

for the year ended 31 March 2022

	31 March 2022 Rm	31 March 2021 Rm
Balance at 1 April (as previously reported)	31 341	29 475
Attributable to owners of Telkom	31 366	29 504
Non-controlling interests	(25)	(29)
Restatement of third party service costs	–	(114)
Restated balance at 1 April	31 341	29 361
Correction of prior period error during 2021	–	(44)
Total comprehensive income for the year	2 897	2 353
Profit for the year	2 631	2 428
Other comprehensive income	266	(75)
Exchange gains/(losses) on translating foreign operations	4	(25)
Net defined benefit plan remeasurements	262	(50)
Dividend declared ¹	(1)	(256)
Increase in share-based compensation reserve	203	203
Escrow shares realised for settlement to employees	–	12
Increase in treasury shares ²	(396)	(288)
Balance at 31 March	34 044	31 341
Attributable to owners of Telkom	34 069	31 366
Non-controlling interests	(25)	(25)

¹ Dividend declared includes dividends to the non-controlling interests of the BCX Group.
² Treasury shares increased due to the share buy-back for the Telkom and subsidiaries long-term incentive share scheme.

Consolidated summary statement of cash flows

for the year ended 31 March 2022

	Notes	31 March 2022 Rm	Restated 31 March 2021 ¹ Rm
Cash flows from operating activities		8 152	10 941
Cash receipts from customers		41 614	43 790
Cash paid to suppliers and employees		(31 728)	(29 407)
Cash generated from operations	22	9 886	14 383
Interest received		235	332
Dividend received		22	–
Finance charges paid		(1 188)	(1 291)
Taxation paid	13.2	(764)	(2 194)
Repayment of derivatives – FECs		(114)	(158)
Proceeds from derivatives – FECs		80	126
Cash generated from operations before dividend paid		8 157	11 198
Dividend paid		(5)	(257)
Cash flows utilised for investing activities		(9 298)	(8 294)
Proceeds on disposal of property, plant and equipment and intangible assets		16	6
Additions to assets for capital expansion		(8 031)	(8 311)
Investments made by FutureMakers		(53)	(54)
Investment in SA SME Fund		(9)	–
Repayment of derivatives – FECs		(267)	(477)
Proceeds from derivatives – FECs		188	378
Restricted cash	12.2	(1 142)	–
Withdrawal from the Absa sinking fund investment		–	164
Cash flows from financing activities		(617)	(2 371)
Loans raised	15	1 150	268
Loans repaid	15	(193)	(1 400)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		(393)	(285)
Repayment of lease liability		(1 076)	(856)
Repayment of derivatives – interest rate swaps		(105)	(98)
Net (decrease)/increase in cash and cash equivalents		(1 763)	276
Net cash and cash equivalents at 1 April		5 002	4 726
Net cash and cash equivalents at the end of the year	12.1	3 239	5 002

¹ The Group restated the statement of cash flows to correctly classify repayments of R158 million and proceeds of R126 million in respect of FECs relating to inventory purchases, and R477 million of repayments and R378 million of proceeds in respect of the FECs relating to capital expenditure from financing activities to operating activities and investing activities, respectively. Due to the reclassification, the FEC fair value movements which form part of inventory working capital movement changed, as well as the FEC fair value movement capitalised to property, plant and equipment. This resulted in a decrease of R139 million in cash paid to suppliers and employees and an increase in additions to assets for capital expansion of R139 million. The change in classification of the cash flows did not impact the net cash and cash equivalents balance at the end of the reporting period.

Restatements and adjustments

Pro forma financial information

Certain financial information presented in this results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The pro forma financial information is presented to assist the reader to analyse the underlying performance of Telkom. The pro forma adjustments for the prior financial year include the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in FY2021. Unless otherwise stated, the pro forma consolidated income statement and all related key performance indicators and messages in this results announcement are based on this adjusted base. The applicable criteria on which this pro forma financial information is reported and prepared for the year ended 31 March 2021 are set out below.

Extract of the audited consolidated abridged statement of profit and loss

	Reported March 2021 Rm	Pro forma adjustment Rm	Pro forma March 2021 Rm
Operating expenses	21 069	(270)	20 799
Employee expenses	9 312	(270)	9 042
EBITDA	11 703	270	11 973
Operating profit	4 833	270	5 103
Taxation	1 067	76	1 143
Profit for the year	2 428	194	2 622
BEPS (cents)	489.9		529.1
HEPS (cents)	522.2		561.5

Segment reporting

Segment reporting is provided on <https://www.telkom.co.za/ir/financial/financial-results-2022.shtml> as part of the notes to the financial statements.

Results from operations

Group profit after tax increased by 0.3%* to R2 631 million (FY2021: R2 622 million*). This is attributable to lower fair value movements and finance charges as a result of lower interest rates and the settlement of the SARS liability in the comparative year. Headline earnings per share (HEPS) increased by 2.5%* to 575.3 cents and basic earnings per share (BEPS) increased by 1.4%* to 536.6 cents.

The pro forma financial information for the comparative year ended 31 March 2021 has been presented consistently with the pro forma financial information published for the year ended 31 March 2021.

Telkom SA SOC Ltd
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/30)
(JSE Share Code: TKG)
(JSE Bond Code: BITEL)
ISIN: ZAE000044897
("Telkom" or "the Company")

Notice of annual general meeting

Notice is hereby given to the shareholders of the Company ("shareholders") that the 30th annual general meeting of the shareholders ("AGM") will be held through electronic communication at 10:00 (South African time) on Wednesday, 24 August 2022.

The purpose of the AGM is to:

- (a) present to the shareholders the audited consolidated annual financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2022, a complete set of which is set out on [pages 156 to 161](#) of the integrated report to which this notice of AGM is attached and a copy of which is otherwise available on the Company's website: www.telkom.co.za;
- (b) present to the shareholders a report of the Audit Committee on matters which are within the mandate of that Committee;
- (c) present to the shareholders a report of the Social and Ethics Committee on matters which are within the mandate of that Committee;
- (d) consider all and any matters of or relating to the Company which may lawfully be considered and dealt with at the AGM; and
- (e) consider and, if deemed fit, pass, with or without modification, the Ordinary and Special Resolutions set out hereunder.

Important dates to note

Record date for receipt of notice of AGM
Friday, 15 July 2022

Notice of AGM distributed to shareholders on
Monday, 25 July 2022

Last day to trade to participate in and vote at the AGM
Tuesday, 16 August 2022

Record date to be recorded in the shareholders' register to participate in and vote at the AGM
Friday, 19 August 2022

Last day to lodge forms of proxy by 10:00
Monday, 22 August 2022

AGM held at 10:00
Wednesday, 24 August 2022

Results of AGM released on SENS on or about
Wednesday, 24 August 2022

Voting and proxies at the AGM

1. All shareholders are entitled to electronically attend and speak at the AGM or any cancellation, postponement or adjournment thereof. All holders of ordinary shares will be entitled to vote, using the electronic voting ("e-voting") facility, on each resolution proposed to be passed at the AGM or any cancellation, postponement or adjournment thereof.
2. A shareholder entitled to electronically attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a shareholder/s) to attend, participate in and vote at the AGM in place of that shareholder.
3. The attached form of proxy is to be completed only by those shareholders who:
 - (a) hold shares in certificated form; and
 - (b) are recorded on the sub-register in dematerialised electronic form with "own name" registration.
4. All other beneficial owners of shares who have dematerialised their shares through a central securities depository participant ("CSDP") or broker, and wish to electronically attend the AGM, must instruct their CSDP or broker to provide them with the necessary letter of representation, or must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker. Those shareholders must NOT use the attached form of proxy.
5. In order to use the e-voting facility, shareholders must register, log on and cast their proxy e-votes by following the on-screen prompts, which have been detailed in the e-voting and webcast guidelines attached to this notice of AGM. Should shareholders not have access to online channels, please forward the completed form of proxy attached to the notice of AGM to the Company's transfer secretaries in South Africa, on or before 10:00 on Monday, 22 August 2022.
6. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to electronically attend, speak and vote in person at the AGM should that shareholder decide to do so. A summary of shareholders' rights in respect of proxy appointments as contained in section 58 of the Companies Act is set out at the end of this notice of AGM.
7. On a poll, every person entitled to vote shall have one vote for every ordinary share held. On a show of hands, each person entitled to vote shall have one vote, irrespective of the number of ordinary shares held.
8. All Ordinary Resolutions required to be passed at the AGM shall be passed by a majority of more than 50% of the voting rights exercised on each such resolution.
9. All Special Resolutions required to be passed at the AGM shall be passed by a majority of at least 75% of the voting rights exercised on each such resolution.

Electronic participation in the AGM

10. The AGM will be conducted entirely through electronic communication, in accordance with the provisions of the Companies Act, 71 of 2008 (as amended) ("the Companies Act") and the Company's memorandum of incorporation. Shareholders who wish to participate in the AGM should connect to the AGM by using the link that will be provided by the Company's e-service provider. Please refer to the guide attached to this notice of AGM for more information.

Ordinary Resolutions:

Ordinary Resolution Numbers 1.1 to 1.5 – Election of Directors

Resolved that the following Directors, who were appointed post the last AGM shall retire from office at the AGM and, being eligible and having offered themselves for re-election, by way of separate resolutions, be elected as Directors of the Company, in accordance with the Company's memorandum of incorporation ("MOI"), with immediate effect:

- 1.1 Mr B Kennedy
- 1.2 Ms P Lebina
- 1.3 Mr M Nyati
- 1.4 Ms IO Selele
- 1.5 Mr S Yoon

Explanatory notes in respect of Ordinary Resolution Numbers 1.1 to 1.5

Ordinary Resolution Numbers 1.1 to 1.5 are proposed for the election of Directors of the Company, who were appointed post the last AGM.

The Board of Directors recommends to the shareholders the election of the aforementioned Directors. The profiles of the Directors standing for election are set out on [pages 170 to 171](#) of the integrated report.

Ordinary Resolution Number 1.6 – Re-election of Director

Resolved that the following Director shall retire from office at the AGM and, being eligible and having offered himself for re-election, be re-elected as a Director of the Company, in accordance with the Company's MOI, with immediate effect:

- 1.6 Mr LL Von Zeuner

Explanatory notes in respect of Ordinary Resolution Number 1.6

Ordinary Resolution Number 1.6 is proposed for re-election of a Director of the Company.

The Board of Directors recommends to the shareholders the re-election, of the aforementioned Director. The profile of the Director standing for re-election is set out on [page 98](#) of the integrated report.

Ordinary Resolution Numbers 2.1 to 2.5 – Election of Audit Committee Members

Resolved that the following independent Non-executive Directors, each by way of separate resolution, be and are hereby elected as Members of the Company's Audit Committee from the conclusion of the AGM until the next AGM of the Company:

- 2.1 Mr KA Rayner
- 2.2 Mr PCS Luthuli
- 2.3 Ms P Lebina
- 2.4 Mr H Singh
- 2.5 Mr LL Von Zeuner

Ms P Lebina will be appointed subject to her appointment as a Director pursuant to Ordinary Resolution 1.2.

Mr LL Von Zeuner will be appointed, subject to his re-election as a Director pursuant to Ordinary Resolution Number 1.6.

The profiles of the Directors who are standing for election to the Audit Committee are set out in [pages 98](#) and [99](#) of the integrated report.

Explanatory notes in respect of Ordinary Resolution Numbers 2.1 to 2.5

In terms of section 94 of the Companies Act, the Audit Committee is a statutory Committee elected by the shareholders at each AGM. In terms of Regulation 43 of the Companies Regulations, at least one-third of the Members of a Company's Audit Committee at any time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Company has established an Audit Committee which fulfils the functions of an Audit Committee as contemplated in the Companies Act and the persons nominated to be appointed to the Company's Audit Committee were nominated having considered the requirements of the Companies Act and Companies Regulations referred to herein.

Ordinary Resolution Numbers 3.1 and 3.2 – Reappointment of PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton as joint external auditors of the Company

Resolved that PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton, each by way of separate resolution, be reappointed as the joint independent registered auditors of the Company from the conclusion of this AGM until the next AGM of the Company.

- 3.1 PricewaterhouseCoopers as an independent external auditor, represented by Mr KS Dikana as the individual designated auditor responsible for the audit.
- 3.2 SizweNtsalubaGobodo Grant Thornton as an independent external auditor, represented by Mr M Hafiz as the individual designated auditor responsible for the audit.

Explanatory notes in respect of Ordinary Resolution Numbers 3.1 and 3.2

In compliance with section 90 read with section 92(3) of the Companies Act, PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton are recommended by the Audit Committee to be reappointed as joint auditors for the financial year ending 31 March 2023 and until the next AGM of the Company.

Ordinary Resolution Numbers 4.1 to 4.2 – Non-binding advisory endorsement of the Telkom remuneration policy and implementation report for the payment of remuneration for the 2022 financial year

Resolved that the shareholders hereby endorse, each by way of a separate non-binding advisory vote, the following:

- 4.1 The Company's remuneration policy as set out in the remuneration report contained in the integrated report on [page 120](#).
- 4.2 The implementation report as set out in the remuneration report contained in the integrated report on [page 136](#).

Explanatory notes for the non-binding advisory endorsement of the remuneration policy and implementation report

In terms of Principle 14 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV) and the JSE Listings Requirements, the Company's remuneration policy and implementation report should be tabled for separate non-binding advisory votes at the AGM. The essence of this vote is to enable the shareholders to express their non-binding views on the remuneration policies adopted and implementation thereof.

These non-binding resolutions are of an advisory nature only and although the Board will consider the outcome of the votes when implementing its remuneration practices, failure to pass these resolutions will not legally preclude the Company from implementing the remuneration policy and practices as contained in the governance report. Shareholders who wish to raise any concerns or submit any comments to the Company on the remuneration policy or implementation report are requested to submit such to investor relations and the Group Company Secretary.

In the case that the Company receives 25% (twenty-five percent) or more votes against either the remuneration policy or implementation report, shareholder engagements will be arranged. Such engagements will be communicated in the voting results announcement.

Ordinary Resolution Number 5 – General authority for Directors to allot and issue ordinary shares and/or grant options over ordinary shares

Resolved that, subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, the authorised but unissued ordinary shares in the share capital of the Company be and are hereby placed under the control of the Directors of the Company who are authorised to allot and issue ordinary shares, issue and/or grant options over such ordinary shares at their discretion, subject to the following:

- (a) This authority shall only be valid until the next AGM of the Company but shall not endure beyond 15 months from the date of this AGM.
- (b) Ordinary shares issued in terms of this authority shall not exceed 5% of the number of ordinary shares in issue as at the date of passing this resolution.
- (c) The number of ordinary shares to be issued in terms of this resolution shall not include any ordinary shares that may be issued by the Company to employees participating in the Telkom Employee Forfeitable Share Plan.

Explanatory notes in respect of Ordinary Resolution Number 5

In terms of clause 9.3 of the MOI, the shareholders may authorise the Directors to allot and issue unissued ordinary shares or grant options over them as the Directors may deem fit (with the effect that any pre-emptive rights that shareholders hold may be waived), subject to the provisions of the JSE Listings Requirements and the Companies Act. The Directors wish to be granted authority to allot and issue up to a maximum of 5% (five percent) of the number of ordinary shares in issue as at the date of passing of this resolution in their discretion. The number of shares to be issued in terms of Ordinary Resolution Number 5 shall not include any ordinary shares that may be issued by the Company to participating employees in the Telkom Employee Forfeitable Share Plan as any such issues will take place in terms of the rules of the Telkom Forfeitable Share Plan.

Special Resolutions:

Special Resolution Number 1 – General authority for Directors to issue ordinary shares for cash

Resolved that, subject to the passing of Ordinary Resolution Number 5, the provisions of the Companies Act and the JSE Listings Requirements, the Directors be and are hereby authorised by way of a general authority, to allot and issue ordinary shares in the share capital of the Company for cash, on such terms and conditions as they deem fit, subject to the following conditions:

- The general authority granted to the Directors shall be valid only until the Company's next AGM and shall not extend beyond 15 months from the date on which this resolution is passed.
- The ordinary shares must be issued to public shareholders, as defined in the JSE Listings Requirements, and not to related parties.
- The ordinary shares which are the subject of general issues for cash:
 - may not exceed 5%, of the Company's number of ordinary shares in issue as at the date of the notice of AGM, net of treasury shares (being 24 615 155 ordinary shares in issue);
 - any ordinary shares issued under this authority must be deducted from the number of ordinary shares set out above;
 - in the event of a sub-division or consolidation of issued ordinary shares during the period of this authority, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- The maximum discount at which ordinary shares may be issued is 10% of the weighted average traded price of such ordinary shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the ordinary shares. The JSE should be consulted for a ruling if the Company's ordinary shares have not traded in such 30-business day period.
- Should the Company and/or any subsidiary cumulatively issue 5% of the initial number of the Company's ordinary shares in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Explanatory notes in respect of Special Resolution Number 1

The Directors wish to be granted authority to allot and issue the ordinary shares of the Company that they would be authorised by Ordinary Resolution Number 5 to issue as they in their discretion deem fit, for cash from time to time, subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, in particular section 5.52 of the JSE Listings Requirements. The ordinary shares capable of being issued for cash under this authority effectively represent 5% of the number of ordinary shares in issue (net of treasury shares) as at the date of this notice of AGM, which is significantly lower than up to 30% as permitted in terms of the JSE Listings Requirements.

The Directors consider it beneficial to obtain the authority to enable the Company to take advantage of any business opportunity that may arise in future.

Special Resolution Number 2 – General authority to repurchase ordinary shares

Resolved that, pursuant to the MOI, the Company and any of its subsidiaries be and are hereby authorised by way of a general approval to repurchase or purchase, as the case may be, and from time to time, ordinary shares issued by the Company from any person, upon such terms and conditions and in such number as the Directors of the Company or subsidiary may determine, but in accordance with and subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, provided that:

- The general authority granted to the Directors shall be valid only until the Company's next AGM and shall not extend beyond 15 months from the date on which this resolution is passed;
- Any general repurchase or purchase by the Company or any subsidiary of its ordinary shares in issue shall not in aggregate in any one financial year exceed 10% of the Company's issued ordinary share capital at the time that the general authority was granted;
- No repurchase or purchase may be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date of such repurchase or purchase;
- The repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or any subsidiary and the counterparty (reported trades are prohibited);
- The Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;
- The repurchase or purchase of shares by the Company and/or any of its subsidiaries may not be effected during a prohibited period as defined in the JSE Listings Requirements unless the Company has in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the period are fixed, i.e. not subject to variation, and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- The Board of Directors resolves to authorise the repurchase, provided that the Company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Telkom Group;
- The general authority may be varied or revoked by special resolution of the shareholders prior to the next AGM of the Company; and
- Should the Company and/or any subsidiary cumulatively repurchase and/or purchase, as the case may be, 3% of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% in aggregate of the initial number of that class repurchased and/or purchased, as the case may be, thereafter in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Any decision by the Directors, after considering the effect of a repurchase, of up to 10% of the Company's issued ordinary shares, to use the general authority to repurchase shares of the Company, will be taken regarding the prevailing market conditions and other factors.

The Directors of Telkom, after considering the effect of the maximum potential repurchase, are of the opinion that for a period of 12 months after the date of the notice of AGM:

- The Company and the Group will, in the ordinary course of business, be able to pay its debts;
- The assets of the Company and the Group will be in excess of its liabilities. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

The following additional information, which appears in Telkom's integrated report, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- The major shareholders on [pages 154](#) and [155](#); and
- The share capital of the Company on [page 154](#).

Directors' responsibility statement:

The Directors, whose names appear on [pages 98](#) and [99](#) of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Special Resolution contains all required information by law and the JSE Listings Requirements.

Material changes:

There have been no material changes in the affairs or financial position of the Company since the end of the financial year ended 31 March 2022 and the date of this notice of AGM.

Explanatory notes in respect of Special Resolution Number 2

This Special Resolution is proposed to allow the Company and/or its subsidiaries by way of a general authority to repurchase and/or purchase shares issued by the Company.

The existing general authority for the Company and/or a subsidiary thereof to repurchase or purchase, as the case may be, shares in the Company, granted by shareholders at the previous AGM is due to expire at this AGM, unless renewed.

The Directors have no specific intention, at present, for the Company or its subsidiaries to repurchase any of the Company's shares but are of the opinion that it would be in the best interests of the Company to extend such general authority, and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the shares issued by the Company through the order book of the JSE, should an opportunity present itself where the market conditions and price justify such action.

Special Resolution Number 3 – Remuneration of Non-executive Directors

Resolved that the remuneration of the Non-executive Directors of the Company for their services as Directors of the Company be as set out below with effect from 24 August 2022:

Telkom SA SOC Ltd Board	Annual Retainer Fee Non-executive Director Amount	Annual Committee Retainer Fee (Non-executive Directors excluding Board Chairperson) Amount
Board		
Board Chairperson	2 163 000	
International Board Member	771 750	–
Board Member	493 500	
Lead Independent Director	733 500	
Audit Committee		
Chairperson		430 500
Member		225 750
Risk Committee		
Chairperson		262 500
Member		157 500
Social and Ethics Committee		
Chairperson		262 500
Member		157 500
Nominations Committee		
Chairperson		–
Member		115 000
Remuneration Committee		
Chairperson		262 500
Member		157 500
Investment and Transactions Committee		
Chairperson		262 500
Member		157 500

Explanatory notes in respect of Special Resolution Number 3

In terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to Directors for their service as Directors in accordance with a special resolution approved by shareholders within the previous two years and if not prohibited in terms of a Company's MOI. The remuneration of Non-executive Directors for their services is determined from time to time by the Directors, considering the recommendations of the Remuneration Committee. Non-executive Directors shall also be paid travelling, subsistence and other expenses properly incurred by them in the execution of their duties, including attendance of meetings of Directors and of Committees authorised or ratified by Directors.

The Board of Directors has considered the remuneration paid to the Non-executive Directors for the year ending 31 March 2022.

Following a benchmarking exercise, and in the best interest of the Company, the Board is of the view that the fees for the Non-executive Directors be paid as follows:

- The Chairperson shall receive an all-inclusive annual retainer fee and will not be remunerated for serving on any Committees.
- All Non-executive Directors will receive an all-inclusive annual retainer fee for attendance at Board meetings and an annual retainer fee based on the Committees that the Non-executive Director is a Chairperson or Member of. The all-inclusive annual fee structure will not be linked to the number of meetings held in a year, and no additional fees will apply for any convened special meetings. Therefore, the all-inclusive annual fee will be a build up of Board retainer plus Committees where the Non-executive Director is a Member and/or Chairperson. New Non-executive Directors will receive a pro-rated fee based on this build up on joining, and those changing Committees will also be remunerated accordingly based on this build up.

Special Resolution Number 4 – General authority to provide financial assistance

Resolved that the Board of Directors be and is hereby authorised to cause the Company, subject to compliance with the requirements of the Company's MOI and the Companies Act, to provide direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act, including by way of a loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or entity that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any securities of the Company or a related or inter-related Company or entity, for such amounts and on such terms as the Board of Directors may determine in its discretion. This authority shall continue until the next AGM of the Company.

Explanatory notes in respect of Special Resolution Number 4

The Board of Directors wishes to have the ability to provide financial assistance (by way of loan, guarantee, the provision of security or otherwise), if necessary, to related or inter-related companies and entities. Furthermore, it may be necessary or desirous for Telkom to provide financial assistance to related or inter-related companies and entities to subscribe for options or securities or purchase securities of Telkom or another Company related or inter-related to it. Under sections 44 and/or 45 of the Companies Act, Telkom will however require the Special Resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that Telkom's subsidiaries and other related or inter-related companies and entities have access to financing and/or financial backing from Telkom, it is necessary to obtain the approval of shareholders, as set out in Special Resolution Number 4.

By order of the Board

Telkom SA SOC Ltd

AC Ceba (FCG) (F.Inst.D)

Group Company Secretary
14 July 2022

Registered Office

Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
South Africa
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa
(Private Bag X9000, Saxonwold, 2132)

Virtual AGM guide

Meeting name:
Telkom SA SOC Limited AGM 2022

Meeting ID:
198-371-974



To login you must have a *username* and *password* which you can request/will receive from smartagm-sa@lumiengage.com after registering to attend the AGM via <https://smartagm.co.za>

You will be able to log into the site from **09:00 on 24 August 2022.**

1. The Lumi Platform

We will be conducting a virtual AGM, giving you the opportunity to attend and participate online, using your smartphone, tablet or computer.

You will be able to view a live webcast of the meeting, ask the Board questions and submit your votes in real time.

To access the platform, you will need to visit <https://web.lumiagm.com> on your smartphone, tablet or computer. The latest versions of Chrome, Safari, Microsoft Edge or Firefox is required. Please ensure your browser is compatible.



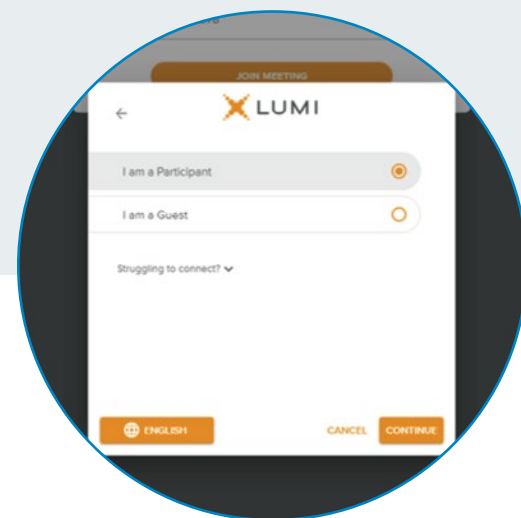
2. Access

To login as a Participant, select 'I am a Participant'. Note that depending on the type of meeting, this text might change.

You will then be required to enter your: Username; and Password

If you are a Guest, select 'I am a Guest'. As a Guest, you will be prompted to complete all the relevant fields including; first name, last name and email address.

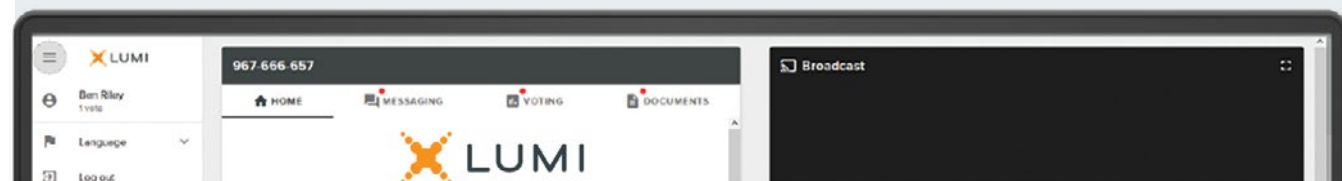
Note that, guests are not able to ask questions or vote at the meeting.



3. Navigation

When successfully authenticated, the home screen will be displayed. You can view company information, ask questions, view relevant documents and watch the webcast.

Please note: the broadcast screen will either appear on the right (for laptops and computers) or at the bottom of your screen (for tablets and mobile devices). Once the meeting starts, the broadcast will start automatically. If the broadcast does not appear automatically, ensure that your browser is compatible or seek assistance by contacting our support team.



4. Voting

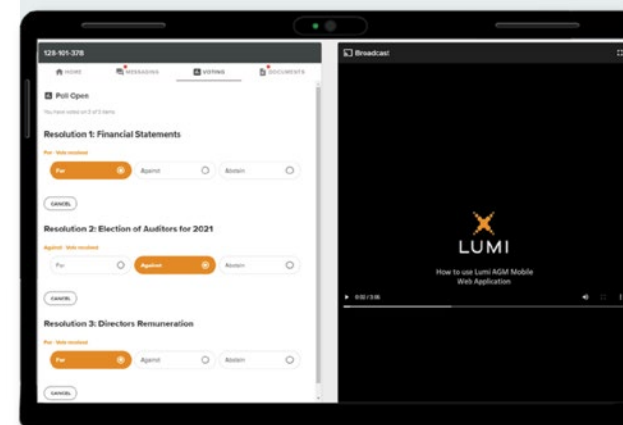
Once the poll has opened, the voting icon will appear on the navigation bar at the top of the screen. From here, resolutions or motions will be displayed.

To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

If you wish to change your vote, simply select an alternate choice while the voting is open or select cancel if you wish to cancel your vote.

Once opened, voting can be performed at any time during the meeting until the Chairman closes the voting. At that point, your last choice will be submitted.

You will still be able to send messages and view the webcast whilst voting is open.



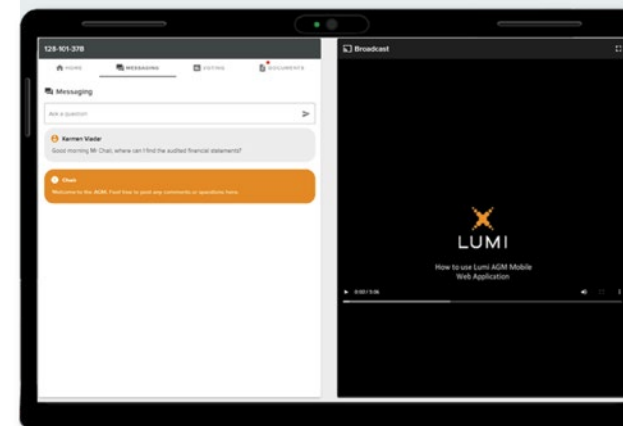
5. Questions

Any participant or appointed proxy (whether a Shareholder, Member or Homeowner) attending the meeting is eligible to ask questions.

Guests may not ask questions.

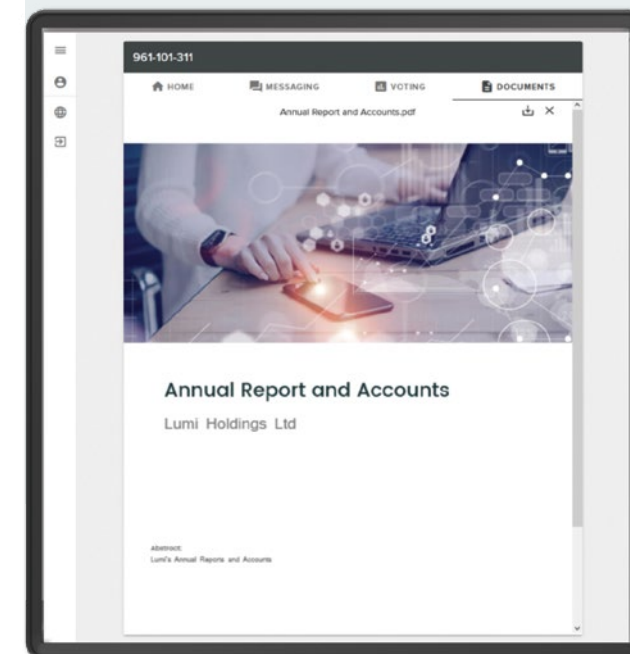
To ask a question, select the messaging icon at the top of the screen.

Type your message within the chat box at the top of the messaging screen and then press send (the arrow key).



6. Documents

Any documents pertaining to the meeting will be visible in the Documents tab of the platform. Click on this icon to view the documents.



Email supportza@lumiengage.com
if you require
any technical
assistance.

Annexure to the notice of annual general meeting



Brian Kennedy

Brian has over 30 years of experience in the financial services sector, encompassing Executive and Non-executive Board roles within large institutions and smaller high-growth private companies. His experience spans debt and equity capital markets, corporate banking, private equity, commercial property finance, and mergers and acquisitions.

When Nedbank acquired BOE Ltd in 2002, Brian was tasked with merging BOE Merchant Bank, Nedbank Treasury, Nedcor Investment Bank and Cape of Good Hope Bank to create an integrated capital markets franchise in Nedbank. In his last Executive role, he served as Group Managing Executive of Nedbank's Corporate and Investment Banking (CIB) Unit. During his tenure, CIB grew headline earnings from R4.7 billion to R6.7 billion over four years, producing an ROE greater than 20% for shareholders. In 2020, CIB contributed approximately 60% of Nedbank's earnings and deployed a balance sheet of R350 billion to corporate South Africa and across the African continent.

Brian holds an MBA, BSc Electrical Engineering, MSc Electrical Engineering and is a registered Professional Engineer. He currently serves on the Boards of Ecobank Transnational Inc, Afrisam Holdings (Pty) Ltd and Nozala Investments.



Prudence Lebina

Prudence is a Chartered Accountant with over 18 years of experience in corporate finance, investor relations, private equity, financial reporting, stakeholder management and business development in the financial services and mining sectors. She is currently CEO of TriAlpha Investment Management, a specialist fixed income investment house.

Prior to that she was CEO and interim Finance Director of Gaia Infrastructure Capital Ltd, an infrastructure investment holding company listed on the main board of the JSE.

Prudence holds a BCom degree and a Higher Diploma in Accounting from the University of Witwatersrand. She is a member of the South African Institute of Chartered Accountants ("SAICA") and qualified in December 2005 after serving her articles at PricewaterhouseCoopers Incorporated. She currently serves on the Boards of DRDGold Ltd, Growthpoint Properties Ltd, and Iemas Financial Services (Co-operative) Ltd.



Mteto Nyati

Mteto is the former Group Chief Executive of Altron. He was responsible for transforming Altron from a family-controlled and managed business into a world-class and trusted information and communications technology company. He led the disposal of non-core assets and acquired businesses in high-growth areas like cloud, data analytics, software development and cybersecurity.

His key achievements at Altron include increasing shareholder value by approximately six times during his tenure and doubling profits within five years. Prior to joining Altron, Mteto was CEO of MTN South Africa, where he was responsible for returning MTN South Africa to growth by overhauling employee engagement and transforming the customer experience.

In a previous role as Group Chief Enterprise Officer at MTN, he built a new revenue stream for the MTN Group by accelerating the growth of the enterprise business through acquisitive and organic growth.

Mteto holds a BSc Mechanical Engineering and he is a Yale University World Fellow. He currently serves on the Board of Massmart Holdings Ltd.



Ipeleng Selele

Ipeleng is a qualified International Strategist and an entrepreneur. She has done work in diverse sectors including ICT, Ports, Maritime, Energy, Telecommunications, Aviation, and Investment Promotion Agencies. She conceptualised and launched the first ever portal of African Maritime Affairs that was launched at the African Union. She has particular strengths in ESG and specialises in foreign market entry strategies and execution in maritime, ports value chain and maritime countries.

Ipeleng's commercial interests are in diverse sectors including Energy, Business and Foreign Market Entry Strategy Consultancy, Rail Transport, SMME's and Maritime Transport/Ports Infrastructure.

Ipeleng holds an MSc International Strategy majoring in Foreign Market Entry Strategy from the University of London South Bank, has completed an African Leadership Executive Course as part of her TUTU Fellowship as well as a Strategy Execution Qualification. She is currently completing her MBA in Oil and Gas as well as a Postgraduate in Mechanics of Renewable Energy. She serves on the Boards of Siemens Energy SA, Mahlako Energy Infrastructure and Satsanga Fintech Holdings.



Sung Yoon

Sung is a former CEO and President of Samsung Africa, with unique Executive experience across three continents, including 16 years in the United States and four years in Africa. He has a proven track record of turning around difficult business situations and significantly growing both new and existing business categories. He is an expert in tailoring global strategies to suit the needs of each market, and possesses hands-on technical sales skills across numerous product categories. He is a respected leader who strives to build meaningful relationships with both customers and employees.

Sung has worked with Samsung Electronics in a range of capacities, and across the world as CEO and President in South Africa, Head of Mobile Sales, Head of TV & AV Sales and Head of IBM sales, respectively, in the United States of America, and New Business Development in Korea. He is currently an advisor to Samsung Electronics in Korea.

Sung has an MBA from the University of Illinois, and a Bachelor of Arts in Sociology from Korea University.

These appointments are in terms of Telkom's nomination policy. Telkom has appointed the aforementioned new Directors to align the necessary skills and experience required to fill these vacancies.

Telkom

TELKOM SA SOC LTD
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/30)
(JSE share code: TKG) ISIN: ZAE000044897)
("Telkom" or "the Company")

Form of proxy for the AGM

(For completion by certificated shareholders and own-name dematerialised shareholders. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, vote and speak at the AGM in its/his/her stead. Such proxy/ies need not be a shareholder/s of Telkom.)

For use at the AGM of shareholders to be held through electronic communication, on Wednesday, 24 August 2022 at 10:00.

A dematerialised shareholder who is not an "own-name" registered shareholder, must inform its/his/her central securities depository participant ("CSDP") or broker of its/his/her intention to attend the AGM and request its/his/her CSDP or broker to issue it/him/her with the necessary documentation to attend the AGM through electronic communication and vote or provide their CSDP or broker with its/his/her voting instructions should it/he/she not wish to attend the AGM through electronic communication. A dematerialised shareholder who is not an "own-name" registered shareholder should not use this form of proxy, but must contact its/his/her CSDP or broker as the Company will take no responsibility for shareholders who do not contact their CSDP or brokers timeously.

I/We _____ (name in BLOCK LETTERS)

Of _____ (address in BLOCK LETTERS)

Being the holders of _____ ordinary shares in the capital of the Company,

do hereby appoint: _____

of _____

or failing him/her _____

of _____

and generally, to act as my/our proxy at the said AGM.

(Please indicate with an "x", in the applicable spaces, how you wish your votes to be cast) Unless otherwise directed, the proxy will vote as he/she deems fit.

	Resolution	For	Against	Abstain
Ordinary Resolutions				
Ordinary Resolution Number 1.1:	Election of Mr B Kennedy as a Director.			
Ordinary Resolution Number 1.2:	Election of Ms P Lebina as a Director.			
Ordinary Resolution Number 1.3:	Election of Mr M Nyati as a Director.			
Ordinary Resolution Number 1.4:	Election of Ms IO Selele as a Director.			
Ordinary Resolution Number 1.5:	Election of Mr S Yoon as a Director.			
Ordinary Resolution Number 1.6:	Re-election of Mr LL Von Zeuner as a Director.			
Ordinary Resolution Number 2.1:	Election of Mr KA Rayner as a Member of the Audit Committee.			
Ordinary Resolution Number 2.2:	Election of Mr PCS Luthuli as a Member of the Audit Committee.			
Ordinary Resolution Number 2.3:	Election of Ms P Lebina as a Member of the Audit Committee, subject to her election as a Director pursuant to Ordinary Resolution Number 1.2.			
Ordinary Resolution Number 2.4:	Election of Mr H Singh as a Member of the Audit Committee.			
Ordinary Resolution Number 2.5:	Election of Mr LL Von Zeuner as a Member of the Audit Committee, subject to his re-election as a Director pursuant to Ordinary Resolution Number 1.6.			
Ordinary Resolution Number 3.1:	Reappointment of PricewaterhouseCoopers as joint auditors of the Company.			
Ordinary Resolution Number 3.2:	Reappointment of SizweNtsalubaGobodo Grant Thornton as joint auditors of the Company.			
Ordinary Resolution Number 4.1:	Non-binding advisory endorsement of the remuneration policy.			
Ordinary Resolution Number 4.2:	Non-binding advisory endorsement of the implementation report.			
Ordinary Resolution Number 5:	General authority for Directors to allot and issue ordinary shares and/or grant options over ordinary shares.			
Special Resolutions				
Special Resolution Number 1:	General authority for Directors to issue ordinary shares for cash.			
Special Resolution Number 2:	General authority to repurchase ordinary shares.			
Special Resolution Number 3:	Remuneration of Non-executive Directors.			
Special Resolution Number 4:	General authority to provide financial assistance.			

and generally, to act as my/our proxy at the said AGM.

(Please indicate with an “x”, in the applicable spaces, how you wish your votes to be cast). Unless otherwise directed, the proxy will vote as he/she deems fit.

Signed at this day of 2022

Signature of shareholder

assisted by (where applicable)

Notes to proxy

- A certificated shareholder and an “own name” registered dematerialised shareholder may insert the name of a proxy or the names of proxies of the certificated shareholder’s/“own name” registered dematerialised shareholder’s choice in the space provided, with or without deleting the Chairperson of the AGM. The person whose name stands first on the form of proxy and who is present at the AGM shall be entitled to act as proxy to the exclusion of the persons whose names follow.
- Instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable in the appropriate box provided. Failure to comply with this shall be deemed to authorise the Chairperson of the AGM, if the Chairperson is the authorised proxy, to vote in favour of the resolutions at the AGM or the appointed proxy to vote or to abstain from voting at the AGM, as he/she deems fit in respect of all the appointer’s votes exercisable thereat, or the appointed proxy to vote or to abstain from voting at the AGM, as he/she deems fit in respect of all the appointer’s votes exercisable by that proxy.
- The total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the person entitled to vote granting the proxy is entitled.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the Chairperson of the AGM.
- The transfer secretaries at the AGM may reject or accept any form of proxy that is completed and/or received, other than in compliance with these notes.
- Any alterations or corrections to this form of proxy shall be initialled by the signatory(ies).
- The completion and lodging of this form of proxy shall not preclude the relevant person entitled to vote from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such person wish to do so.
- Where there are joint holders of shares:
 - any one holder may sign this form of proxy; and
 - the vote of the senior shareholder (for that purpose, seniority will be determined by the order in which the names of the shareholders appear in the company’s register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
- A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
- A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

Summary of applicable rights established in section 58 of the Companies Act, 2008, as amended (the “Companies Act”)

For purposes of this summary, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise –
 - 3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
 - 3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy –
 - 4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
 - 4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –
 - 5.1. stated in the revocation instrument, if any; or
 - 5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –
 - 6.1. the shareholder; or
 - 6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –
 - 8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised.
 - 8.2. the company must not require that the proxy appointment be made irrevocable; and
 - 8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

It is requested that forms of proxy be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on Monday, 22 August 2022. If forms of proxy are not received by the transfer secretaries by the relevant time, they will nevertheless be entitled to be lodged immediately prior to the commencement of the AGM in accordance with the instructions therein, with the transfer secretaries at the AGM (and are requested to be so lodged at least by 09:30, which is 30 minutes prior to the time appointed for commencement of the AGM).

Chairperson of the Board

Telkom Registered Office

Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
South Africa
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa
(Private Bag X9000, Saxonwold, 2132)

Notes:

Acronyms

4G	fourth generation
5G	fifth generation
ADSL	asymmetric digital subscriber line
AGM	annual general meeting
AI	artificial intelligence
ARPU	average revenue per user
ASA	additional share award
B-BBEE	broad-based black economic empowerment
BEPS	basic earnings per share
capex	capital expenditure
CAPS	Curriculum Assessment Policy Statements
CEO	Chief Executive Officer
CoE	Centre of Excellence
Companies Act	Companies Act, 71 of 2008 (as amended)
CPE	Customer Premises Equipment
DoA	delegation of authority
EBITDA	earnings before interest, tax, depreciation and amortisation
ERM	enterprise risk management
ESD	enterprise and supplier development
ESG	environmental, social and governance
ESOP	employee share ownership plan
Exco	Group Executive Committee
FCF	free cash flow
FSP	forfeitable share plan
FTTH	fibre to the home
FY	financial year
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GDP	gross domestic product
GP	guaranteed package
GRI Standards	Global Reporting Initiative Standards
GSMA	Global System for Mobile Communications Association
HEPS	headline earnings per share
HR	human resources
IAS	International Accounting Standard
IBS	In Building Solutions
ICASA	Independent Communications Authority of South Africa
ICT	information and communications technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IFT	Independent Field Technician
IIRC	International Integrated Reporting Council
IoT	Internet of Things
<IR> Framework	Integrated Reporting Framework
ISO	International Organization for Standardization

ISP	internet service provider
IT	information technology
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
KPI	key performance indicator
LED	light-emitting diode
LTE	long-term evolution
LTI	long-term incentive
LTIP	long-term incentive plan
MNO	Mobile Network Operator
NICD	National Institute for Communicable Diseases
NQF	National Qualifications Framework
OHS Act	Occupational Health and Safety Act, 85 of 1993
opex	operating expenditure
OTT	over-the-top
PAT	profit after tax
POPIA	Protection of Personal Information Act, 4 of 2013
PwC	PricewaterhouseCoopers Inc.
RAN	Radio Access Network
Remco	Remuneration Committee
RICA	Regulation of Interception of Communications and Provision of Communication-Related Information Act, 70 of 2002
ROIC	return on invested capital
S189	section 189
SD-WAN	software-defined wide area network
SDGs	The United Nations Sustainable Development Goals
SENS	Stock Exchange News Service
SHE	safety, health and environment
SMB	Telkom Small and Medium Business
SME	small and medium-sized enterprise
SMME	small, medium and micro-sized enterprise
STEM	science, technology, engineering and mathematics
STI	short-term incentive
TCFD	Task Force on Climate-Related Financial Disclosures
TGF	Telkom Group Forensics
TGIA	Telkom Group Internal Audit
TRF	Telkom Retirement Fund
TSA	talent share award
TSR	total shareholder return
VAS	value-added services
VERP	voluntary early retirement package
VSP	voluntary severance package
WOAN	wireless open-access network
WTC	WeThinkCode

Administration

Company registration number
1991/005476/30

Head office
61 Oak Avenue
Centurion, 0157

Postal address
Telkom SA SOC Ltd
Private Bag X881
Pretoria, 0001

Telkom register helpline
0861 100 948

Group Company Secretary
Ayanda Ceba (FCG) (F.Inst.D)
Tel: +27 12 311 0345
secretariat@telkom.co.za

Investor relations
Babalwa George
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telkomir@telkom.co.za

Joint auditors
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4 Lisbon Lane, Waterfall City
Jukskei View, 2090
Tel: +27 11 797 4000

SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East
Woodmead, 2191
Tel: +27 11 231 0600

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Private Bag X9000,
Saxonwold, 2132

Sponsor
Nedbank Corporate and Investment Banking a division of Nedbank Ltd
135 Rivonia Road
Sandown
Sandton, 2196

United States ADR depository
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Shareholder Relations Department
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Tel: +1 888 643 4269
Shareowner-svcs@bankofny.com

Telkom
Consumer

open serve

BCX

Λ swiftnet

Gyro