

05 March 2015

## Telkom and organised labour initiate engagement on outsourcing process

Telkom has been engaging with organised labour on the outsourcing of various business elements, as announced in February.

Telkom has identified a series of actions to unlock further cost efficiencies and improve customer service, in line with the company's multi-year turnaround strategy. One such action involves the use of the Section 197 process of the Labour Relations Act, which would see certain services outsourced as going concerns. Telkom's call centre operations and staff are to be outsourced, as well as certain legacy IT billing systems, an internal printing division and the network and operations and retail supply chain sections.

Companies may initiate outsourcing processes under section 197 of the Labour Relations Act to transfer staff to another company. The law requires that affected staff are transferred with the same or better packages and benefits and no formal consultation with unions is required. Telkom has, however, sought to engage with labour on the outsourcing process.

The engagements include the outsourcing of the fixed line call centre operations. This will result in the transfer of current Telkom call centre employees to a new employer, through an automatic transfer under the Section 197 process.

Telkom spokesperson, Jacqui O'Sullivan, said the outsourcing was a critical step in Telkom's focus on the customer.

"To succeed, everyone at Telkom has to put the interests of the customer at the heart of everything we do. Our customers are the core of our business, but running call centres is not. We know that customers will benefit from a focused and consistent service that a professional call centre organisation can offer. For this reason, we are confident this is the correct action to take," she said.

When Telkom initially embarked on its turnaround strategy, the Company stated that it would look at alternatives, such as joint ventures, to ensure that job losses would only be implemented as the last resort.

To this end, Telkom has completed a stringent procurement process and has identified WNS as its preferred partner to undertake Telkom's fixed line call centre operations. Similarly Barloworld Logistics has been identified to undertake the management of 25 Telkom warehouses in the supply chain area of the business.

It is proposed that the IT legacy systems will be managed by ASAJE. Bidvest has been identified to take over internal printing services, and Ingram Micro the supply chain in the retail area of the business.

Just under than 1 300 employees are affected by the Section 197 process, all of whom have already been notified of the company's intent to engage with organised labour on this matter.

Telkom is committed to a fair, objective and transparent process involving organised labour. Further engagement sessions are scheduled.

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#### **ABOUT TELKOM:**

Telkom is a leading communications services provider in South Africa. We had consolidated operating revenue of R16.8 billion and normalised profit after tax of R1, 683 million for the period ended 30 September 2015. Total assets amounted to R41.9 billion and equity attributable to the owners of Telkom to R23.5 billion as of 30 September 2015. The group generated normalised free cash flow of R1.4 billion for the period ended 30 September 2015.

As of 30 September 2015, we had approximately 3.3 million telephone access lines in service and 1,030,441 ports connected via MSAN access. We offer business, residential and payphone customers a wide range of services and products, including:

- fixed-line retail voice services using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value-added voice services and calling plans;
- fixed-line customer premises equipment rental and sales services both voice and data needs and these include PABX, Computers, Routers, Modems, Telephone handsets and other ancillary equipment;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet-based services, managed data networking services and internet access and related information technology services;
- Data Centre Operations includes e-commerce, application service provider, hosting, data storage, e-mail and security services;
- W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- mobile communication services, including voice services, data services and handset sales through our mobile navbar-brand called Telkom Mobile;
- information and communication services including cloud services, infrastructure services, workspace services, global service integration management and hardware and network

- equipment sales locally, in seven African countries, the UK and Dubai through Business Connexion Group; and
- other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd.

Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of converged services in South Africa in support of our mission statement: Seamlessly connecting people to a better life.