



**TELKOM SA SOC LTD**

*(Incorporated on 30 September 1991 in the Republic of South Africa with limited liability under registration number 1991/005476/30)*

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**INFORMATION STATEMENT RELATING TO THE TELKOM SA SOC LTD DOMESTIC MEDIUM-TERM NOTE PROGRAMME**

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Telkom SA SOC Ltd (the "**Issuer**") intends to issue notes from time to time (the "**Notes**") under ZAR15,000,000,000 Domestic Medium Term Note Programme (the "**Programme**") on the basis set out in the amended and restated Programme Memorandum dated 14 May 2024, as amended and restated from time to time (the "**Programme Memorandum**"). This Programme Memorandum will apply to all Notes issued under the Programme, both before and after 14 May 2024 (the "**Programme Date**") and will in respect of such Notes, supersede and replace the previous programme memorandum in its entirety. The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified in the section headed "*Summary of Programme*" under the Programme Memorandum and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis.

The specific aggregate nominal amount, the status, maturity, interest rate, or interest rate formula and dates of payment of interest, purchase price to be paid to the Issuer, any terms for redemption or other special terms, currency or currencies, form and denomination of Notes, information as to financial exchange listings and the names of the dealers, underwriters or agents in connection with the sale of Notes being offered at a particular time will be set forth or referred to in the terms and conditions contained in the Programme Memorandum (the "**Terms and Conditions**"), read together with the pricing supplement applicable to any Notes (the "**Applicable Pricing Supplement**") and this information statement (this "**Information Statement**").

This is the Information Statement that contains all information pertaining to:

- a. the description of the Issuer;
- b. the Issuer's directors and debt officer prescribed by paragraph 4.10(b) of the JSE Debt Listings Requirements;
- c. the Risk Factors that the Issuer believes are material for the purpose of assessing the market risks associated with the Notes;
- d. conflicts of interests;
- e. South African Exchange Control;
- f. South African Taxation;
- g. Subscription and Sale;
- h. Settlement, Clearing and Transfer of Notes; and
- i. Corporate Information.

**Availability of Information**

This Information Statement is also available on the Issuer's website <https://group.telkom.co.za/ir/>. Other information on the Issuer's website is not intended to be incorporated by reference into this Information Statement

Recipients of this Information Statement should retain it for future reference. It is intended that the Programme Memorandum read together with the Applicable Pricing Supplement in connection with the issuance of Notes, will refer to this Information Statement for a description of the Issuer, its financial condition and results of operations (if any) and investor considerations/risk factors, until an updated information statement is issued. Capitalised terms used in this Information Statement are defined in the Section of the Programme Memorandum headed "*Terms and Conditions of the Notes*" (the "**Terms and Conditions**"), unless separately defined or clearly inappropriate from the context.

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Information Statement dated 14 May 2024.

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## DESCRIPTION OF TELKOM SA SOC LTD

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*Capitalised terms used in this section headed "Description of Telkom SA SOC LTD" shall bear the same meanings as defined in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

### 1. GROUP HISTORY AND OVERVIEW

- 1.1 Telkom SA SOC Ltd ("**Telkom**") is a leading information communications technology ("**ICT**") services provider in South Africa. Telkom offers end-to-end ICT solutions, including high-speed fibre, mobile and data services, information technology ("**IT**") services, property management and masts and towers solutions. Telkom is listed on the Johannesburg Stock Exchange with the share code TKG. The South African Government owns 40.5% of Telkom; 44.6% of its shares are held by institutional shareholders, 5.5% treasury shares, and 9.4% by non-institutional investors. Telkom's vision is to lead in the converged ICT market through deep and credible relationships and a distinctive customer experience by leading in converged solutions; providing a quality network with unmatched reach; offering end-to-end digital solutions in the business community; creating innovative and pervasive broadband consumer services; being the wholesale provider of choice and being the best place to work for committed and accountable people. Telkom's purpose is to seamlessly connect its customers to a better life. One of Telkom's keys to future success is to build a high-performance, values-driven culture. Telkom is committed to conducting business in an ethical manner based on its core values and acceptable principles.
- 1.2 Telkom has federated its operating model enabling focused strategy execution through the below-listed business units and/or wholly owned subsidiaries. These five (5) businesses units and/or wholly owned subsidiaries provide all products and services, namely:
- a. *Openserve* – A wholly owned subsidiary and South Africa's leading wholesale and managed infrastructure connectivity provider with the largest open-access network across South Africa;
  - b. *Telkom Consumer* – The third largest mobile operator in the country, is driven by high-speed mobile broadband through reliable, stable, high-quality converged communications and effective cost optimisation;
  - c. *BCX* – A wholly owned subsidiary acquired in 2015, is a state-of-the-art technology company that provides ICT solutions and an integrated portfolio of technology solutions in Africa;
  - d. *Swiftnet* – A subsidiary of Gyro, comprises of masts and towers; and
  - e. *Gyro* – Another wholly owned subsidiary managing the property portfolio of Telkom currently utilised for operations.
- 1.3 In 1993, Telkom branched into cellular communications. Vodacom was licensed in South Africa in 1993 and entered a joint venture with Vodafone PLC of the UK and the Rembrandt Group to form the company Vodacom Group Proprietary Limited as one of its companies, Telkom held a 50% stake in Vodacom, which was licensed in South Africa in 1993.
- 1.4 On 1 September 1995, Telkom obtained a 100% interest in Swiftnet. It traded under the name FastNet Wireless Service at the time. FastNet provided synchronous wireless access on Telkom's X.25 network, Saponet-P, to its customer base. Services included retail credit card and check point of sale terminal verification, telemetry, security, and fleet management. In October 1997, Telkom bought a controlling interest in Maister Directories and merged the business interests of two directory entities to form Telkom Directory Services. In October 2001, Telkom purchased an additional 10% stake in Telkom Directory Services and increasing its shareholding to 64.9%. Telkom remained a wholly state-owned enterprise until 14 May 1997, when the Government of

- South Africa sold a 30% equity interest to Thintana Communications LLC, a strategic equity investor beneficially owned by SBC Communications, Inc. and Telekom Malaysia S.D.N. Berhad.
- 1.5 The Independent Communications Authority of South Africa (“**ICASA**”) was established in July 2000 to bring much-needed stability to the regulatory environment. The introduction of competition was facilitated by the Telecommunications Amendment Act, which was promulgated in November 2001. 7 May 2002, saw the formal end of Telkom’s exclusivity period in fixed-line provision.
  - 1.6 In 2001, Telkom was the first major South African state-owned enterprise to be selected for a public listing. The initial public offering process was completed on 7 March 2003, and the company was listed on the JSE and New York Stock Exchange (“**NYSE**”). Telkom was the first government enterprise to do so, and the listing included a dedicated offer targeting historically disadvantaged individuals and groups.
  - 1.7 On 30 May 2008, Telkom received a non-binding proposal from Vodafone seeking a stake in Vodacom from Telkom. In October 2008, Telkom Board obtained approval from the major shareholder, the Government of South Africa, to dispose of 15% of the shares. The remaining shares held by Telkom (35% of the issued share capital of Vodacom) were to be distributed to Telkom shareholders in South Africa and other eligible jurisdictions. The transaction was completed in March 2009 and resulted in Vodacom’s listing on the JSE in May 2009.
  - 1.8 Effective as of 27 August 2009, Telkom was delisted from the NYSE. Telkom maintains a level 1 American Depositary Receipt programme to facilitate over-the-counter trading in the United States of America.
  - 1.9 In October 2010, Telkom launched its new mobile service, branded as 8.ta to increase competition in the local mobile market. To improve coverage and connectivity Telkom constructed 800 base stations across the country with plans to construct a further 3200 base stations over time. 8.ta also entered into a national roaming agreement with MTN to extend its coverage reach. The brand was later migrated into Telkom Mobile.
  - 1.10 In May 2014, Telkom announced its intention to acquire all the ordinary share capital of BCX, one of the largest ICT service providers. Telkom’s acquisition was in line with its strategy to grow beyond its core business of connectivity by expanding into ICT services. BCX became a wholly owned subsidiary of Telkom in August 2015 and following the acquisition, terminated its listing on the main board of the JSE. Effective 1 April 2017, Telkom formed a wholly owned subsidiary, Gyro, which is responsible for managing Telkom’s masts and towers, property development and property management services on behalf of the Group.
  - 1.11 The Telkom Small & Medium Business (“**SMB**”) was formed on 1 April 2019 by carving out the small and medium business customers from Telkom Consumer and BCX. The SMB division was established to drive an increased focus on small and medium business customers. Trudon also formed part of this division when it was established. In 2020, the division evolved into Yep! An e-market place for businesses geared to be the go-to-place providing digital solutions for small and medium businesses in South Africa to connect and grow. Yep! Now reports under Telkom Consumer.
  - 1.12 Telkom, which started as an incumbent fixed-line operator has, over the years, grown into a group of diversified companies. Telkom continues to consider its options to maximise value for shareholders, premised on Telkom’s market capitalisation not reflecting its intrinsic value. Telkom remains committed to its value unlock programme which aims to commercialise infrastructure assets to fund sustainable long-term growth.

## **2. SOUTH AFRICA'S TELECOMMUNICATION MARKET OVERVIEW**

### **2.1 Market Overview**

The South African telecommunications market is well developed and heading towards maturity with FTTx, 4G LTE and 5G are emerging as main growth drivers in the sector. 4G potential is still underutilised and carriers will look to migrate remaining 2G/ 3G low-value prepaid users to LTE over the short term. 5G will gain traction but albeit slowly as inflation, poor economic growth and low disposable spending powers will keep wider upselling limited to major urban areas. Operators will look to expand the scale and scope of their coverage using the new airwaves, while a series of roaming agreements will further facilitate growth in the wireless market. (FitchSolutions, Q32023).

### **2.2 Latest Updates and Industry Developments**

In August 2022, ICASA kicked off the second spectrum licensing auction by publishing an Information Memorandum (IM) to solicit comments on potential frequency bands to be included in the licensing process. The IM containing all auction-related information (spectrum bands, caps, reserve prices, obligations, etc.) has not yet been published. We anticipate that more than 200 MHz of new spectrum will be offered in the second auction in the 2024/2025 financial year. In terms of the April 2022 settlement agreement between ICASA and Telkom, ICASA will consider the spectrum holdings emanating from the previous auction, including the imbalances in the sub 1 GHz band, and the impact of the auction on competition when designing the next auction. In addition, ICASA will conduct an inquiry into a secondary market for spectrum.

### **2.3 Structural Trends**

Taking into consideration the government's announcements that it will shut down 2G and 3G networks over the medium term, the transition to 4G as the principal method of connection and enhanced competition, it is expected that there will be c.138.3 million subscribers by 2032, representing a penetration rate of more than 200%. The elevated penetration rate takes into account the expectations that much of the population will own multiple or inactive SIMs, having taken advantage of competitive pricing initiatives by the operators as competition intensifies and drives mobile uptake.

At the end of December 2022, the South African mobile market registered a penetration rate of around 180%, indicating that the market is highly saturated despite the likelihood that up to a third of subscriptions registered by network operators are either inactive or a second SIM. Ownerships of multiple SIMs will continue over the long term as 4G/5G networks become more established and competition grows. Operators are increasingly focused on the issue of customer retention strategies (with streaming video one avenue being pursued) and relationship deepening as a means of sustaining revenue growth. Despite the high penetration of smart devices and 4G LTE connectivity, there is still room to grow data usage, but the networks are clogged.

The shutting down of 2G/3G networks should accelerate the deployment of 4G and 5G, the former of which is underutilised at present, as infrastructure and spectrum of older technologies can be re-farmed for those more advanced. The main factor that had inhibited stronger growth in 4G/5G over the past few years was the government's inability to auction airwaves in the 700MHz, 800MHz, 2600MHz and 3500MHz bands. The March 2022 auction resulted in Vodacom and MTN emerging as the largest buyers, followed by smaller acquisitions by other licensees, including Cell C. The new airwave allocations provide cost-efficiencies in the deployment of mobile networks.

Consumer-focused 5G mobile services were launched by Vodacom and MTN in mid-2020; however, the pace of commercial 5G services will be slow and measured through to 2032. These will be limited to high value areas, where uptake of premium devices and spending on mobile services justifies

investment. Rather, 4G will be the core access technology, with weaker prospects for a mass-market adoption of 5G services expected during the forecast period.

Average revenue per users (“**ARPU**s”) have been stable with small decreases, as MTN, Telkom and Vodacom have sought to move away from price competition wrought by Cell C. This is in line with the view that the South African market is mature enough for operators to differentiate themselves and compete in terms of network quality, coverage, data and advanced mobile services. The upward trend in ARPU is supported should the commoditisation of voice services and larger data bundles reduce the instances of multi-SIM usage (FitchSolutions, Q32023).

## 2.4 **Wireline Voice and Broadband**

Telkom is currently a significant player in the wireline broadband market, but with continued investment in 4G, 5G and fibre-optic networks by, it can be expected for wireless access technologies to become a much more important as the environment becomes more competitive environment.

As the spectrum crunch limits the profitability of building high-capacity mobile data networks in less populated areas, mobile operators can be expected to direct a growing proportion of investments to their wireline networks, in order to offer fixed broadband and converged services. Increased investment in these networks will encourage urban dwellers that currently rely on smartphone connections to take up dedicated broadband connections. We believe that clearer regulation and private sector investment incentives would be more effective tools than direct state intervention in the market (FitchSolutionsQ32023).

### 3. LEGAL STATUS

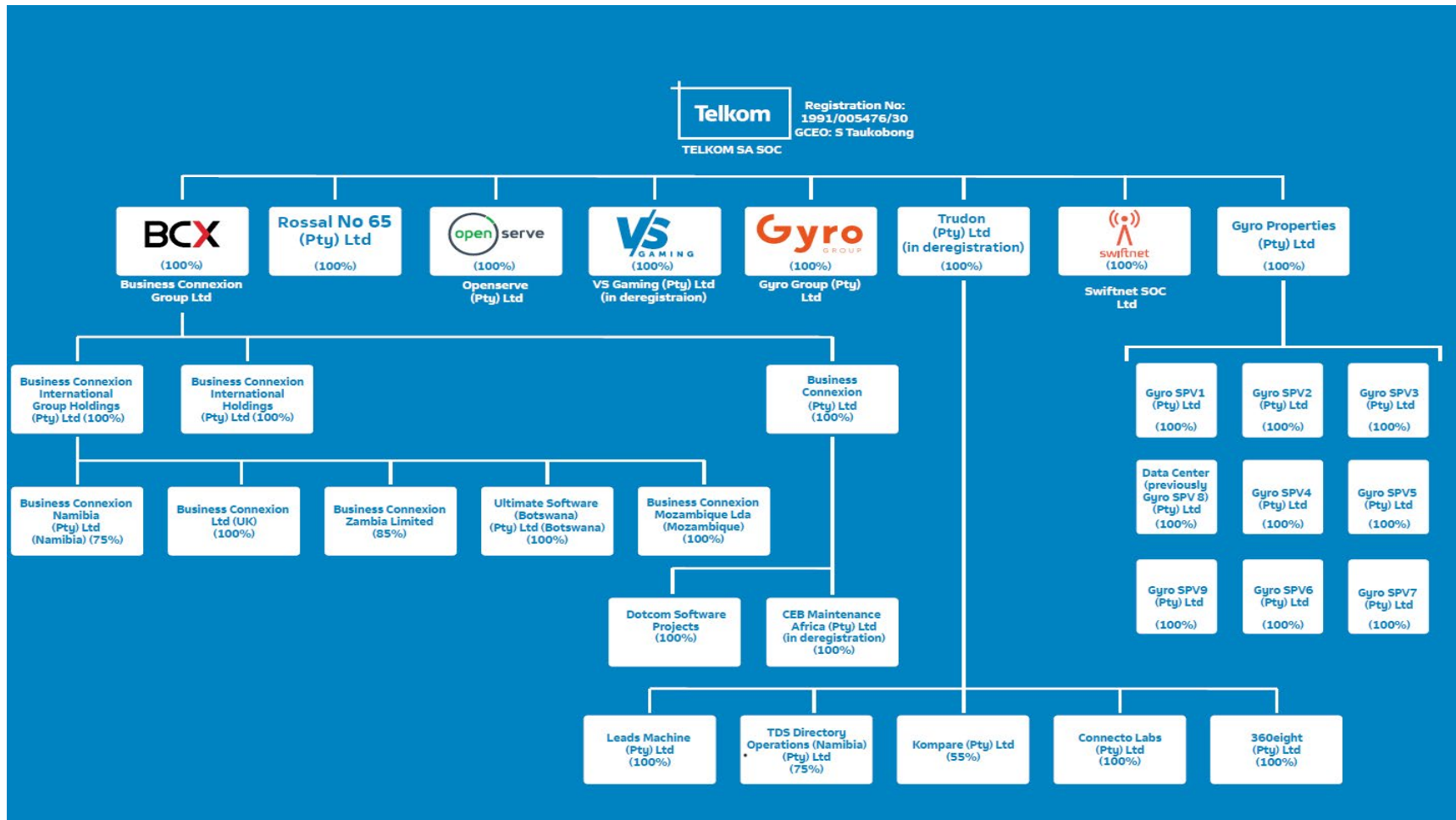
3.1 Telkom was incorporated on 1 October 1991 under the laws of South Africa and is regulated under the Companies Act, 2008 (the "**Companies Act**"). Telkom is listed on the JSE with the share code TKG.

3.2 Telkom has the following details:

<b>Registration number</b>	1991/005476/30.
<b>Registered place of business</b>	61 Oak Avenue, Highveld, Techno Park, Centurion, 0157.
<b>Financial year</b>	Telkom's financial year end is currently 31 March of each year.
<b>Annual Financial Statements</b>	The annual audited financial statements of Telkom are drawn up in accordance with International Financial Reporting Standards (" <b>IFRS</b> ") and the Companies Act.
<b>Auditor</b>	The auditor of Telkom as at the Programme Date is PricewaterhouseCoopers Inc.
<b>Company Secretary</b>	Ephy Motlhamme.
<b>Company Secretary Address</b>	61 Oak Avenue, Highveld, Techno Park, Centurion, 0157.
<b>JSE Share code</b>	TKG.
<b>ISIN code</b>	ZAE000044897.
<b>Debt Officer</b>	Warren Adams, Group Executive Treasury.

## 4. MANAGEMENT AND CONTROL

### 4.1 Group Structure





As at the Programme Date, Telkom's equity shareholding is set out below:

<b>Equity shareholders</b>	<b>FY2023</b>
Institutional investors	44.6%
Government of South Africa	40.5%
Non-institutional shareholders	9.4%
Treasury shares	5.5%

As at the Programme Date, Telkom's Institutional shareholding by investment style is set out below:

<b>Institutional shareholding by investment style</b>	<b>FY2023</b>
Value	34.7%
Hedge Fund	17.8%
Growth at a reasonable price	14.3%
Index	10.1%
Growth	9.2%
Other	13.9%

## 4.2 Board of Directors

The Telkom Board of Directors (the "**Board**") are responsible for directing the Group towards the achievement of the Telkom vision and strategy and is accountable for the following:

- Group's strategy;
- Group operating performance;
- Group financial results; and
- Overseeing risk and compliance across the Group,

The Board provides an integrated approach to governance and management of risk and compliance, supported by a risk and compliance operating model aligned with Telkom's business model. Telkom's Board is committed to practising good corporate governance principles through enhancing business activities to foster an ethical culture, good performance and effective control. The Board also continuously enhances corporate governance to improve society's confidence in Telkom and drive long-term sustainability. The Board understands and accepts its responsibility as the custodian of corporate governance in Telkom. The governance structure provides for the delegation of the Board's authority, while enabling it to maintain effective monitoring and oversight. The Board, through the Delegation of Authority (the "**DoA**"), ensures effective coverage and legitimacy while delivering good performance.

As at the Programme Date, the Board comprises of 11 Independent Non-executive Directors and 2 Executive Directors. The members of the Board are set out below:

- (a) **Geoffrey Qhena (57)**  
 Independent Non-Executive Director (*Chairperson*)  
 Qualification : BAcc (Honours), CA (SA)  
 Appointed: 27 March 2023  
 Board Committee Membership: Nominations Committee (*Chairperson*), Remuneration Committee  
 Other Directorships: Exxaro Resource Limited and Investec Bank Limited
- (b) **Serame Taukobong (52)**  
 Executive Director (*Group Chief Executive Officer*)  
 Qualification: BSc Chemistry  
 Appointed: 1 January 2022  
 Board Committee Membership: Investment & Transactions Committee and Social and Ethics Committee  
 Other Directorships: Business Connexion Group Limited, Business Connexion (Pty) Ltd, Gyro Group Ltd, Gyro Properties (Pty) Limited, Swiftnet SOC Limited and Trudon (Pty) Limited
- (c) **Nonkululeko Dlamini (50)**  
 Executive Director (*Group Financial Officer*)  
 Qualification: BCom Accounting, Higher Diploma in Accounting, CA (SA)  
 Appointed: 1 December 2023  
 Board Committee Membership: Social and Ethics Committee  
 Other Directorships: Business Connexion Group, Business Connexion (Pty) Ltd, Gyro Group Ltd Gyro Properties (Pty) Limited, Swiftnet SOC Limited and Trudon (Pty) Ltd
- (d) **Ethel Matenge-Sebesho (68)**  
 Independent Non-Executive Director  
 Qualification: Associate Diploma in Banking (CAIB) SA, MBA  
 Appointed: 1 July 2021  
 Board Committee Membership: Nominations Committee, Risk Committee, Audit Committee and Social & Ethics Committee (*Chairperson*)  
 Other Directorships: First National Bank of Ghana, Distell Group Holdings Limited, Ashburton Investments and FinMark Trust
- (e) **Sibusiso Sibisi (68)**  
 Independent Non-Executive Director  
 Qualification: BSc (Physics), PhD  
 Appointed: 1 April 2019  
 Board Committee Membership: Investment & Transactions Committee, Risk Committee and Social & Ethics Committee  
 Other Directorships: Liberty Holdings Limited and First Rand Bank Limited

- (f) **Olufunke Ighodaro (60)**  
 Independent Non-Executive Director  
 Qualification: BSc (Honours), CA (SA)  
 Appointed: 1 July 2021  
 Board Committee Membership: Investment & Transactions Committee, Remuneration Committee and Risk Committee  
 Other Directorships: Old Mutual Limited, Old Mutual Life Assurance SA and Sabvest Capital Limited
- (g) **Sibusiso Luthuli (50)**  
 Independent Non-Executive Director  
 Qualification: BCom, CA (SA)  
 Appointed: 25 May 2018  
 Board Committee Membership: Audit Committee, Investment & Transactions Committee (*Chairperson*)  
 Other Directorships: Mpact Limited and Mpande Property Fund Manager (Pty) Limited
- (h) **Keith Rayner (67)**  
 Independent Non-Executive Director  
 Qualification: BCom, CTA, CA (SA)  
 Appointed: 15 July 2019  
 Board Committee Membership: Audit Committee (*Chairperson*), Investment & Transactions Committee and Risk Committee.  
 Other Directorships: Appropriate Process Technologies (Pty) Limited, Nexus Intertrade (Pty) Limited and Sibanye Stillwater Limited
- (i) **Herman Singh (62)**  
 Independent Non-Executive Director  
 Qualification: BSc. Mechanical Engineering, Graduate Diploma in Industrial Engineering, MBA  
 Appointed: 25 September 2020  
 Board Committee Membership: Audit Committee and Risk Committee  
 Other Directorships: Adcorp Holdings Limited, 4Sight Holdings Limited, Payments Association of SA and African Bank Limited
- (j) **Brian Kennedy (63)**  
 Independent Non-Executive Director  
 Qualification: BSc Electrical Engineering, MSc Electrical Engineering, MBA, Registered Professional Engineer  
 Appointed: 15 July 2022  
 Board Committee Membership: Social and Ethics Committee, Investment & Transactions Committee and Remuneration Committee (*Chairperson*)  
 Other Directorships: Ecobank Transnational Incorporated, African Rainbow Minerals and AfriSam Holdings (Pty) Limited

(k) **Prudence Lebina (42)**

Independent Non-Executive Director

Qualification: BCom, Higher Diploma in Accounting

Appointed: 15 July 2022

Board Committee Membership: Audit Committee and Investment & Transactions Committee

Other Directorships: DRD Gold Limited and Growthpoint Properties Limited

(l) **Ipeleng Selele (46)**

Independent Non-Executive Director

Qualification: MSc International Strategy

Appointed: 15 July 2022

Board Committee Membership: Nominations Committee and Social & Ethics Committee

Other Directorship: Siemens Energy SA Limited and Mahlako Energy Infrastructure

(m) **Sung Yoon (60)**

Independent Non-Executive Director

Qualification: BA, MBA

Appointed: 1 May 2022

Board Committee Membership: Investment & Transactions Committee and Risk Committee

Other Directorships: None

(n) **Louis von Zeuner (62)**

Independent Non-Executive Director

Qualification: BA, MBA

Appointed: 10 December 2012

Board Committee Membership: Audit Committee, Remuneration Committee and Risk Committee (*Chairperson*)

Other Directorships: FirstRand Limited, FirstRand Bank Limited, Sappi Limited and Transnet SOC Limited

#### 4.3 **Board Committees**

The Board formally established an independent Board ("**iBoard**") as a governance structure on 18 August 2022 with the approval of its terms of reference. The iBoard was established in terms of the Companies Act and the Takeover Regulations to perform all and any acts and take all and any decisions which may be performed by an independent board pursuant to any proposed transaction that may be presented to the Company. The Board approved amendments to the Committees' terms of reference and the Board charter in FY2023. The amendments included, among others, the application of ESG framework adopted by the Board and the responsibilities of the respective Board Committees regarding ESG oversight. The most comprehensive amendment was to the Social and Ethics Committee due to the maturity and evolution of its role over the years from time to time. The Board Committees assist the Board in discharging its duties and responsibilities. The Board amends each Committee's terms of reference to align with best governance practices and Telkom's ESG Strategy. From time to time, governance practices are reviewed against the King IV provisions and introduce further enhancements. The Board delegates some of its activities to duly constituted

Committees to assist with discharging its duties. The Telkom Board has six (6) Committees each guided by its own terms of reference. These Committees are:

(a) **Audit Committee**

The Audit Committee is a statutory Board Committee per the provision of the Companies Act. It is mandated in terms of the DoA and is charged with the independent role of accountability. The Committee is responsible for internal and external financial control, internal audit, external audit, risk management, combined assurance, financial reporting (including the financial statements), integrated reporting, communication with shareholders, King IV adherence and legal and regulatory matters related to accounting activities. The Committee also monitors Telkom's progress in improving Environmental Social and Governance disclosures.

(b) **Nominations Committee**

This Committee is responsible for reviewing and making recommendations to the Board on most governance-related matters, particularly the composition of the Board and its committees. This includes all aspects of diversity. The Committee works closely with the Remuneration Committee on succession planning for Executive Directors and critical roles. The Committee also ensures that Board members appointed fulfil the fit and proper test as prescribed by the JSE Listing Requirements and the Companies Act.

(c) **Investment and Transactions Committee**

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

(d) **Remuneration Committee**

This 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.

(e) **Risk Committee**

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 transversal, and IT related cybersecurity risks. It also oversees and monitors governance of risks, through the Group's Enterprise Risk Management ("**ERM**") framework and its system of internal controls. It continues to focus on managing cybersecurity, IT governance and technology and information-related activities.

(f) **Social and Ethics Committee**

A statutory Board Committee per provisions of the Companies Act. Its activities emphasise the environment and social, governance and ethics-related matters.

#### 4.4 Directors' and debt officer's declarations

None of the directors nor the debt officer of the Issuer mentioned above have:

- (a) ever been adjudged bankrupt, insolvent or sequestrated in any jurisdiction or entered into any voluntary compromise arrangements with their creditors;
- (b) ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary compromise arrangements or any compromise or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);
- (c) ever been involved in any compulsory liquidations, administrations or partnership voluntary compromise arrangements of any partnerships where they were partners at the time of, or within 12 months preceding, any such event(s);
- (d) ever been involved in any receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event;
- (e) ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (f) ever committed an offence involving dishonesty;
- (g) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- (h) ever been barred from entry into a profession or occupation;
- (i) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act;
- (j) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or
- (k) ever been declared delinquent or placed under probation by virtue of a court order in terms of section 162 of the Companies Act and / section 47 of the Close Corporations Act or disqualified to act as a director in terms of the Companies Act.

#### 4.5 King IV adherence

The Telkom Board subscribes to, and is fully committed to, sound business principles and practices of integrity and accountability and values of good corporate governance as espoused in the Code of Corporate Practices and Conduct of King IV (the "**Code**"). In so doing, the Directors recognise the need to conduct the enterprise in accordance with best corporate practices. The Board is committed to continuously enhancing corporate governance to improve society's confidence in Telkom and drive long-term sustainability. Telkom complies with the provisions of the Companies Act and the laws of establishment, specifically relating to its incorporation and it operates within conformity with its memorandum of incorporation and all relevant constitutional documents. The King IV governance enhancement areas largely included, among others, embedding an ethical culture, IT governance, ERM and supplier contract management.

#### 4.6 Environmental, Social and Governance

- (a) Telkom has made significant strides in its ESG journey with the introduction of a new operating model to support the execution of the strategy approved in FY2022. This is a hybrid model led by a small

Group central team, supported by ESG champions in each of the business units, and the establishment of a Group-wide ESG Impact Council for oversight and accountability. Telkom is heartened by the measurable progress made in FY2023 on the goals it set and will continue to refine its approach through the lenses of governance, strategy, management, metrics and performance, in line with market and stakeholder expectations.

- (b) The Telkom sustainability performance is monitored by the Board's Social and Ethics committee, Group Executive Committee and its sustainable development integration is reflected across all its operating companies. The aforementioned statement is confirmed by the establishment of the ESG Impact Council.
- (c) The Board provides oversight on the important areas of Telkom's ESG credentials that can be enhanced by focusing on the Group's approved ESG strategy, which has clearly defined focus areas, targets and deadlines.
- (d) Telkom has incorporated its ESG Strategy metrics into the performance conditions for the Financial year ending March 2024 to drive accountability for its achievement from the executive director and group prescribed officer level.

#### **4.7 Nomination Policy for non-Executive Directors**

- (a) Nominations put forward shall be reviewed by the relevant committee. The committee recommends a short list for consideration by the Board. Such a list is obtained through, amongst others, executive search firms and recommendations from other Board members. An expression of interest is provided to selected candidates by the chairperson. The candidate will be provided with the relevant information about the role, responsibility, contribution and time commitment such an appointment would entail and the remuneration.
- (b) Upon acceptance by the candidate, the Board will perform a fit and proper assessment in order to evaluate the suitability of the candidate/s and such a record of the outcome of the assessment shall be filed by the Group secretary. The fit and proper assessment test will include consideration of the candidate's suitability to hold the position, and whether the candidate is a domestic prominent influential person. Thereafter, the Board resolves to appoint the director and in accordance with the company's memorandum of incorporation and the candidate will stand for election by shareholders at the next annual general meeting of Telkom. Prior to the annual general meeting, shareholders will be given information relating to the candidate to consider for election.
- (c) The ideal profile and competencies of candidates for Non-Executive Director appointment shall be determined by the Board collectively when the need arises, and it shall be consistent with the Companies Act and be informed by business requirements at a specific point in time.

#### **4.8 Performance Management Framework**

- (a) Performance management processes apply to all employees, including setting and tracking clearly defined performance objectives and targets linked to business strategy. Formal half-year and year-end performance reviews remain a key component of the performance management process. Telkom has shifted the focus towards a continuous performance management approach to allow for ongoing and formal review processes. The performance management framework seeks to create a high-performance culture as a priority and requires enabling initiatives to build the foundational skills needed to support such a culture. Telkom is working diligently to ensure we enable this through:
  - (i) improved conversations through clear and real-time communication and empathetic and purpose-led discussions;
  - (ii) improved productivity through ongoing performance updates, strategic alignment and agility; and
  - (iii) a culture of accountability and consequence management.

- (b) The Performance Management Framework consist of the following:
- (i) **Balance scorecard approach for output planning.** Performance contracting is aligned to four elements namely Financial, Strategic Execution, Consumers and ESG including people/ leadership;
  - (ii) **Success Criteria** where a Five-point rating scale is used including Exceptional, Above Standard, On Target, Requires Improvement and Unsatisfactory;
  - (iii) **Support through development and training.** This considers personal and career development needs and interest in the context of the business and job requirements;
  - (iv) **Continuous** and formal half-year and year-end review with ratings; and
  - (v) **Output/Consequences** which includes Performance Management outcomes are linked to short-term incentive and long-term incentive.

## **5. LEGAL PROCEEDINGS**

### **5.1 Radio Surveillance Security Services (“RSSS”)**

On 27 August 2020, RSSS served a new summons on Telkom based largely on the same events which gave rise to its previous unsuccessful action. RSSS is claiming the return of 444 alarm systems, alternatively payment of R210 million and a payment of R319 million for alleged outstanding rentals for certain disputed alarm monitoring systems. Pleadings have closed in the matter. Telkom has applied for the liquidation of RSSS as a result of several cost orders in Telkom's favour. The liquidation proceedings were argued on 17 February 2023, and RSSS has now been placed in provisional liquidation.

### **5.2 Class action against Telkom and Mutual and Federal Risk Financing Limited**

During June 2021, Telkom received a High Court application to certify a class action against it. The application arises from minor billing discrepancies on device insurance premiums relating to VAT. Mutual and Federal Risk Financing Limited acted as an underwriter for the device insurance and has also been cited in the court proceedings. Telkom is continuing to take steps to oppose the application for certification of the class action.

### **5.3 Phutuma Networks (Pty) Limited (“Phutuma”)**

In August 2009, Phutuma served a summons on Telkom, claiming damages in the amount of R5.5 billion, arising from a tender published by Telkom in November 2007. The High Court granted absolution from the instance in Telkom's favour. The Supreme Court of Appeal (SCA) had initially dismissed Phutuma's application for leave to appeal in October 2014. On 4 November 2014, the SCA rescinded its order granted in October 2014. In early 2015, the SCA referred to the application for leave to appeal back to the full bench of the North Gauteng High Court. The leave to appeal was heard in September 2016 and was upheld. The matter now needs to be re-enrolled for trial. To date, Phutuma has failed to set down the matter for hearing before the same judge who granted absolution. Telkom has proposed that the matter begin anew before a new judge. Telkom has not heard from Phutuma, and it has taken no further steps to advance the litigation.

### **5.4 Masstores Proprietary Limited (“Masstores”)**

During November 2021, Masstores (a subsidiary of Massmart Limited) launched arbitration proceedings against BCX claiming damages in the amount of approximately R160 million as a result of alleged breach of contract. Masstores were recently granted leave to amend its claim after BCX filed various exceptions. BCX recently filed its statement of defence and counterclaims. Pleadings have now closed, and the parties have referred the matter for arbitration.

### **5.5 Government Gazette announcement on Telkom**

On 25 January 2022, Telkom received notice that the Special Investigating Unit (“SIU”) would launch an investigation into contracting and procurement processes in respect of telex and advisory services and



alleged maladministration in the disposals of iWayAfrica, Africa Online Mauritius and Multi-Links Telecommunications. Telkom has approached the High Court to declare the proclamation on the SIU invalid. Telkom contends that the SIU has no jurisdiction over it. The High Court challenge was heard during November 2022, and the judgement was granted in favour of Telkom. The SIU has applied for leave to appeal the judgment.

Telkom follows robust corporate governance principles and has done so in executing the Telkom strategy to consolidate its operations in South Africa. Most of the aforementioned matters have been repeatedly reported on in respective Telkom reports. Therefore, at this point, Telkom expects no material impact on its financial statements resulting from the outcome of the SIU investigation.

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## INVESTOR CONSIDERATION/RISK FACTORS

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*Capitalised terms used in this section headed “Investor Considerations/Risk Factors” shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

*The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it at the Programme Date, or which it may not currently be able to anticipate at the Programme Date. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in the Programme Memorandum to reach their own views prior to making any investment decision. The information given below is as at the Programme Date. References in this section to the “Group” are to Telkom SA SOC Ltd and its subsidiaries.*

### 1 INDEPENDENT REVIEW AND ADVICE

Each purchaser of and investor in the Notes is fully responsible for making its own investment decisions as to whether the Notes (i) are fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary). Purchasers of and investors in Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of or associated with investments in the Notes. Purchasers of and investors in Notes should ensure that they fully understand the risks of or associated with investments of this nature which are intended to be sold only to sophisticated investors having such knowledge, appreciation and understanding.

## FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

### 2. RISKS RELATING TO THE ISSUER

***The Group continues to consider options to maximise value for shareholders and as part of its value unlock strategy may sell part of its assets and/or introduce equity partners in its subsidiaries.***

The Group's value unlock strategy is premised on Telkom's market capitalisation not reflecting its intrinsic value. To unlock the trapped value, Telkom plans to commercialise its infrastructure assets to fund sustainable long-term growth. The Group will therefore continue to explore options of outright disposals as well as seeking partners to invest in certain business units. The outright disposals may impact future asset value, and the introduction of equity partners may have an effect on shareholding.

***The investments, business, profitability and results of operations of the Group may be adversely affected by difficult conditions globally and in South Africa.***

The outbreak of the coronavirus ("**COVID-19**") pandemic has adversely impacted and continues to adversely impact the global economy, disrupted global supply chains, created significant volatility and disruption in financial markets, and increased unemployment levels. The COVID-19 pandemic resulted in the temporary closure of many businesses, and the institution of physical distancing and country-wide lockdowns impacted communities in countries across the globe, including South Africa, where Telkom generates its revenues. As a result, the demand for the Group's products and services has been impacted and may, in the future, be significantly affected. The restriction supported an increase in Telkom's services but the long-term impact on consumers is only starting to show. Higher unemployment levels post the pandemic, closure of small business, while higher inflation and interest rates have eroded consumers' disposable income. This will undoubtedly impact on consumer spend going forward and may add pressure on discretionary spend. Consequently, Telkom is exposed to material bad debt as Telkom consumers are experiencing financial distress.

The long shadow of loadshedding is dampening growth prospects and threatens to delay development of a local digital economy. Resources are now being directed on securing consistent, alternative power instead of improving network coverage and quality, resulting in an increase in operating expenses.

***A deterioration in the South African economy may adversely affect Telkom's business and results of operations in a manner that may be difficult to predict.***

The Group's business and results may be impacted by several South African macroeconomic conditions, including loadshedding, subdued economic growth, rising unemployment, increases in inflation and/or interest rates and adverse foreign exchange rate movements. This will be exacerbated by increased loadshedding beyond stage four which will not allow batteries to fully recharge between outages. This will result in poor customer experience and adversely impact on Telkom business.

No assurance can be given that the Group would be able to sustain its current performance levels if the current South African macroeconomic conditions were to persist or materially worsen from levels at the Programme Date.

***Telkom's credit downgrade and other liquidity or funding risks (i.e., the impact that such a downgrade may have on Telkom's ability to meet its financial obligations).***

As of the Programme Date, Telkom's long-term rating and national scale rating was assessed by Moody's Investors Service Limited ("**Moody's**") as Ba2 and Aa1.za respectively, with a stable outlook. Standard and Poor's ("**S&P**") affirmed Telkom's Issuer Credit Rating at BB with a stable outlook.

A downgrade of the Issuer's credit ratings may increase its cost of borrowing, limit its ability to raise capital and adversely affect its results of operations.

Telkom's ratings are likely to be downgraded in the case of a further downgrade of South Africa's sovereign rating, sustained deterioration in their Leverage and Liquidity position which would negatively impact their debt serviceability assessments. The rating agencies will however continue to monitor the resilience of Telkom's credit profile against macro-economic shocks.

Further downgrade or potential downgrade of the South African sovereign rating, outlook or a change in rating agency methodologies relating to systemic support provided by the South African sovereign could also negatively affect the perception by rating agencies of the Issuer's ratings.

A security rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

***The uncertainty of South Africa's political landscape may impact the South African economy, which in turn could have a negative effect on the Group's operations and its financial condition in a manner that may be difficult to predict.***

The South African political environment has been characterised by a high level of uncertainty and concerns about the strength and independence of the country's institutions.

Protracted economic weaknesses and the unwillingness of the Government to push for bold action to restructure chronically underperforming SOEs may weaken support for the African National Congress and instead support the development of more radical and populist alternatives to the current administration in the next provincial elections (scheduled to be held in 2024).

***The investments, business, profitability and results of operations of the Issuer may be adversely affected by risks relating to the Group's internal processes and operations.***

Fraudulent activity may result in financial losses which may have an adverse effect on the operations of the Group. The Group faces the risk of regulatory sanction, reputational damage and financial losses due to fraud, crime and misconduct. Internal and external fraud remains a risk, the Group continues to invest in maintaining an appropriate control environment as the forms of fraud evolve in sophistication and complexity.

As the Group grows its digital offerings and footprint, the risk of impersonation and breaches of logical access management, which could result in regulatory sanction, reputational damage, or financial loss, is heightened.

Should the Group fall victim to fraudulent activities or be unable to detect or mitigate fraudulent activities, this may have an adverse effect on the business, financial condition, and results of operations of the Group.

***Cyber-crime may result in losses which negatively impact the Group's business, financial condition and/or results of operations.***

The Group's operations are largely dependent on its own information technology systems and those of its third-party service providers. The Group could be negatively impacted by cyber-attacks on any of these.

The Group is cognisant of the mounting risk posed by cyber-crime. The telecommunication sector is also a targeted economic sector from a cyber-threat perspective. The key sources of concern include the escalating sophistication of threats, the increased volume of cyber-attacks in the world at large, and an ever-expanding cyber-attack surface. A successful cyber-attack could result in material losses of client or customer information, sabotage and/or damage of computer systems, reputational damage and may lead to regulatory penalties or financial losses.

***A failure or interruption in or breach of the Group's information technology systems could have an adverse effect on the Issuer's business, financial condition and/or results of operations***

The Group's technology risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of technology by the Issuer. It consists of technology-related events and conditions that could potentially impact the business, including but not limited to technology changes, updates or alterations, digital services and cloud computing. A key consideration within technology risk is the Issuer's strategic focus to effectively adopt and use technology to achieve business objectives and be competitive.

The Group's main technology risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems, failure or exposure of a third-party service provider used by the Issuer and the inability to serve its customers' needs in a timely manner.

The Group has a high dependency on its technology systems and operations infrastructure to conduct its business. The Group regards these systems as critical to improving productivity and maintaining the Group's competitive edge. The Group has introduced digital solutions, and it actively encourages customers to switch from physical to digital channels. If the Group's information systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business and adverse financial implications.

***The Group may face increased competition from established telecommunications operations or new entrants into the markets it operates in.***

The Group is subject to significant competition from competitors operating in its markets. The Group's competitors compete for the same customers as the Issuer and/or other members of the Group. The Group also faces competition from other entities that increasingly provide similar services to those offered by the Group, including entities such as retailers, banks, insurers and other technology companies.

The Group operates in an increasingly competitive environment, particularly around pricing, across its markets. The Group's competitors generally fall into two broad categories: (i) international diversified telecommunications companies; and (ii) local telecommunications companies. Some of the Group's global competitors have substantially greater financial, personnel, technical, marketing and other resources.

Increased competition increases the risk of churn, a reduction in the rate at which the Group is able to add new customers, or a decline in customer numbers and a decrease in the Group's market share as customers purchase electronic communications and other competing services, from alternative providers and/or increasingly switch between providers depending on pricing and the products and services that are being offered. Increasing competition places downward pressure on prices that the Group may charge for its services and may lead to further price declines in the future. This could adversely affect its overall profitability.

There can be no assurance the Group will not experience increases in churn rates, reflected in increased customer deactivations, particularly as competition for existing customers intensifies. An increase in churn rates may result in lower revenue and higher costs resulting from the need to replace customers and may consequently have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may suffer reputational or financial damage as a result of misconduct by third- and fourth-parties.***

The Group outsources certain services to third-party service providers. The Group faces a risk of loss or disruption to its services due to ineffective management of third- and fourth-party relationships by the Group, and misconduct, such as participation in financial crimes, by third- and fourth-parties.

***Fluctuations in rates could increase the Group's finance costs.***

The Group's finance costs are highly sensitive to many factors beyond its control, including the interest rate, exchange rate, monetary policy and fiscal policy. The floating rate portion of the Group's loans and borrowings is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. Consequently, because a significant portion of the Group's debt is subject to floating interest rates, any increase in such reference rates will result in an increase in its interest rate

expense and may have a material effect on its financial condition, results of operations and prospects. Any future unhedged interest rate risk may result in an increase in the Group's interest expense and may have a material adverse effect on its business, its financial conditions and results of operations.

***If the Group's risk management and loss limitation methods fail to adequately manage its exposure to losses, the losses it incurs could be materially higher than its expectations and its financial condition and results of operations could be materially adversely affected.***

The Group historically has sought and will in the future seek to manage its exposure to losses through a number of loss limitation methods, including internal risk management procedures.

The Group's methods of managing risk include setting a Group framework for general risk management and internal audit which are then implemented by its business units and subsidiaries. These methods may not predict future exposures, which could be significantly greater than anticipated. The Group's risk management methods depend on the evaluation of information regarding markets or other matters that are publicly available or otherwise accessible to it and the successful implementation by its business units and subsidiaries that could impact their ability to implement the Group risk framework and manage their risks; for example, reducing staff tasked with monitoring fraud could result in the Group being impacted by increased fraud-related costs. Accordingly, if the estimates and assumptions that it enters into its risk models are incorrect, if such models prove to be an inaccurate forecasting tool, or if its business units and subsidiaries fail to successfully implement its risk framework and policies, the losses it might incur could be materially higher than its expectation of losses, and its financial condition and results of operations could be adversely affected.

***Adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates and correlations, could impact the market value of the Group's financial instruments.***

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, which is caused by adverse movements in market variables such as equity, bond prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Group's key market risks are commodity, interest and currency risk.

***Continued cooperation between the Group and its key equipment and service providers is important to maintain its telecommunications operations.***

Once a manufacturer of telecommunications equipment has designed and installed its equipment within the Group, the Group will often rely on such manufacturer for continued service and supply. The Group outsources the management and operation of some of its infrastructure to the original equipment manufacturer or technology provider. The Group's ability to maintain and grow its subscriber base depends in part on its ability to source adequate supplies of network equipment and on the effective management and operation of its network equipment by third parties.

The Group's reliance on third-party equipment and service providers subjects it to risks resulting from any delays in the delivery of services. The Group cannot assure investors that its key equipment and service providers will continue to provide equipment and services to it at attractive prices or that it will be able to obtain such equipment and services in the future from these or other providers on that scale, in the geographies where it operates and within the time frames required, if at all. The inability or unwillingness of key equipment and service providers to provide the Group's operations with adequate equipment and supplies on a timely basis and to manage its infrastructure in accordance with best practices, including at attractive prices, could materially and adversely impact the ability of these operations to retain and attract subscribers or provide attractive product offerings, either of which could materially and negatively impact its business, financial condition, results of operations and prospects.

***Current and future antitrust and competition laws in the countries in which the Group operates may limit its growth and subject it to antitrust and other investigations or legal proceedings.***

Regulators are particularly focused on establishing rules and a regulatory framework for interconnection arrangements between licensed operators, including the regulation of fixed and mobile termination rates (i.e., the rates charged for terminating calls that originate on another operator's network (i.e., that facilitate calling between networks)). The regulated termination rates in South Africa are currently above cost (LRIC+), and smaller operators qualify for an asymmetrical mobile termination rate, although there is nothing preventing an operator from charging a rate below the regulated rate. Any decisions by ICASA to reduce the regulated fixed termination rate at a rate faster than the mobile termination rate and to remove the asymmetry applicable to smaller operators in the mobile market would have a material adverse effect on net call termination revenues.

In addition, competition law is evolving as new precedents are being set and existing or future laws may be implemented or enforced in a manner that is materially detrimental to the Group. The Group cannot predict the effect that current or any future lawsuits, appeals or investigations by the competition authorities will have on its business, financial condition, results of operations or prospects. Although the Group has not been subject to any material competition-related lawsuits in the recent past, there can be no assurance that lawsuits will not occur and as a result cause the Group material losses and expenses. In addition, any fines, or other penalties imposed by a competition authority, as a result of any such investigation, or any prohibition on the Group engaging in certain types of business in one or more of the regions in which it operates, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Allocating spectrum to the controversial WOAN will probably negatively impact the rollout of 5G in South Africa. The spectrum assigned to the wireless open-access network is unlikely to drive the effective rollout of 5G in South Africa.

***The Group is exposed to certain risks in respect of the development, expansion and maintenance of its telecommunications networks.***

The Group's ability to increase its subscriber base depends in part upon the success of the expansion and management of its telecommunications networks. The build-out of the Group's networks is subject to risks and uncertainties which could delay the introduction of services in some areas and increase the cost of network construction. Network expansion and infrastructure projects, including those in the Group's development pipeline, typically require substantial capital expenditure throughout the planning and construction phases and it may take months or years before the Group can obtain the necessary permits and approvals and the new sites become operational. During the planning and expansion process, the Group is subject to a number of construction, financing, operating, regulatory and other risks beyond its control, including, but not limited to:

- a. shortages or unavailability of materials, equipment and skilled and unskilled labour;
- b. increases in capital and/or operating costs, including as a result of foreign exchange rate movements;
- c. changes in demand for its services;
- d. labour disputes and disputes with contractors and sub-contractors;
- e. inadequate engineering, project management, capacity or infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- f. electricity and power interruptions due to electricity load-shedding and/or blackouts, and energy shortages;

- g. legislative and regulatory regimes impacting its business;
- h. failure to complete projects according to specifications;
- i. failure to meet licence obligations;
- j. failure to obtain access to suitable sites for extending the network;
- k. adverse weather conditions and natural disasters;
- l. environmental regulations, including the need to perform feasibility studies and conduct remedial activities;
- m. political, social and economic conditions;
- n. fraud;
- o. accidents;
- p. theft and malfeasance;
- q. terrorism;
- r. changes in law, rules, regulations, governmental priorities and regulatory regimes; and
- s. an inability to obtain and maintain project development permission or requisite governmental licences, permits or approvals.

The occurrence of one or more of these events may have a material adverse effect on the Group's ability to complete its current or future network expansion projects on schedule or within budget, if at all, and may prevent it from achieving the projected revenues, internal rates of return or capacity associated with such projects. There can be no assurance that the Group will be able to generate revenues or profits from its expansion projects that meet its planned targets and objectives, or that such revenues will be sufficient to cover the associated construction and development costs, either of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group's investment plans are based on models reflecting management's predictions and underlying assumptions of the market conditions. There can be no assurance that such models will correctly anticipate actual investment results.***

The Group's investment plans are influenced by its modelling of anticipated investment returns. The Group uses the results of its modelling to identify and execute potential investment strategies. These models rely on certain assumptions of market fundamentals, such as macroeconomic assumptions, economic growth forecasts, pricing and competition in the relevant markets, in determining a given investment's timing, cost and expected profitability for the Group. If actual market conditions deviate from the assumptions underlying these models, the Group could be required to modify, scale back or delay its investment plans. If the Group is not able to modify its plans, its financial returns could be materially adversely affected. Changing market fundamentals could likewise affect its ability to adhere to its expansion plans in ways that could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group maintains and regularly reviews its internal controls over financial reporting, but these controls cannot eliminate the risk of errors or omissions in such reporting.***

The Group maintains and regularly reviews internal controls over its financial reporting. However, internal control over financial reporting has inherent limitations. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, it can be circumvented by collusion or improper management override. It is possible



to design safeguards to mitigate, though not eliminate, this risk. A failure to detect or correct deficiencies and weaknesses in a timely manner could have an adverse effect on the accuracy of financial reporting.

***Actual or perceived health risks or other problems relating to mobile handsets or transmission and/or network infrastructure could lead to litigation or decreased mobile communications usage.***

The effects of any damage caused by exposure to an electromagnetic field have been and continue to be the subject of careful evaluations by the international scientific community, but to date, there is no conclusive scientific evidence of harmful effects on health. However, the Group cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets or transmission infrastructure is not or will not be found to be a health risk.

The Group's mobile communications business may be harmed as a result of these alleged or actual health risks. For example, the perception alone of these health risks could result in a lower number of customers, reduced usage per customer or potential customer liability. In addition, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

***If the Group fails to attract and retain qualified and experienced employees, its business may be harmed.***

If the Group is unable to attract and retain experienced, capable and reliable personnel, or if it fails to recruit skilled professional and technical staff at a pace consistent with its growth, its business, financial condition, results of operations and prospects may be materially adversely affected. Experienced and capable personnel in the telecommunications industry remain in high demand and there is continuous competition for their talents. The Group may not be able to successfully recruit, train or retain the necessary qualified personnel in the future. The loss of some members of the Group's senior management team or any significant number of its mid-level managers and skilled professionals may, particularly with regards to digital content and advertising, result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives such as expansion of capacity or acquisitions and investments. These adverse consequences could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results.***

While only a limited number of the Group's operations, involving an aggregate of approximately 32% of employees (as at the Programme Date), are currently subject to collective bargaining, union or similar labour agreements, more of its operations may in the future be subject to collective bargaining, union or similar labour agreements. In addition, the Group's employees also benefit from local laws regarding employee rights and benefits. If the Group is unable to negotiate acceptable labour agreements or maintain satisfactory employee relations, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs), which individually or in the aggregate, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **3. REGULATORY RISKS RELATING TO THE ISSUER**

Regulations are categorised as follows:

- a. Compliance with the Public Finance Management Act, 1999 ("**PFMA**");

- b. Compliance with the Electronic Communication Act (“**ECA**”)
- c. ICASA Act and the regulations required to operate the business (i.e., spectrum regulations, facilities leasing regulations, interconnection regulations and customer-focused regulations e.g. End-User and Subscriber Service Charter regulations and Historically Disadvantaged Groups (“**HDGs**”) regulations);
- d. B-BBEE and competition regulation;
- e. Infrastructure-related regulation, such as regulations concerning critical infrastructure;
- f. Astronomy Geographic Advantage Act (“**AGA**”) for the protection of radioastronomy services operating in the declared geographic areas (e.g. Northern Cape) (results in restrictions pertaining to the deployment of wireless services within declared areas);
- g. Protection of Personal Information Act, 2013 (“**POPIA**”);
- h. Promotion of Access to Information Act, 2000;
- i. European General Data Protection Regulation; and
- j. Customer-related regulations (i.e., Regulation of Interception of Communications and Provision of Communication-Related Information Act, 2002 (“**RICA**”).

***The impact of any future change in law or regulation on the Issuer’s business is uncertain.***

The Issuer is subject to the laws, regulations, administrative actions and policies of the South African government and regulators, including the ICASA and those of each other jurisdiction in which it operates, and the Issuer’s activities may be constrained by applicable legal and regulatory requirements. Changes in regulation and supervision, particularly in South Africa, could materially affect the Issuer’s business, the products or services offered, the value of its assets and its financial condition.

Through the spectrum auction concluded in March 2022, competition was constrained as only two bidders obtained the most allocations. Although Telkom obtained sub 1 GHz spectrum in the auction, it was limited only to 22 MHz licensed to Telkom in the band to be used for initial 5G deployments, in addition to the existing 28 MHz licensed to Telkom in the band. The final date for migration of broadcasting systems operating above 694 MHz (i.e. in 700 MHz and 800 MHz bands) was set at 31 July 2023.

Furthermore, the high price of spectrum increased Telkom’s debt leverage position substantially. The increased debt levels will also result in an increased weighted average cost of capital, resulting in investors having to demand more from their investments as a result of an increase in the financial risk profile for Telkom.

In addition, several obligations are attached to the spectrum awarded to Telkom, including the provision of connectivity to public service instructions, extending network coverage or roll-out, deploying minimum network throughputs, and other obligations such as zero-rating public benefit organisations and providing for MVNOs, WOAN attached to the spectrum licence. These obligations are onerous and are still being discussed with ICASA, as same will have a negative financial impact on the Issuer.

Telkom has been challenged by its competitors’ unlawful access to its ducts and poles infrastructure within residential areas and along national routes which can result in damages to Telkom’s infrastructure, can degrade the services offered by Telkom and can result in lost revenue. Telkom

brought complaints at the Complaints and Compliance Committee (“**CCC**”) against two licensees for unlawfully accessing Telkom’s ducts without following the regulatory process for requesting such access. The CCC decided in Telkom’s favour, and the recommendations were approved by ICASA. Licensees were ordered to negotiate a facilities leasing agreement with Telkom or remove their cabling from Telkom’s ducts. However, the licensees in question have taken the ICASA order on review to the High Court. Telkom and ICASA opposed the applications for review.

Although the Issuer works closely with its regulators and continuously monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer. The Issuer may incur reputational damage and financial losses if it is unable to anticipate or prepare for future changes to law or regulation.

### **PFMA**

Should Telkom be required to comply with the provisions of the PFMA and the provisions of the Public Audit Act, 2004 (“**PAA**”), Telkom could incur increased expenses and its net profit could decline and compliance with the PFMA and PAA could result in the delisting of Telkom’s ordinary shares from the JSE.

Although Telkom would ordinarily be required to comply with the provisions of the PFMA, Telkom has applied for and obtained an exemption from many of the provisions of the PFMA. The exemption applies from 2016 until: (i) the date immediately before the date Telkom comes under the ownership control of the national executive; or (ii) Telkom is delisted from the JSE. Should Telkom be required to comply with the PFMA or its existing exemption from the PFMA is revoked for any other reason or it is otherwise required to comply with the PFMA or PAA, Telkom may be compelled to prepare financial statements in accordance with accounting principles and practices prescribed by the Government which may not correlate with IFRS and would require Telkom to incur additional costs and Telkom would also be required to comply with, what it believes to be, extremely prescriptive treasury regulations issued pursuant to the PFMA and PAA, to provide the Government with advance access to proprietary and potentially price sensitive information and to seek the prior approval of South African governmental authorities to enter into certain material agreements, to maintain certain bank accounts, to formulate and implement certain investment strategies or to discharge its auditors, which would preclude Telkom from acting in the same manner as its competitors and other listed companies. Should Telkom be required to comply with the PFMA and PAA, Telkom may not be able to comply with the Listings Requirements of the JSE and Telkom’s ordinary shares could be delisted.

### **POPIA**

The implementation of POPIA changes how Telkom operates in the communication industry, the cost of which may lead to an increase in costs and, ultimately a decline in operating margins for Telkom.

Telkom deals with sensitive information relating to both its customers and other stakeholders, and this information is contained on its websites, social media platforms, email and databases. Ensuring that Telkom has tight cybersecurity policies in place to protect itself from data breaches while complying with POPIA regulations goes a long way. Telkom’s failure to comply with POPIA could result in penalties of up to R10m or possible jail time, which could in turn, have a negative impact on the Telkom brand.

Non-compliance could also result in a loss of market share for Telkom as potential clients would not want to be affiliated with an organization that does not comply with laws and regulations, which also poses a risk of a possible data breach due to the lack of proper cybersecurity measures as per the POPIA requirements.

With the transition to the digital era, consumers are becoming increasingly concerned about the protection of their personal information. Telkom needs to consider this regulatory risk exposure in all its active markets. Implementation of new technologies and changing national security regulations are a priority for countries across the world and for South Africa and the continent. In the year 2020, about 92.2% of telecom companies around the globe identified 'unfavourable changes to regulation' as a risk.

#### **4. RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY**

##### ***Unstable and unpredictable regulatory dispensation***

An 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. The regulatory system needs to adapt in previously unexpected ways to the changing economic, social, and technological realities. This unpredictability makes it difficult for regulators to create a stable and predictable regulatory environment in which all businesses may function optimally. This directly increases Telkom's exposure to which ultimately impacts the Group's ability to remain relevant and directly increases Telkom's exposure to which ultimately impacts the Group's ability to forge the future.

This uncertain regulatory regime challenges Telkom's ability to respond to investment cycles and patterns, speed of launching new products and services and enhancement of competitive opportunities. Government intervention in spectrum auctions, operator consolidation and resource usage are subduing market innovation and hampering growth prospects. A lack of policy continuity negatively impacts the pace of the implementation of digital migration and allocation of resources, which has delayed operators' rollout of faster broadband networks (FitchSolutions, Q32023).

It is necessary for Telkom to monitor the risk related to ICASA regulation and spectrum licensing. There is an opportunity to work with the regulator to understand and influence some regulatory aspects to strengthen the Group's position, including a levelled competitive landscape. An opportunity also exists to review the high cost of compliance, whether in terms of infrastructure, technology or people, and the time spent ensuring compliance.

##### ***Market forces and disruption exacerbating competition pressures***

Telkom operates in a competitive and rapidly changing market. The increase in technological innovations, customer expectations, and new entrants in the connectivity space exacerbate this risk. These will put pricing and product offerings under pressure for Telkom as it strives to remain competitive. Failure to swiftly respond to competitive threats could negatively impact the Group's prospects, including its market share, revenue growth and profit margins.

Competitors have aggressively challenged Telkom's pricing. This may necessitate market research or benchmarking to remain competitive. The new mobile virtual network operators ("MVNOs") and OTT partners increase competition in the provision of electronic communications (IT services, and fibre and mobile and amplifying this risk.

##### ***Maintaining financial sustainability in the current operating and economic environment***

Maintaining financial capacity is crucial to sustain or grow operations while building adequate financial resilience to manage unforeseen economic events. This is limited by a depressed economic environment caused by the loadshedding crisis, inflationary pressure, consumer pressure on living expenses due to interest rate hikes, and high energy and fuel prices. These are factors which could constrain Telkom's operation and performance. Key to addressing this risk is building a financially sustainable business.

### ***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.

This risk is influenced by macro-environmental factors over which Telkom has no control. However, how this can be managed is through maintaining financial stability.

## **5. RISKS RELATING TO THE NOTES**

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in the Notes in light of its own circumstances. In particular, each potential investor should:

- a. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- b. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- c. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- d. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- e. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

### ***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies otherwise, in the event that the Issuer has or will be obliged to increase the amounts payable

in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having the power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because uncertificated Notes are held in the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to the CSD or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

***Credit Rating***

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. If a rating is assigned to any issue of Notes, the rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as

collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***The Notes may be de-listed, which may materially affect an investor's ability to resell***

Any Notes that are listed on the JSE or any other Financial Exchange(s) may be de-listed. If any Notes are delisted, the Issuer is obliged to endeavour promptly to obtain an alternative listing. Although no assurance is made as to the liquidity of the Notes as a result of listing on the JSE or any other Financial Exchange(s), delisting the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

## **6. RISKS RELATED TO THE STRUCTURE OF THE PARTICULAR ISSUE OF NOTES**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Index-Linked and Dual Currency Notes***

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- a. the market price of such Notes may be volatile;
- b. no interest may be payable on such Notes;
- c. payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- d. the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- e. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- f. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- g. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***Modification and waivers and substitution***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***Variable Rate Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### ***Change in law***

The Programme Memorandum, the Notes and the Terms and Conditions, are governed by, and will be construed in accordance with, the laws of South Africa. No assurance can be given as to the impact of any possible judicial decision or change to the laws of South Africa or administrative practice in South Africa after the Programme Date.

### ***Notes where denominations involve integral multiples: Individual Certificates***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Principal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.



***The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks***

On 19 June 2020, the SARB published the '*Statement of methodology and the policies governing the SARB-administered interest rate benchmarks*', otherwise referred to as the Technical Specification Paper ("**TSP**"), for public comment. The TSP is a draft statement of the methodology and policies that will govern proposed interest rate benchmarks to be administered by the SARB. An extensive consultation process was followed in the development of the technical specification of the proposed interest rate benchmarks, including consultations with global counterparts. In the domestic market, input from members of the Market Practitioners Group ("**MPG**") and its various work streams was considered.

The TSP details the methodologies and policies that will be applied for the following suggested benchmarks:

- a. South African Rand Interbank Overnight Rate ("**ZARIBOR**");
- b. South African Secured Overnight Financing Rate ("**ZASFR**");
- c. South African Rand Overnight Index Average ("**ZARONIA**");
- d. Term Wholesale Financial Corporate Fixed Deposit Benchmark Rate; and
- e. Term Wholesale Non-Financial Corporate Fixed Deposit Benchmark Rate.

This suite comprises four new benchmarks and a reformed version of the existing overnight benchmark rate – the South African Benchmark Overnight Rate ("**SABOR**"). The benchmark proposed as a replacement for SABOR is ZARONIA, which is an unsecured overnight rate. ZARONIA aims to measure the interest rate at which rand-denominated overnight wholesale funds in South Africa are obtained by banks. The calculation methodology for the benchmark is specified as a trimmed, volume-weighted mean of the central 80% of the distribution of interest rates paid on eligible unsecured overnight deposits. While the number of proposed interest rate benchmarks is not definitive, the ultimate outcome of the reform will feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes.

The SARB will continue to be the official administrator of the Johannesburg Interbank Average Rate ("**JIBAR**"). However, the policies specified in the draft TSP do not apply to JIBAR, given an existing JIBAR Code of Conduct, Governance Process and Operating Rules dated 24 March 2014. In addition, the SARB has noted that efforts are underway to strengthen the JIBAR and add to its credibility as an interim solution until an alternative reference rate is fully operational. Details of the work being undertaken in this regard will be published by SARB later this year.

In November 2021, the SARB published a document entitled "*Feedback on the statement of methodology and policies governing the SARB-administered interest rate benchmarks*" detailing comments received from the public and findings from the back-testing exercise. The back-testing exercise refers to the process of testing the conceptual design of the preferred successor rate to ensure that the proposed alternative reference rate is reliable, robust and sufficiently stable ("fit for public consumption"). The SARB collected 5-year historical transactions data from the four largest commercial banks and the JSE to enable the back-testing exercise. The report provided results from the back-testing exercise and contingency arrangements for the possible successor rates. It also identified issues relating to data collection and infrastructure which the SARB will seek to address soon. As a next step, the SARB will begin publishing Reporting Instructions with details of reporting institutions, the scope of qualifying money market transactions, fields and their definitions, arrangements for the transmission of data, and the controls as well as governance procedures that will be applied. Thereafter the SARB will publish a final TSP.

The reform of interest rate benchmarks may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such "benchmark".

It is not possible to predict with certainty whether, and to what extent, ZAR-JIBAR-SAFEX or any other benchmark will continue to be supported going forward. This may cause ZAR-JIBAR-SAFEX or any other such benchmark to perform differently than they have done in the past and may have other consequences which cannot be predicted. The potential elimination of ZAR-JIBAR-SAFEX or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any benchmark reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark. A full copy of the consultation paper on selected interest rate benchmarks in South Africa, the Benchmark Reform Feedback Report and the TSP are available at <https://www.resbank.co.za/Markets/Pages/default.aspx>.

***In respect of any Notes issued as Green Bonds, Social Bonds or Sustainable Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.***

The Applicable Pricing Supplement relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that (i) promote climate-friendly and other environmental purposes ("**Green Projects**"), (ii) are aimed at reducing economic and social inequality ("**Social Projects**"), or (iii) have both a positive environmental and social impact ("**Sustainable Projects**"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Projects, Social Projects or Sustainable Projects, as applicable, will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable, will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Green Projects, Social Projects or Sustainable Projects, as applicable, to fulfil any environmental, social, sustainability and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of the Programme Memorandum. Any such opinion or certification

is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects, Social Projects or Sustainable Projects, as applicable, in, or substantially in, the manner described in the Applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable, will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Projects, Social Projects or Sustainable Projects, as applicable. Nor can there be any assurance that such Green Projects, Social Projects or Sustainable Projects, as applicable, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects, Social Projects or Sustainable Projects, as applicable, as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects, Social Projects or Sustainable Projects, as applicable, and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

***The Notes may include certain triggers linked to sustainability key performance indicators***

The Notes may include certain triggers linked to sustainability key performance indicators. Such key performance indicators must be complied with by the Issuer in respect of Notes for which an interest rate adjustment option applies, as specified in the relevant Applicable Pricing Supplement. The interest rate adjustment in respect of the Notes depends on the Issuer's definition of the relevant sustainability key performance indicators that may be inconsistent with investor requirements or expectations. The failure to meet such sustainability key performance indicators will result in increased interest amounts under such Notes, which would increase the Group's cost of funding and could have an adverse impact upon the Group, its business prospects, its results of operations or its reputation.

No Event of Default shall occur under the Notes, nor will the Issuer be required to repurchase or redeem such Notes, if the Issuer fails to satisfy the relevant key performance indicators.

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## CONFLICTS OF INTEREST

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*Capitalised terms used in this section headed "Conflicts of Interest" shall bear the same meanings as defined in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

Telkom's ethics handbook sets out several provisions regarding its conflict-of-interest policy. In terms of King IV, directors and employees should act in the best interest of the Issuer and ensure that real or perceived conflicts are disclosed, and adequately managed. The interests of the Group should take precedence over personal or professional interests of employees, directors, consultants, contractors and any other third party acting on behalf of the Group. Potential conflict of interests should be disclosed timeously in the interest of transparency. The Companies Act also places a responsibility on Directors to deal with instances where there is an interest in a contract or a proposed contract, in a specific way.

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## **SOUTH AFRICAN EXCHANGE CONTROLS**

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*Capitalised terms used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

***The information below is intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.***

### ***Non-South African resident Noteholders and emigrants from the Common Monetary Area***

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the Terms and Conditions may be subject to the Exchange Control Regulations.

#### **Emigrant Capital Account**

Emigrant Capital in an Emigrant's Capital account may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Emigrant Capital from an Emigrant's Capital account may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

#### ***Emigrants from the Common Monetary Area***

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "non-resident". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange Dealer(s) controlling such emigrant's remaining assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an Emigrant Capital account.

Any payments of principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Emigrant Capital account, as maintained by an authorised foreign exchange dealer. Interest payments are freely transferable and may be credited to the emigrant's non-resident Rand account. Capital amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

#### ***Non-residents of the Common Monetary Area***

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a "*non-resident*" account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "*non-resident*" or the relevant securities account has been designated as a "*non-resident*" account, as the case may be.

The Issuer is established and domiciled in South Africa and as such no exchange control approval is required for the establishment of the Programme.

For purposes of this section, **Common Monetary Area** means South Africa, Lesotho, Namibia, and Swaziland.

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## SOUTH AFRICAN TAXATION

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*Capitalised terms used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

***The comments below are intended as a general guide to the relevant tax laws of South Africa as at the Programme Date. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.***

### **Income Tax**

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (as amended from time to time) (the "**Income Tax Act**")) is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is from a South African source if that amount constitutes "*interest*" as defined in section 24J of the Income Tax Act where that interest:

- a. is attributable to an amount incurred by a person that is a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or
- b. is received or accrues in respect of the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of interest-bearing arrangement.

Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a non-resident Noteholder will be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act or in terms of a double tax treaty (*see below*).

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the Nominal Amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which is received by or accrues to the Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Notes or until maturity. The day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. The interest may qualify for exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

- a. that Person is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty-three) days in aggregate during the 12 (twelve)-month period preceding the date on which the interest is received or accrues by or to that Person; or



- b. the debt from which that interest arises is effectively connected to a permanent establishment of that Person in South Africa.

As set out above, if a holder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Section 24JB of the Income Tax Act contains specific provisions dealing with the taxation of “*financial assets*” and “*financial liabilities*” of “*covered persons*”, as defined in section 24JB of the Income Tax Act. If section 24JB applies to the Notes, the tax treatment of the acquisition, holding and/or disposal of the Notes will differ from what is set out in this section. Noteholders should seek advice from their own professional advisors as to whether these provisions may apply to them.

Certain entities may be exempt from income tax. Prospective purchasers of Notes are advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act, in terms of a double tax treaty, or whether they constitute entities that are exempt from income tax.

Prospective purchasers of Notes are advised to consult their own professional advisors to ascertain whether the abovementioned provisions may apply to them.

The disposal of the Notes may give rise to income tax implications for any Noteholder that is a resident of South Africa and, which holds the Notes on revenue account. In respect of non-resident Noteholders which hold the Notes on revenue account, income tax implications may arise should the Notes so disposed of be attributable to a South African permanent establishment of such Noteholder. Prospective purchasers of Notes are advised to consult their own professional advisors to ascertain whether a disposal of the Notes will result in a liability to income tax.

### **Capital Gains Tax**

The provisions relating to capital gains tax apply in respect of the disposal of any asset, held on capital account, by certain taxpayers. The word “*dispose*” is defined in the Eighth Schedule to the Income Tax Act to include, *inter alia*, any action by virtue of which an asset is created, transferred, varied or extinguished. If an asset was acquired, is held and will be disposed of on a speculative basis or as part of a scheme of profit-making, the gain should generally be subject to normal tax. Capital gains tax is imposed at lower effective rates in comparison to income tax.

Residents are subject to capital gains tax on all capital gains realised on the disposal of any assets held on a worldwide basis. A non-resident is subject to capital gains tax only in respect of capital gains which are realised from the disposal of *inter alia* assets effectively connected with a permanent establishment of that non-resident in South Africa. A “*permanent establishment*” is defined (in section 1 of the Income Tax Act) as a permanent establishment as from time to time defined in article 5 of the Model Tax Convention on Income and Capital of the Organisation for Economic Co-operation and Development, with some additions. The disposal of Notes by residents of South Africa may give rise to capital gains tax implications.

The capital gains tax provisions will not apply to the extent that the holder of the Notes constitutes a “*covered person*”, as defined in section 24JB of the Income Tax Act, and section 24JB of the Income Tax Act (see above) applies to the Notes.

Any discount or premium on acquisition of the Notes which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act (see above) will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal or

redemption of the Notes will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a Person who is not a resident of South Africa unless the Notes disposed of are effectively connected with a permanent establishment of that Person in South Africa.

Prospective purchasers of Notes are advised to consult their own professional advisors as to whether a disposal or redemption of Notes will result in a liability to capital gains tax.

### ***Withholding Tax***

The withholding tax ("**WHT**") on interest payments from a South African source (see above) to or for the benefit of non-residents at the rate of 15% (fifteen percent) came into effect on 1 March 2015. The WHT on interest applies to interest that is paid or that becomes due and payable on or after this date. To the extent that any interest is paid to Noteholders who are South African tax residents, the WHT on interest will not apply.

The WHT on interest does not, however, apply to payments made *inter alia* to non-resident Noteholders in respect of any interest paid by a "bank" (defined as, *inter alia*, any bank as defined in section 1 of the Banks Act), provided there is not a "back-to-back" arrangement between any non-resident Noteholder and the bank. The WHT on interest does not apply to payments of interest made in respect of any "listed debt", which is defined as debt that is listed on a recognised exchange. The JSE Limited constitutes a recognised exchange in accordance with paragraph 1 of the Eighth Schedule to the Income Tax Act. Other exemptions may apply to interest payments made to non-resident Noteholders and consideration can be given to the applicability of such exemptions. If interest paid to a Noteholder does not qualify for an exemption under the WHT on interest provisions, an exemption from, or reduction of the rate of any WHT on interest liability may be available under an applicable double taxation treaty.

Documentary requirements exist in order to rely on certain of the exemptions from, or reductions in the rate of, the WHT on interest. Prospective purchasers of Notes are advised to consult their own professional advisors as to whether the payment of any interest in respect of the Notes will result in a liability for the WHT on interest.

The references to "*interest*" above mean "*interest*" as understood in South African tax law. The statements above do not take account of any different definitions of "*interest*", or "*principal*" which may prevail under any other law or which may be created by the Terms and Conditions or any related documentation. References to "*person*" above shall mean "*person*" within the meaning given in section 1 of the Income Tax Act.

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## SUBSCRIPTION AND SALE

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*Capitalised terms used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

The Dealers have in terms of the amended and restated programme agreement dated on or about 14 May 2024, as may be amended, supplemented or restated from time to time, agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

### **Selling restrictions**

#### **South Africa**

Each Dealer has (or will have) represented, warranted and agreed that it (i) will not offer Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will itself not sell or offer the Notes in South Africa in contravention of the Companies Act, Banks Act, Exchange Control Regulations 1961, promulgated under the Currency and Exchanges Act, 1933 (the "**Exchange Control Regulations**") and/or any other Applicable Laws and regulations of South Africa in force from time to time.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an "*offer to the public*" (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. The Programme Memorandum (as read together with this Information Statement) does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

#### **Offers not deemed to be offers to the public**

Offers for subscription for, or sale of, Notes are not deemed to be an offer to the public if:

- (a) made to certain investors contemplated in section 96(1)(a) of the Companies Act; or
- (b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, is equal to or greater than ZAR1 000 000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in the Programme Memorandum, or any document incorporated therein by reference should not be considered as "*advice*" as defined in the Financial Advisory and Intermediary Services Act, 2002.

The issue of a particular Tranche of Notes may, depending on the type of Notes in that Tranche, require the prior written approval of the exchange control authorities in terms of the Exchange Control Regulations (see the section headed "*South African Exchange Control*").

#### **United States of America**

The Notes have not been and will not be registered under the United Securities Act of 1933 ("**Securities Act**") or the securities laws of any state in the United States of America and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in the Regulation S of the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by

U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) days after completion of the distribution, as determined and certified by the Dealer(s) or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons; and
- (d) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Regulation (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Regulation is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by a prospectus as read with the Applicable Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the Applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3 of the Prospectus Regulation in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which has subsequently been completed by the Applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, in relation to any offering of Notes to which Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**") applies, that such offering is in accordance with the applicable rules set out in MiFID II (including any applicable national transposition of MiFID II), including that any commission, fee or non-monetary benefit received from the Issuer complies with such rules.

### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each new Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) **No deposit taking**: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services Markets Act, 2000 by the Issuer;

- (b) **Financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **General**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

***NEITHER THE ISSUER NOR ANY OF THE DEALERS REPRESENT THAT NOTES MAY AT ANY TIME LAWFULLY BE SUBSCRIBED FOR OR SOLD IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY JURISDICTION OR PURSUANT TO ANY EXEMPTION AVAILABLE THEREUNDER OR ASSUMES ANY RESPONSIBILITY FOR FACILITATING SUCH SUBSCRIPTION OR SALE.***

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## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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*Capitalised terms used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

### **Notes listed on the Interest Rate Market of the IJSE and/or held in the CSD**

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

### **Clearing systems**

Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

### **Participants**

The CSD maintains accounts for the Participants. As at the Programme Date, the Participants who are approved by the CSD, in terms of the Applicable Procedures, as Settlement Agents to perform electronic settlement of funds and scrip are Absa Bank Limited, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited, Standard Chartered Bank, Johannesburg Branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, Bank S.A./N.V., as operator of the Euroclear System (Euroclear), and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("**Clearstream**") as operator of the Euroclear System, and Clearstream will settle offshore transfers in the Notes through their Participants.

### **Settlement and clearing**

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the Noteholder will be named in the Register as the holder of the Notes in that Tranche in accordance with the Applicable Procedures. All amounts to be paid in respect of Notes held in the CSD will be paid to the relevant Participants on behalf of the relevant Noteholder pursuant to the Applicable Procedures. All rights to be exercised in respect of Notes held in the CSD will be exercised by the relevant Noteholder.

In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such Person shall be *prima facie* proof of such Beneficial Interest. However, the Noteholder as the registered holder of such Notes named in the Register will be treated by the Issuer, the

Paying Agent, the Transfer Agent and the CSD as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be made to the CSD, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the Persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD, for such Person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be recorded by the CSD, distinguishing between interest and principal, and such record of payments by the CSD, shall be *prima facie* proof of such payments.

### ***Transfers and exchanges***

Subject to Applicable Laws and the Applicable Procedures, title to Beneficial Interest held by Noteholders through the CSD will be freely transferable and will pass on transfer thereof by electronic book entry in the securities accounts maintained by the CSD or relevant Participants for such Noteholders.

### ***Records of payments, trust and voting***

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

### ***Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE***

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.



SIGNED at Johannesburg on this 14th day of May 2024

For and on behalf of  
**TELKOM SA SOC LTD**



Name: NONKULULEKO DLAMINI  
Capacity: GROUP CHIEF FINANCIAL OFFICER  
Who warrants his/her authority hereto



Name: **SERAME TAUKOBONG**  
Capacity: **GROUP CHIEF EXECUTIVE OFFICER**  
Who warrants his/~~her~~ authority hereto

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## CORPORATE INFORMATION

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### ISSUER

#### **Telkom SA SOC Ltd**

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