

STATEMENT OF ASSURANCE ON KEY PERFORMANCE INDICATORS

To all the stakeholders of Telkom SA (SOC) Limited:

CA-Governance has again been engaged by Telkom SA Limited (Telkom) to provide independent assurance over certain key sustainability performance data, this time to be published in the Telkom integrated report for the 2014 financial year. The overall aim of this process is to provide reassurance to Telkom's stakeholders that the reported information is objective, accurate, of informative nature and reliable.

How CA-Governance did this work

We conducted the work with our normal approach of full assurance and using our standard methods, which exceed by far the requirements of Type 2 assurance engagements as described by the AA1000AS Assurance Standard issued by AccountAbility in 2008, as well as reasonable assurance as described by ISO 14064-3 for greenhouse gas emissions. The work included a review of performance data over the reporting period 1 April 2013 to 31 March 2014, limited to the eight key performance indicators where assurance was requested.

We applied the CA-Governance graded levels of assurance to the reported information. Information and performance data that have been subject to assurance by this firm are clearly indicated by the inclusion of the following statement on individual web, digitised or or printed pages next to the specific indicators: "These data were independently assured by CA-Governance in June 2014."

Opinion and commentary

In our opinion the eight GRI G3-defined KPIs that Telkom has requested this firm to subject to independent assurance, provide accurate and objective accounts to varying degrees of Telkom's performance on these issues during the reporting period. Telkom corrected errors or misstatements identified during the engagement, prior to the publication of the report.

It is our opinion that in respect of the information disclosed:

EC06: Policy, practices, and proportion of spending on locally-based suppliers

(South Africa):

- is reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN03: The volumes of diesel purchased for use in forklifts and generators, and the mass of refrigerant gases added to cooling plants:

- is reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN04: The figure for units of electricity calculated to have been used by Telkom and its South African subsidiaries Swiftnet and Trudon:

- is reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN16: The CO₂ equivalent mass (in tonne) calculated using DEFRA factors and originating from the following sources:

- A. Directly emitted greenhouse gases from electricity, heat or steam generated (as reported in EN03), plus the transportation of materials, by Telkom or by entities controlled by Telkom; plus
- B. Indirectly emitted greenhouse gases from electricity, heat or steam generated (as reported in EN04):

- is reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN17: The CO₂ equivalent mass (in tonne) calculated using DEFRA factors and originating from the following sources:

- A. Air travel;
- B. Car hire for business purposes;
- C. Telkom employee business travel in automobiles;
- D. Travel by outsourced courier services;

- E. Travel by Telkom automobiles;
- F. Travel by Telkom trucks in use by outsourced facility management services;
- G. Trudon business travel in automobiles;
- H. Travel by outsourced facility management services in non-Telkom vehicles;
- I. Refrigerant gases issued to offices, exchanges and other operating areas;
- J. Swiftnet business travel in automobiles:

- is reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

LA07: The figures for employee:

- A. Work-related fatalities;
- B. Absenteeism (i.e. absent from work for reasons other than normal, maternity/paternity, compassionate or study leave);
- C. Lost days (as a result of occupational injury);
- D. Occupational diseases;
- E. Rates of injury:

- are reported with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

LA08: The programmes for education, training, counselling, prevention and risk control to assist employees, their families and community members in respect of serious diseases:

- are reported on with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

PR05: The product responsibilities of the Telkom group, with specific reference to overall service quality and the net promoter scores:

- are reported on with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at High level.

Other key performance indicators that are not mentioned in this statement have not been subjected to independent assurance processes by CA-Governance.

An addendum to this report clarifies the content that Telkom plans to include in its sustainability and other reporting for the financial year ended on 31 March 2014. Should this content change, our report will become void and will have to be restated.

In addition, Telkom will be restating certain figures published in 2013, inter alia as a result of misinterpretation at subsidiary Trudon. We accept responsibility for having detected the misinterpretation only during 2014.

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General comments

Telkom started reporting on KPIs in its sustainability report for the 2011 financial year. During that year it reported on sufficient indicators to qualify for a “C” level under the Global Reporting Initiative (GRI) G3 Guidelines for sustainability reporting. During the current year it has retained this level. Based on the fact that the group has requested and obtained independent assurance for certain of its indicators, Telkom self-declares its 2014 level to be C+.

The group has intentions of further improving its reporting on sustainability matters, and there is commitment for refining certain measurements.

Matters to be considered for the future

While the volume of reporting has increased at a rapid pace since 2011, Telkom could expand on certain aspects that already form part of the report, and could enhance the informative quality of certain sections. For example the volume of diesel consumed in its generator plants could be determined in a manner that would enable greater comparability from year to year, and the portions of the group that are outside South Africa could be included in the reporting for future years.

Telkom self-declares a C+ level under GRI G3. It plans to expand the application of the GRI reporting guideline over time, and to seek independent assurance that confirms its level. At the same time, enhancement in measurement and full utilisation of existing internal reporting systems would streamline the process and provide intra-year management capability for the sustainability indicators. Certain such procedures could also enhance risk management to the financial benefit of the group.

At some time in the future it would be feasible for Telkom to begin reporting certain of its indicators against declared goals, which would inform stakeholders in a much more meaningful way. Inter alia, certain refrigerant gases are under specific scrutiny

as they are soon to be phased out internationally.

Inclusivity, Materiality and Responsiveness

Telkom is engaging with important stakeholders, albeit in a limited manner. This will enable greater interactive adjustment of sustainability goals over time.

The determination of materiality has improved from the 2012 year and will receive further attention in future.

Response to the views and needs of stakeholders is a focus that is still in its infancy but will improve in tandem with the greater focus on inclusivity.

The CA-Governance assurance method

CA-Governance applies an “advocate” model – only highly experienced members serve on the assurance team, and interact with Telkom and other functionaries to discuss the breadths and bases of the indicator data, determine the most appropriate approach to gauge completeness and usefulness, and then ensure that the integrity of data can be established within the parameters of materiality. The determinant is the extent to which a stakeholder can be reassured that the informative quality of the data is aligned with the interests of the stakeholder as far as is practicable.

In practical terms our team was involved within the Telkom organisation and its main service providers linked to the specified KPIs; we discussed reporting systems and data flows, requested reconciliations and alternative determinations, interrogated variances in trend and spot numbers,

- reviewed the materiality determination process,
- reviewed external sources, recalculated aspects of the figures, revisited technical aspects of certain emissions, investigated data integrity and the potential for internal audit processes to provide additional reliance,
- analysed the Telkom reporting against the G3 guidelines, plus against the gauges of informative quality applied by CA-Governance,
- presented the findings as an assignment team to an internal committee of peers for critical evaluation and final determination.

The aspects for which we accept responsibility

CA-Governance accepts responsibility for the aspects covered in this Statement of Assurance. In arriving at our conclusions we have formed our views from information provided by Telkom group personnel, reporting systems and data in respect of the South African operations of Telkom and certain of its prominent service providers, including Total Facility Management Company, Right To Care Health Services and Layisha Logistics. We have assessed the results of such information flow in the light of our experience and ability to provide independent external scrutiny. We are of the view that our opinions as expressed before are appropriate in the circumstances.

CA-Governance as a provider of statements of assurance

CA-Governance is the trading name of Cheetamark (Pty) Ltd, company registration number 2011/008716/07, registered in South Africa with its office at Kiepersol House, Stonemill Office Park, 300 Acacia Road, Darrenwood, Johannesburg, South Africa. CA-Governance is a specialist firm in the field of corporate governance, with a focus on the provision of independent assurance to stakeholders. The firm provides teams of assurance experts from a pool of persons with individual experience levels ranging from 24 to 48 years, and corporate governance experience ranging from 29 years downwards.

We take great care to provide reliable assurance opinions in the form of the present Statement of Assurance with total frankness, and to inform management of our views in respect of areas for improvement in future reporting, by way of a separate letter as well as discussion.

CA-Governance is acutely aware of the need for independence from the client as well as from any significant stakeholder, and does whatever is in its power to retain and enhance such independence not only in substance but also in appearance. Conflicts of interest are regarded as unacceptable in any form, and its code of practice is designed to enforce compliance at all levels.

CA-Governance has no commercial relationship with Telkom other than the normal business of telecommunications services offered by Telkom, and utilises such services at standard tariffs and without any preferential treatment.

This Statement of Assurance on Key Performance Indicators is issued in Johannesburg, June 2014.



Theo Botha
For CA-Governance

GRI KPI	Category	Telkom F2013	Telkom F2014	Swiftnet F2013	Swiftnet F2014	Trudon F2013	Trudon F2014
EC06	Local vs Total Procurement Expenditure						
	Local (incl VAT)	17 329 211 883	17 753 857 564	60 281 707	59 806 279	341 992 137	262 576 242
	Total (incl VAT where applicable)	20 930 722 253	23 401 866 087	91 843 406	75 069 635	341 992 137	262 576 242
	% Local	82,79%	75,87%	65,64%	79,67%	100,00%	100,00%
EN03	Direct consumption of primary energy sources						
	Bulk diesel for Telkom generators - purchased	2 586 030ℓ	2 960 211ℓ				
	Converted at 2,6705 kgCO ₂ /ℓ of diesoline	6 923 tCO ₂	7 905 tCO ₂				
	Diesel for forklifts	23 776ℓ	21 347ℓ				
	Converted at 2,6705 kgCO ₂ /ℓ of diesoline	64 tCO ₂	57 tCO ₂				
	Swiftnet delivery trucks			18 309ℓ	15 976ℓ		
	Converted at 2,6705 kgCO ₂ /ℓ of diesoline			42 tCO ₂ e	37 tCO ₂ e		
	Emissions from refrigerant gases	25 055 kg	23 198kg				
	Converted to tCO ₂ e at varying rates	44 619 tCO ₂ e	41 354 kg				
EN04	Indirect consumption of primary energy sources						
	Electricity from Eskom or municipalities	658 636 533 kWh	653 372 973 kWh	310 579 kWh	377 658 kWh	3 139 026	2 918 499
	Converted at 0,98 kgCO ₂ /kWh	652 050 tCO ₂	640 306 tCO ₂	307 tCO ₂	370 tCO ₂	3 108 tCO ₂	2 860 tCO ₂
EN16	Direct and indirect emissions of greenhouse gases	See yellow above	See yellow above				
	Electricity	655 248 tCO ₂	643 982 tCO ₂				
	Fuel and gases	51 648 tCO ₂	49 353 tCO ₂				
EN17	Indirect emissions of greenhouse gases (other)						
	Air travel	30 667 022 km	18 368 869 km				
	Converted to tCO ₂ e at varying rates	3 198 tCO ₂ e	1 838 tCO ₂ e				
	Car hire	1 055 539 km	993 869 km				
	Converted to tCO ₂ e at varying rates	199 tCO ₂ e	167 tCO ₂ e				
	Business travel in own vehicles ("S&T")	29 825 723 km	23 633 277 km				
	Converted to tCO ₂ e at varying rates	6 021 tCO ₂ e	4 682 tCO ₂ e				
	Technical personnel using Debis fleet	126 208 618 km	108 367 146 km				
	Converted to tCO ₂ e at varying rates	31 467 tCO ₂ e	26 911 tCO ₂ e				
	Layisha and similar vehicles	1 259 582 km	1 148 830 km			507 579ℓ	337 891ℓ
	Converted to tCO ₂ e at varying rates	3 372 tCO ₂ e	3 068 tCO ₂ e			1 355 tCO ₂ e	902 tCO ₂ e
	Stannic fleet	1 980 857ℓ	1 994 321ℓ				
	Converted to tCO ₂ e at varying rates	4 740 tCO ₂ e	4 775 tCO ₂ e				
	TFMC fleet used for Telkom business	1 912 279ℓ	1 823 889ℓ				
	Converted to tCO ₂ e at varying rates	4 964 tCO ₂ e	4 744 tCO ₂ e				
LA07	Injury, occupational disease, lost days, absenteeism and work-related fatalities						
	Absenteeism	137 701 days	136 048 days	626 days	594 days	2 993 days	3 616 days
	Lost days	6 767 days	5 667 days	0	0	0	0
	Injuries	694	512	0	0	0	0

	Work-related fatalities	2	0	0	0	0	0
	Occupational disease incidents	2	0	0	0	0	0
LA08	Educations, training, counselling, prevention and risk-control programmes – staff, families and communities: i.r.o. serious diseases						
	Testing (persons) (cumulative 39 437 now tested)	5 899	2 309	0	0	0	0
	HIV+ Prevalence (per year)	2,8%	2,9%	Unknown	Unknown	Unknown	Unknown
	HIV+ Prevalence (cumulative)	3,07%	3,06%	Unknown	Unknown	Unknown	Unknown
PR05	Product responsibility: Overall service quality	51%	59%	63%	69%		
	Net Promoter Scores (* denotes rounding 'errors')						
	Residential	42 less 29		13			
	Small business	42 less 27		15			
	Medium business	42 less 29		13			
	Large business	29 less 27		2			
	Government sales	42 less 18		24			
	Enterprise markets	35 less 14		21			
	Wholesale	18 less 38		-*19			
	TI business	39 less 29		10			
	TI consumer	39 less 31		*8			
	Telkom Mobile	52 less 21		31			
	Swiftnet	51 less 18				33	
CARBON	ALL Carbon dioxide and equivalents	762 429 tCO ₂ e	739 976 tCO ₂ e				
	CDP Scope 1	51 648 tCO ₂ e	49 353 tCO ₂ e				
	CDP Scope 2	655 465 tCO ₂ e	643 536 tCO ₂ e				
	CDP Scope 3	55 316 tCO ₂ e	47 087 tCO ₂ e				
Legend							
	Contents of cell shown here for convenience only						
	Restatement of F2013 figure required/considered						
	Rounding results in less consistent figure						



Assurance level scale

Level	Expansion		
Extremely high [90%+ sure]	The KPI is clearly set out; is interpreted with very good relevance in its substance; both negative and positive results are acknowledged with openness; the basis for measurement is such that only a small margin for calculation error remains (less than 10%), and the data set provides meaningful statistics, thus enabling valid comparisons over time and with other entities. Stakeholders can take comfort beyond reasonable doubt that their interests are judged very important in the disclosure.		
High [75%+ sure]	The KPI is clearly set out; is interpreted with good accuracy in its substance; both negative and positive results are acknowledged with openness; the basis for measurement is such that only a fairly small margin for error remains (less than 15%), and the data set provides meaningful statistics, thus enabling valid comparisons over time and with other entities. Stakeholders can take comfort that their interests are judged important in the disclosure.		
Average [50%+ sure]	The KPI is fairly clearly set out; is interpreted fairly accurately in its substance; both negative and positive results are acknowledged with some openness; the basis for measurement is such that a margin for error remains (less than 25%), and the data set provides meaningful statistics, thus enabling valid comparisons over time and with other entities. Stakeholders can take medium comfort that their interests are judged reasonably important in the disclosure.	Low usefulness [50% + sure]	Dataset not a fully reliable measure of annual activity: The KPI is clearly set out; both negative and positive results are acknowledged with openness; the basis for measurement is such that only a small margin for calculation error remains (less than 10%), but the data set is not a fully reliable measure of annual activity, thus making valid comparisons over time and with other entities difficult. Stakeholders can take comfort that their interests are judged reasonably important in the disclosure, albeit flawed in presenting a trend.
Modest [25%+ sure]	The clarity, interpretation, balance and measurement of the KPI is positioned and executed at a secondary level; application is currently of below-average standard, although the data set provides fairly meaningful statistics, thus enabling reasonably valid comparisons over time and with other entities. Stakeholders can take some comfort that the disclosure treats their interests as fairly important.	Unproven usefulness [25%+ sure]	Dataset not a reliable measure of annual activity: The KPI is clearly set out; both negative and positive results are acknowledged with a measure of openness; the basis for measurement is such that only a fairly small margin for error remains (less than 15%), but the data set is not a reliable measure of annual activity, thus making valid comparisons over time and with other entities doubtful. Stakeholders can take some comfort that the disclosure treats their interests as fairly important, albeit flawed in presenting a trend.
Initial [5%+ sure]	The clarity, interpretation, balance, measurement and usefulness of the KPI is not yet positioned and executed at anything other than an initial level; application is currently of a low standard. Stakeholders can take no real comfort yet, but the KPI is at least being monitored.	Starter [5%+ sure]	Dataset not a measure of annual activity: Although other aspects of the KPI might be of a higher order, this aspect is of an overriding nature. Stakeholders can take no real comfort yet, but the KPI is at least being monitored.
None [0-4% sure]	No meaningful reliance can be placed on the reliability of the clarity, interpretation, balance and measurement.		
Not assured	The KPI has not been subjected to the assurance process.		