Notes to the annual financial statements continued

for the year ended 31 March 2025

10. Employee benefits continued

10.3 The Telkom Retirement Fund

Significant accounting judgement in the settlement of the TRF
During the current financial year, the TRF met the IAS 19 (Employee Benefits) criteria for a full settlement of the defined benefit plan, following an amendment to the TRF rules, which was approved by the FSCA with effect from 1 July 2024.

Management considered whether Telkom has eliminated all further obligations for all the benefits provided under the TRF in order to achieve full derecognition of the obligation.

The rules of the TRF were amended to remove the employer's obligation to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

The amendment of the TRF rules has resulted in Telkom having no further obligation to fund any deficit unless it freely enters into a future agreement in writing, creating a future obligation. The views stipulated above were supported by both the pension fund specialist legal counsel and actuarial specialists.

Settlement of the TRF
The TRF is a hybrid fund which was established on 1 July 1995. The TRF is a defined contribution plan in respect of in-service members and a defined benefit plan in respect of pensioners, i.e. members' benefits accrue on a defined contribution basis until retirement. At retirement, members have the option to purchase a guaranteed pension from the TRF, at which point they become defined benefit pensioners. Prior to 1 July 2024, the option to purchase a pension from the fund was limited to those who joined employment before 1 September 2009, but a rule amendment in the TRF extended this benefit option to all retiring employees.

A rule amendment was registered by the FSCA with effect from 1 July 2024 to remove the employer's obligations to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

As a result of the rule amendment, no obligation exists in any scenario for Telkom to make contributions or any other payments to fund any deficit in the fund as pension increase percentages and pensions itself may be adjusted to eliminate any shortfall. The rule amendment prescribes an investment strategy which mitigates against future deficits. Thus, the amounts available for in-fund pensions will always be equal to the amount available in the pensions account. Due to this matching, Telkom will never have any obligation towards the TRF. Therefore, Telkom settled the TRF liability as it had no further obligation for part or all of the benefits provided under a defined benefit plan.

Linked to the rule amendment is an in-principle decision made by the Telkom Board to pay a once-off amount to strengthen the pensioner reserves following the rule amendment. This resulted in Telkom having to pay the TRF the once-off amount on approval of the rule amendment by the FSCA. In November 2024, the once-off amount of R330 million was paid to the TRF, funded through the post-retirement medical aid (refer to note 10.4) to settle the provision raised in September 2024. Refer to note 2.5.1 for significant transaction disclosure in relation to the settlement of the TRF.

The gain or loss on settlement is the difference between:

- The present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- The settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. In Telkom's case, the R330 million will form part of the amount that the entity pays in connection with the settlement.

The amendment has changed the nature of the liabilities relating to the fund from a defined benefit to a defined contribution plan (as no further Company obligation remains) according to IAS 19, with effect from 1 July 2024.

	Rm
Derecognition of the TRF plan asset as at 1 July 2024	**(42 580)**
Derecognition of the TRF obligation as at 1 July 2024	**42 292**
Settlement of the provision for payment to the TRF	**(330)**
Loss on settlement (refer to note 3.4.4)	**618**

Included in the loss on settlement of the TRF is the non-cash portion of R288 million resulting from the recognition of the asset ceiling which is appropriately accounted for in the cash generated from operations note in the increase/decrease in provisions line item. Refer to note 3.6.

The loss on settlement after tax is R451 million.

Effective 1 July 2024, Telkom is accounting for the TRF as a defined contribution plan.

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

The pensioner pool of the Telkom Retirement Fund only consists of pensioners and requires that at least 60% of the best-estimate liability in respect of pensioners be invested in a liability matching portfolio.

Pensioner increases are subject to affordability, targeting 0% to 80% of CPI. However, from 1 July 2024 Telkom's obligation to make special contributions to fund any actuarial shortfall was removed. Actuarial shortfall can be funded by reducing the pension increase or allow for a possible reduction in the pensions.

Notes to the annual financial statements continued

for the year ended 31 March 2025

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

The funded status of the Telkom Retirement Fund prior to 1 July 2024 is disclosed below:

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
The Telkom Retirement Fund	**Rm**	Rm	**Rm**	Rm
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	**1 346**	4 905	**1 346**	4 905
Interest on plan assets	**(1 356)**	(4 941)	**(1 356)**	(4 941)
Service cost on projected benefit obligations	**153**	517	**153**	517
Curtailment	**—**	135	**—**	135
Net periodic pension expense recognised in profit or loss	**143**	616	**143**	616
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions changes	**(46)**	1 118	**(46)**	1 118
Actuarial gain/(loss) due to experience adjustments	**517**	(1 045)	**517**	(1 045)
Actuarial loss due to demographic assumptions changes	**(29)**	(91)	**(29)**	(91)
Actuarial loss due to the recognition of asset ceiling on derecognition	**(288)**	—	**(288)**	—
Net periodic pension income/(expense) recognised in other comprehensive income	**154**	(18)	**154**	(18)
Cumulative actuarial loss	**(398)**	(552)	**(398)**	(552)
Benefit obligation:				
At the beginning of the year	**41 702**	41 179	**41 702**	41 179
Interest cost	**1 346**	4 905	**1 346**	4 905
Current service cost	**153**	517	**153**	517
Employee contributions	**73**	287	**73**	287
Benefits paid	**(605)**	(3 191)	**(605)**	(3 191)
Transfers in	**44**	105	**44**	105
Actuarial gain	**(421)**	(893)	**(421)**	(893)
Curtailment	**—**	(1 206)	**—**	(1 206)
Transfers out	**—**	(1)	**—**	(1)
Derecognition of the TRF obligation as at 1 July 2024 (refer to note 2.5.1)	**(42 292)**	—	**(42 292)**	—
Benefit obligation at the end of the year	**—**	41 702	**—**	41 702

Notes to the annual financial statements continued

for the year ended 31 March 2025

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
	Rm	Rm	**Rm**	Rm
Plan assets:				
At the beginning of the year	**41 772**	42 190	**41 772**	42 190
Interest on plan assets	**1 358**	5 017	**1 358**	5 017
Employer contributions[1]	**278**	518	**278**	518
Employee contributions	**71**	287	**71**	287
Benefits paid	**(605)**	(3 191)	**(605)**	(3 191)
Transfers in	**44**	105	**44**	105
Actuarial loss	**(338)**	(1 815)	**(338)**	(1 815)
Actuarial gain on asset ceiling	**71**	—	**71**	—
Curtailment	**—**	(1 340)	**—**	(1 340)
Transfers out	**—**	1	**—**	1
Movement in asset ceiling	**(71)**	—	**(71)**	—
Derecognition of the TRF plan assets as at 1 July 2024 (refer to note 2.5.1)	**(42 580)**	—	**(42 580)**	—
Plan assets at the end of the year	**—**	41 772	**—**	41 772
Present value of funded obligation	**—**	41 702	**—**	41 702
Fair value of plan assets	**—**	41 772	**—**	41 772
Fund surplus	**—**	(70)	**—**	(70)
Asset ceiling in terms of IAS 19.64	**—**	70	**—**	70
Net liability	**—**	—	**—**	—
Interest on plan assets	**1 358**	5 017	**1 358**	5 017
Actuarial loss on plan assets	**(338)**	(1 815)	**(338)**	(1 815)
Actual return on plan assets	**1 020**	3 202	**1 020**	3 202
Plan asset balance comprises:				
Equities	**—**	4 784	**—**	4 784
Property	**—**	2 717	**—**	2 717
Bonds	**—**	17 034	**—**	17 034
Africa	**—**	3 085	**—**	3 085
Cash	**—**	4 073	**—**	4 073
Foreign investments	**—**	10 079	**—**	10 079
Total	**—**	41 772	**—**	41 772

[1] *This relates to contributions made before the derecognition of the TRF.*

The total employer contributions made to the TRF for the 2025 financial year is R474 million for Group and R95 million for Company.

Funding arrangements
The Telkom Retirement Fund pensioner portfolio's strategic asset allocation (SAA) is determined by an asset liability model based on the fund's unique liabilities, as determined by its member data and fund rules. The SAA is a reflection of the fund's targeted post-retirement interest rate, and the investment strategy is built around the target of providing consistent annual pension increases of between 0% to 80% of CPI.

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
Included in the fair value of plan assets are:	**Rm**	Rm	**Rm**	Rm
Telkom shares	**—**	38	**—**	38

The Telkom Retirement Fund investment strategy was implemented through the appointment of several asset managers with local and global segregated mandates. Within these mandates, the managers are responsible for and have sole discretion of determining the asset allocation, i.e. the mix of the various asset classes based on their investment views. In addition, a portion was allocated to Africa Equity and SA cash asset classes were added to further diversify the portfolio and to enhance returns.

Notes to the annual financial statements continued

for the year ended 31 March 2025

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
Funding level per statutory actuarial valuation (%)	—	100	—	100
The number of pensioners registered under the Telkom Retirement Fund	—	12 912	—	12 912
The number of in-service employees entitled to retire in the Telkom Retirement Fund	—	9 773	—	9 773
The fund portfolio consists of the following percentages:				
Equities (%)	—	11	—	11
Property (%)	—	7	—	7
Bonds (%)	—	41	—	41
Africa (%)	—	7	—	7
Cash (%)	—	10	—	10
Foreign investments (%)	—	24	—	24
Total	—	100	—	100

10.4 Medical benefits

Telkom makes certain contributions to medical aid funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 3.4.4. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 6.5. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

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

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at 31 March 2025.

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