

Independent assurance report

to the management and stakeholders of Telkom SA SOC Limited

Introduction

Ibis ESG Assurance (Ibis) was appointed by Telkom SA SOC Limited (Telkom) to conduct an independent third party assurance engagement in relation to selected sustainability information in Telkom's Integrated Report (the Report) for the financial year that ended 31 March 2017.

Ibis is an independent and licensed provider of sustainability assurance services. The assurance engagement was led by director Petrus Gildenhuys with support from sustainability assurance practitioners: Adam Sutton-Pryce and Jonathan Booth.

Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with 20 years' experience in sustainability performance measurement involving both advisory and assurance work. Adam and Jonathan have three and 10 years' experience in sustainability reporting and assurance respectively.

Assurance standard applied

This assurance engagement was performed in accordance with Account Ability's AA1000AS (2008) standard and was conducted to meet the AA1000AS Type II moderate level requirements.

Respective responsibilities and IBIS's independence

Telkom is responsible for preparing the Report and for the collection and presentation of sustainability information within the Report, notwithstanding any third-party support in compiling the Report. Ibis' responsibility is to Telkom and in accordance with the terms of reference agreed with Telkom.

Ibis applies a strict independence policy and confirms its impartiality to Telkom in delivering the assurance engagement. This assurance engagement is the first Integrated Report assurance engagement conducted for Telkom by Ibis.

Assurance objectives

The purpose of the assurance engagement was to provide the management of Telkom and its stakeholders with an independent moderate level assurance opinion on whether Telkom:

- > Adheres to the AA1000APS (2008) AccountAbility principles of inclusivity, materiality and responsiveness.
- > Fairly presents the following selected disclosures in the Report in accordance with the stated reporting boundaries:
 - Total recordable Injury Frequency Rate (TRIFR) (pg 85)
 - Lost Time Injury Frequency Rate (LTIFR) (pg 85)
 - Total volume of water consumed in m3 (pg 97)
 - Total Scope 1 and Scope 2 GHG emissions in tCO2e (pg 96)

Work performed by IBIS

Ibis performed the assurance engagement in accordance with the AccountAbility AA1000AS (2008) Type II requirements. The following suitable assessment criteria was used in undertaking the work:

- > AA1000APS (2008) (AccountAbility Principles Standard) published criteria for inclusivity, materiality and responsiveness respectively;
- > Telkom's safety incident classification and notification procedure;
- > Greenhouse Gas Protocol: A corporate accounting and reporting standard - Revised Edition (WRI & WBCSD, 2004) (GHG Protocol);
- > The completeness, accuracy and validity of reported data.

Our assurance methodology included:

- > Interviews with relevant functional managers at Telkom to understand and evaluate the processes in place for adherence to the AA1000APS stakeholder engagement principles;
- > Testing, on a sample basis, the measurement, collection, aggregation and reporting of selected sustainability information;
- > Inspection and corroboration of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria;
- > Reporting the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process; and
- > Assessing the presentation of information relevant to the scope of work in the Report to ensure consistency with the assurance observations.

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Engagement limitations

Ibis planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate assurance level in accordance with AA1000AS (2008).

The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent than for, a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS (2008).

Conversion factors used to derive emissions and energy used from fuel and electricity consumed, are based upon information and factors derived by independent third parties. The assurance work has not included examination of the derivation of those factors and other third party information.

Users of Telkom's sustainability information are cautioned when considering data completeness from a group perspective. Telkom is made up of numerous companies that are incrementally being incorporated on its journey towards full disclosure. The data reporting boundaries as applied for reporting and assurance purposes are supplied in the Report with each disclosure.

Assurance conclusion

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined boundaries and reporting criteria, and are free from material misstatement in respect of:

- > Telkom's adherence to the AA1000APS principles of inclusivity, materiality and responsiveness; and
- > The selected disclosures identified under assurance objectives above and as presented in the published Report.

Key observations and recommendations

Based on the work set out above, and without affecting the assurance conclusions, the key observations and recommendations for improvement are as follows:

In relation to the inclusivity principle

Telkom is still in the process of formalising its stakeholder engagement process in order to achieve purposeful stakeholder engagement management. Stakeholder groups have been mapped out and general means of engagement identified pointing to a level of stakeholder inclusivity, engagement and the acknowledgement of stakeholders' interests in Telkom.

However, it is recommended that Telkom takes steps towards rolling out the stakeholder engagement framework that will result in purposeful action planning and monitoring of stakeholder engagement across the group.

In relation to the materiality principle

Telkom has maintained due process in identifying its material issues influencing its decisions, actions, performance and stakeholders in a transparent and balanced manner.

It is recommended that Telkom also discloses where the future focus in these areas will lie.

In relation to the responsiveness principle

The nature of Telkom's business requires a high level of responsiveness to stakeholders on a day-to-day basis. Due to the absence of a formal stakeholder engagement system, records are not maintained for all stakeholder groups to keep track of engagement and Telkom's responses to arising sustainability matters on an ongoing basis.

Once a formal stakeholder engagement framework is implemented, the focus should be on consistent record keeping of its key responses to stakeholders across the group, that will improve analyses of stakeholder issues and Telkom's responsiveness going forward.

In relation to the selected disclosures

Data inconsistencies noted during the audit, relating to the disclosures in scope, were corrected prior to final submission. Although Ibis is satisfied with the data accuracy in the assurance scope in general, it was found that the control environment governing the collection, verification, and reporting of sustainability data is weak.

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Key observations and recommendations - continued

In relation to the selected disclosures - continued

Going forward, it is recommended that Telkom focusses on expanding its reporting boundary towards including all operations in the group. A key aspect of complete disclosure would be the development and implementation of a reporting procedure covering KPI definitions, reporting mechanisms, responsibilities, controls and audit trail requirements.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to Telkom management for consideration.



Petrus Gildenhuys

Director

Ibis ESG Assurance (Pty) Ltd

Johannesburg, 12 July 2017



The assurance statement provides no assurance on the maintenance and integrity of sustainability information on the website, including controls used to maintain this. These matters are the responsibility of Telkom.

Telkom's response to the assurance statement:

"Following the recommendations highlighted in this assurance statement and the management report, Telkom has noted the recommendations and has already begun reviewing the recommendations. We shall enhance our stakeholder engagement processes and formalise the sustainability reporting procedure that will assist us with expanding our reporting boundaries towards more complete reporting."