

# 7 June 2016

## **UPDATE: Telkom reaches groundbreaking agreement with organised labour**

Johannesburg – Telkom today announced the successful conclusion of a new two year Collaborative Partnership Agreement (CPA) with organised labour that allows the company to introduce widespread performance-based remuneration for both individuals and teams.

The agreement has been signed between Telkom and two of the three recognised unions within the company. The South African Communications Union (SACU) and Solidarity have signed the agreement, which is effective from 1 June 2016. The Communications Workers Union (CWU) has agreed to the new partnership agreement in principle. Currently one legacy matter, which is unrelated to the new partnership agreement, is in arbitration. Telkom looks forward to closing out this agreement with the CWU.

The agreement covers Telkom's 11000 unionised employees, out of a total head count of just over 13 500 at the end of March 2016, but does not include employees in Telkom subsidiaries, such as Business Connexion and Trudon. Currently, Telkom has around 12 500 employees.

"Our turnaround strategy has allowed us to stabilise the business. The next chapter of the Telkom story must be one of growth and growth requires us to be better at attracting and retaining customers," said Telkom Group CEO Siphosiso Maseko.

"The past three years have been hard on our people but with the turnaround behind us, we must look to the future with confidence. This agreement with organised labour is the result of many months of hard negotiations and extensive consultation. The open and transparent approach of organised labour has helped us achieve this important milestone. Together, we are now in a position to regularly reward employees who have the right attitude and who truly extend themselves, to always put the customer first," Maseko said.

The Collaborative Partnership Agreement allows Telkom to incentivise individual and team performance. While Telkom will not be offering any employee an annual increase this year, the company is offering employees the opportunity to earn up to 12% more each month, should they meet and exceed sales and customer service targets.

The Collaborative Partnership Agreement also contains a number of commitments from Telkom:

- No forced retrenchments for the next two years.
- Outsourcing to be limited to less than 1,000 employees over the next two years.
- The introduction of a new variable incentive plan, known as "Performance Pays", which will replace the previous Short Term Incentive plan.
- Performance Pays will focus on customer satisfaction and front-line productivity metrics.
- An employee who is achieving their targets can expect to earn approximately 6% more than last year, under the Performance Pays scheme, with further upside for over-achieving employees.
- An increase of 6% on basic salary payable from 1 April 2017.

In return, Organised Labour have committed to the following:

- Full support in the implementation of the Performance Pays incentive plan.
- Ongoing support and involvement in creating more flexible working practices and patterns in all areas of the business, to allow Telkom to more clearly mirror customer needs.

- Improving the operating model between Organised Labour and Telkom, streamlining the processes and reducing the number of people involved.

Sipho Maseko, commenting on the agreement, said: "This agreement heralds a new and exciting chapter in our relationship with organised labour. It creates stability, sustainability and a new way of working which will benefit our employees and our customers. I am looking forward to working closely with organised labour in the future to improve working practices and employee engagement."

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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.