

Independent Assurance Statement

To the Board and stakeholders of Telkom SA SOC Limited:

Integrated Reporting & Assurance Services (IRAS) was commissioned by Telkom to provide independent third party assurance (ITPA) over the sustainability content within the 2016 Integrated Annual Report (hereafter, referred to as ‘the Report’), covering the period 01 April 2015 to 31 March 2016. The assurance team consisted of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner, with more than 17 years’ experience in environmental and social performance measurement, including sustainability reporting and assurance, and our team of junior associates.

AccountAbility AA1000S (revised, 2008)

To the best of our ability, this assurance engagement has been managed in accordance with AccountAbility’s AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type II (Moderate) requirements.

Independence

During the reporting period, **IRAS** did not provide Telkom with any form of advisory services that would conflict with our independence. However, while responsibility for producing this Report was the responsibility of Telkom, a recent change in total group workforce led to an almost complete absence of skills and experience with collecting collating and/or reporting key sustainability data required for this Report. As such, while **IRAS** did not take responsibility for the Report, a significant proportion of the Health & Safety and Environmental data was collated by **IRAS**. Given that **IRAS** was in no way responsible for the systems and/or controls used to collect the base data, we believe that our efforts to assist Telkom did not compromise our position as an independent assurer over the content and processes pertaining to this Report.

Assurance objectives

The objectives of the assurance process were to provide Telkom’s stakeholders an independent ‘moderate level assurance’ opinion on whether the report meets the AA1000AS (2008) principles of *Inclusivity, Materiality* and *Responsiveness*.

Scope of work performed

AA1000AS (2008) Compliance

The process used in arriving at this assurance statement is based on AccountAbility’s AA1000AS (2008) guidance, as well as other best practices in assurance. Our approach to assurance included the following:

- A review of the Board and Committee packs for the period under review, to identify the material issues discussed at the highest levels of management (i.e., an ‘Internal Materiality Scan’);
- A review of the media sources and available research for the period under review, to identify discussed by a variety of key stakeholders within the public domain (i.e., an ‘External Materiality Scan’);
- A review of sustainability measurement and reporting procedures at Telkom’s Group Head Offices (i.e., ‘The Campus’), and at the offices of Bidvest Facilities Management (BFM), the external service provider responsible for managing Telkom’s facilities, and thus key data such as fuels, water and electricity consumption;
- A review of data collection, collation and reporting procedures at the selected operational sites, with specific reference to the following selected sustainability performance indicators:
 1. Total employee headcount as at the last day of the reporting period
 2. Percentage of total number of employees that are female
 3. The calculated rate of employee turnover – all reasons (i.e., death, dismissal, end of contract, medical boarding, resignation, retrenchment, etc.) – as at the last day of the reporting period
 4. Average number of person days lost due to non-planned absenteeism (i.e., abscond, sick, etc.).
 5. Total number of person hours worked (PHW)
 6. Total Fata Injury Frequency Rate (FIFR) – the number of work-related fatal injuries (“fatalities”) per 200 000 person hours worked
 7. Total Injury Frequency Rate (TIFR) – the number of injuries (First Aid, Medical Treatment, Lost Time and Fatalities) per 200 000 person hours worked

8. Lost Time Injury Frequency Rate (LTIFR) – the number of Lost Time Injuries (LTIs) per 200 000 person hours worked
 9. Total volume of water consumed (in cubic metres, m³)
 10. Total volume of waste sent for recycling (in tons)
 11. Total volume of domestic waste sent to landfill (in tons)
 12. Total volume of electricity consumed – in kWh – for the FY2016 period
 13. Total volume of diesel consumed (in litres)
 14. Total volume of petrol consumed (in litres)
 15. Total tons of Carbon Dioxide equivalents (in tCO₂e) resulting in Telkom’s Carbon Footprint
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of possible material issue omissions (as per the above mentioned Internal and External materiality scans); and,
 - Reviews of drafts of the Report to test for the reasonable reporting of comparable quantitative data as per the 96 indicators within our Sustainability Data Transparency Index (SDTI)
 - Reviews of drafts of the Report to test for reasonable adherence to 23 reasonable reporting expectations, inclusive of the 16 elements of the <IR> Framework; and,
 - A series of interviews with the individuals responsible for collating data and/or supplying content to be included in various parts of the Report in order to ensure selected claims were reported and substantiated.

Findings

NOTE: This assurance engagement was completed in the context of the timing of Telkom’s comprehensive restructuring process, through which more than 5 000 employees departed prior to, or shortly after, the end of the reporting period. This led to a comprehensive lack of access to a significant number of ‘data champions’ who previously assisted with the collection, collation and/or reporting of key sustainability data. This resulted in the need for **IRAS** to provide an uncommon level of assistance to the remaining personnel who, in many cases, had little to no experience with supplying data required for this Report.

In general, Telkom’s sustainability reporting processes are currently inadequate, and it was noted that:

AA1000AS (Type II)

- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within Telkom, or within its sphere of influence, as per our internal and external materiality scans.
- All sustainability data reviewed was exclusive of data for key subsidiaries and contractors, resulting in significant under-reporting of almost all indicators.
- Telkom needs to develop and/or refine systems for data collection, collation and reporting, at both the operation (or region) and group level, inclusive of the development and implementation of enhanced sustainability data policies, procedures, systems and controls.
- Systems to collect and collate Person Hours Worked (PHW), particularly with respect to contractors, were inadequate to provide ‘actual data’, leading to the potential for calculating injury frequency rates, and thus decreasing the comparability of this data and against other companies.
- Current occupational health & safety definitions and/or guidelines have been identified as out-dated, leading to an inability to provide injury data that can be deemed “comparable” against JSE-listed companies. One critical issue relates to the non-reporting of subsidiary and contractor injuries, inclusive of at least three contractor fatalities that occurred during the reporting period, which could be perceived to suggest that Telkom is obfuscating its responsibility to keep ALL workers safe, even though this has been identified as contrary to Telkom’s intentions.
- The inconsistent application of existing group-wide occupational health & safety definitions and/or guidelines has led to the incomplete reporting of work-related injuries among employees, subsidiary employees and contractors, inclusive of Lost Time Injuries (LTIs), Medical Treatment Cases (MTCs) and First Aid Cases (FACs), particularly among contractors (due to the complete absence of contractor

injury reporting), as well as Contractor Fatalities. /or allowing for the over-prescription of time off due to injury, thus resulting in non-serious injuries frequently recorded as Lost Time Injuries.

- Inadequate controls within injury reporting processes led to the potential for under-reporting of injuries, as well as the over-classification of LTIs that might otherwise only be deemed MTCs (or FACs) injuries. This has resulted in Telkom appearing to be one of the Top 20 most dangerous JSE-listed companies (by LTIFR), when improved data accuracy is estimated to result in a much lower LTIFR.
- Current systems and controls employed to collect, collate and report petrol and diesel consumption data has resulted in data that has been deemed “incomplete”, due to the non-reporting of fuel consumption for subsidiary vehicles, employee-owned vehicles used for Telkom purposes and/or sales personnel vehicles. While the scale of error could not be determined, it was clear that current data gathering processes limit Telkom’s ability to report accurate fuels consumption data, and subsequently Scope 1 carbon emissions.
- Current systems and controls employed to collect, collate and report electricity consumption data has resulted in data deemed both “incomplete” (i.e., lacking subsidiary consumption data) and “unreliable”. While the scale of error could not be determined, it was clear that current data gathering processes limit Telkom’s ability to report accurate electricity consumption data, and subsequently Scope 2 carbon emissions.
- Current systems and controls employed to collect, collate and report water consumption data has resulted in data deemed both “incomplete” (i.e., lacking subsidiary consumption data) and “unreliable”, due to the over-reporting of water consumption based on municipal invoices. While the scale of error could not be determined (although estimated to be more than 50% over-reporting), it was clear that current data gathering processes limit Telkom’s ability to report accurate water consumption data.
- Current systems and controls employed to collect, collate and report the volume of domestic waste sent to landfill resulted in data that has been deemed “unreportable”, due to inadequate systems for ensuring that all waste is duly reported by all relevant facilities (including subsidiaries and contractors).
- Within the parameters of a ‘Moderate Level Type II assurance assessment’, the Report reasonably reflects an accurate accounting of Telkom’s performance, including the review of data supplied by the team (excluding those indicators mentioned above) at the selected sites.

Recommendations

AA1000AS (Type II)

- Telkom should significantly improve its Health & Safety policies, procedures systems and controls – particularly with respect to the enhancement of group definitions and reporting guidance, inclusive of target setting – to ensure that the quality of data presented for inclusion in future annual reports is of significantly improved accuracy and reliability. This should include:
 - PHW and injury data ought to be recorded and reported for not only Telkom personnel, but also for employees of all subsidiaries and significant contractors.
 - Telkom’s current taxonomy of injuries (“Serious” and “Less Serious”) should be updated to ensure that injuries are classified as First Aid Cases (FACs), Medical Treatment Cases (MTCs), Lost Time Injuries (LTIs) and Fatalities.
 - All injuries – inclusive of first aid cases (FACs) – should be duly reported in order to ensure that safety risks are pro-actively identified and managed before more serious injuries occur (inclusive of within contractor activities).
- Telkom should significantly improve its Environmental policies, procedures systems and controls – particularly with respect to the enhancement of group definitions and reporting guidance, inclusive of target setting – to ensure that the quality of data presented for inclusion in future annual reports is of significantly improved accuracy and reliability. This should include:

- The capturing of electricity consumption data supplied by municipalities should include meter reading data, so as to allow for the testing of the accuracy of data supplied. Electricity consumption data for all subsidiaries and key contractors should be collected, collated and reported.
 - The capturing of water consumption data supplied by municipalities should include meter reading data, so as to allow for the testing of the accuracy of data supplied. Water consumption data for all subsidiaries and key contractors should be collected, collated and reported. Where necessary, “known consumptions” should be extrapolated across facilities where data is not available, to allow for improved data completeness.
 - The capturing of fuels consumption data should include all relevant vehicles, including those used by all subsidiaries and key contractors.
 - Volumes of waste disposed of should be measured and/or reasonably estimated (where disposal data is not possible to collect) to allow for reasonable reporting.
- Telkom should consider applying a formal stakeholder engagement standard, such as AccountAbility’s AA1000SES Stakeholder Engagement Strategy, to ensure that improvement continues to occur with respect to stakeholder engagement procedures, including an independent assessment of whether or not this Report, and all future Reports, adequately reflects the reporting requirements of key stakeholders.
 - Telkom should ensure that an appropriate team is established and/or developed to ensure that adequate capacity exists to improve the quality of sustainability data presented for inclusion in future annual reports. This should include capacity building within Telkom’s regional operations.
 - Telkom should ensure that an additional layer or control is implemented for the reporting of all sustainability data, to increase the reliability of all data submitted for Group consolidation.
 - Telkom should continue to employ a sustainability reporting cycle that accommodates for AA1000AS (Type II) assurance. At bare minimum, this should include an overhaul of guidance around reporting definitions, to ensure that data submitted is both consistent and comparable. For the foreseeable future (i.e., until data reporting significantly improves across the Group), assurance should include interim reviews, to avoid last minute submissions limiting Telkom’s ability to obtain reasonable comfort over data being reported.

Conclusions

Based on the information reviewed, **IRAS** is satisfied that this Report represents the best available account of the environmental, safety and social performance of Telkom for the period under review, in the context of the significant organisational changes that occurred during the reporting period. Although lacking reasonable levels of accuracy and/or reliability in the above-mentioned instances, the data presented is based on systematic processes and we are satisfied that, aside from the exceptions stated above, the reported performance data adequately represents Telkom’s current sustainability performance, while meeting the AA1000AS (2008) principles of *Inclusivity*, *Materiality* and *Responsiveness*.



Integrated Reporting & Assurance Services (IRAS)

Johannesburg

22 July 2016