Telkom SA SOC Ltd

Integrated Report

for the year ended
31 March 2021

Telkom

www.telkom.co.za

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The following icons provide more insight:

Refers to King IV[1] recommended disclosure. The number within the icon refers to the King IV principle applied.

Indicates where non-financial indicators were externally assured.

[1] *King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Reporting boundary and approval

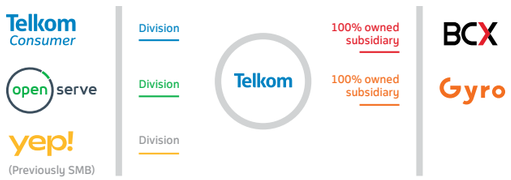
Telkom's purpose is to seamlessly connect our customers to a better life. We aim to provide our stakeholders with transparent, relevant and integrated information to enable them to make better and more informed decisions about Telkom – connecting our reporting with their expectations.

This integrated report (this report) covers the financial year 01 April 2020 to 31 March 2021 (FY2021 or the year) and includes significant subsequent events up to the date of approval of this report. The reporting boundary covers Telkom SA SOC Ltd, which represents the Telkom Group (Telkom or the Group), which comprises Telkom Company (the Company) and its subsidiaries.

The Telkom Company consists of divisions, namely Corporate Centre, Openserve, Telkom Consumer and Yep! (previously Telkom Small and Medium Business (SMB)). The Group's subsidiaries are BCX and Gyro. Telkom's business units are made up of these divisions and subsidiaries.

Telkom SMB was rebranded as Yep! and includes Yellow Pages and the small and medium entities that were carved out from BCX. Yep! is also consolidated with Telkom's small and medium business entities and is reported under the Telkom Consumer segment.

Telkom's operating model



Board approval

5 15

The Board of Directors (the Board) acknowledges its responsibility for the integrity of Telkom's integrated report. It confirms that it collectively reviewed the integrated report's contents and leveraged off the assurance obtained from its various internal and external assurance providers, including assessments on risk and internal controls. The two new Non-executive Directors, Olufunke (Funke) Ighodaro and Ethel Matenge-Sebesho on page 133 were in attendance (not included for the report approval due to tenure).

The Board is of the view that Telkom's integrated report addresses all of Telkom's material matters and concluded that the information herein is materially presented in accordance with the IIRC <IR> Framework[1]. The Board approved the integrated report on 02 July 2021.

Sello Moloko (Chairperson)	**Board Members**
Sipho Maseko (Group Chief Executive Officer)	Navin Kapila
Dirk Reyneke (Group Chief Financial Officer)	Sibusiso Luthuli
	Kholeka Mzondeki
	Fagmeedah Petersen-Cook
	Keith Rayner
	Sibusiso Sibisi
	Herman Singh
	Rex Tomlinson
	Louis Von Zeuner

[1] *International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework, 2013.*

Enhancing our environmental, social and governance (ESG) disclosures

Sustainability reporting combines economic performance, social responsibility and environmental care. This requires a business to have a sustainability strategy that provides a coherent view of business sustainability.

Telkom has addressed sustainability reporting by focusing on compliance matters and assessing its sustainability against international standards. Although Telkom has not published a sustainability strategy, it plans to develop a Group sustainability strategy over the next two years and have implemented various initiatives relating to sustainability matters. The Group has also adopted the various sustainability frameworks and participates in indices as set out below.

The United Nations Sustainable Development Goals

To formalise Telkom's commitment to the Sustainable Development Goals (SDGs), we conducted an internal survey and held a formal workshop. The aim was to identify, evaluate and prioritise SDGs which Telkom can materially impact. The SDGs were approved by the Group Executive Committee (Exco) and noted by the Social and Ethics Committee.

The following four SDGs, with selected SDG targets, were identified as presenting the most material opportunities for Telkom to enhance its positive impact and minimise its negative impact, and align with Telkom's business approach to sustainability issues and opportunity realisation:

SDG 4	Quality education
SDG 8	Decent work and economic growth
SDG 9	Industry, innovation and infrastructure
SDG 12	Responsible consumption and production

Throughout this report, the relevant SDG icon indicates where related information is discussed. More detail is set out in the SDG appendix on page 115.

Task Force on Climate-related Financial Disclosures

Telkom has embarked on a journey to adopt Task Force on Climate-related Financial Disclosures (TCFD) recommendations to strengthen our climate-related financial disclosures. In FY2021 we started by incorporating disclosures recommendations regarding risk page 26, strategy page 39 and governance page 78. We aim to improve these disclosures over time and intend to focus on the metrics and targets disclosures over the next two years.

Global Reporting Initiative Standards

Telkom has aligned its definitions of sustainability key performance indicators (KPIs) to the Global Reporting Initiative Standards' relevant definitions. This facilitates comparability.

CDP

Telkom has participated in the CDP (formerly the Carbon Disclosure Project) for the past eight years and will continue to do so in FY2022. This participation provides feedback on how well the Group is managing its energy and carbon emissions inventory to reduce Telkom's environmental impact within its operational boundary.

Telkom's score improved from C to B in FY2020, after improving from D to C in FY2019. The B score is higher than the African regional average and the media, telecommunications and data centre services sector average, which have both scored a C. We are currently busy with the FY2021 submission which we will report on in FY2022.

Telkom aims to set science-based emissions targets for the first time in FY2022. For more information on emissions, refer to natural capital on page 77.

FTSE/JSE Russell ESG Index

Telkom remains a constituent of the FTSE4Good Index series following its June 2020 review. The 67 constituents are companies that reflect strong ESG risk management practices as measured by an overall ESG rating.

Telkom aims to move back into the FTSE/JSE Responsible Investment Top 30 Index over the short to medium term. The last time Telkom was included in the Top 30 was in 2017.

TELKOM'S RESPONSE TO COVID-19

Telkom played its role in support of its stakeholders through the pandemic – R100 million spend since March 2020.

Protect health of Telkom employees

- **Tested and provided counselling** to employees and families through our wellness partner ICAS Southern Africa
- **88.2% recovery rate** for affected employees
- Approximately **80% of employees working from home** since the beginning of the national lockdown

Support education and healthcare initiatives

- **Launched Lightbulb Education** and zero rated ~1 000 educational sites
- **>7 000 people** have access to tutors and counselling
- **Developed track and trace tools** with National Institute of Communicable Diseases and Department of Health

Alleviate financial pressure for customers

- Reduced prices and increased speeds and **broadband bundle sizes**
- **Granted** payment holidays and extended payment terms during lockdown levels 4 and 5
- **Offered** free access to the new Yep! marketplace and desktop applications to small and medium-sized enterprises (SMEs)

Support a nation through crisis

- Made our training centre available as an **additional quarantine site**
- **Formed** a disaster relief fund that supports the Red Cross
- Conveyed the importance of **contributing** to COVID-19 relief

Refer to pages 19 to 24 for more information on each stakeholder group.

Integrated performance snapshot

Financial capital

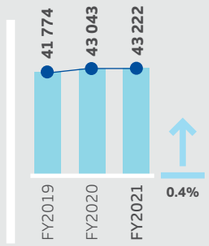
The financial capital available to maintain and grow our business.

For more information on financial capital, refer to page 43.

[1] *Based on pro forma financial information. Refer to pages 119 to 124 for the reconciliation of the reported figures to the adjusted figures.*

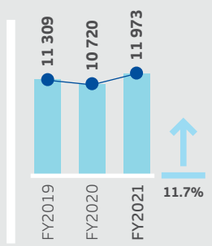
Revenue

R'million



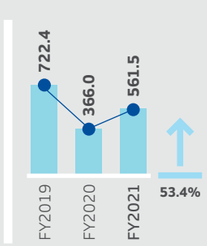
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]

R'million



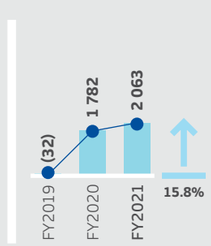
Headline earnings per share (HEPS)[1]

Cents per share



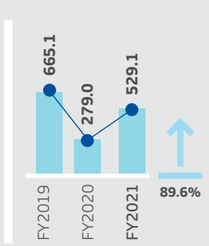
Free cash flow (FCF)

R'million



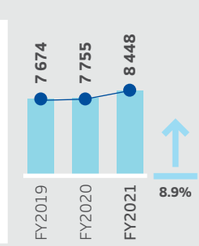
Basic earnings per share (BEPS)[1]

Cents per share



Capital expenditure (capex)

R'million



All commentary, messaging and indicators in this report for FY2021 are presented excluding the impact of voluntary severance package (VSP), voluntary early retirement package (VERP) and section 189 (S189) costs of R270 million and the related tax impact of R76 million in FY2021, and VSP and VERP costs of R1 186 million and the related tax impact of R332 million in FY2020. Refer to www.telkom.co.za/ir for the audited consolidated financial statements.

Productive capital

Fixed and mobile network includes copper and fibre-optic cables that support fixed-line services to retail, business and wholesale customers.

Three major earth stations providing satellite services to Africa.

Towers that transmit our radio spectrum[2] and support the delivery of mobile voice and data services.

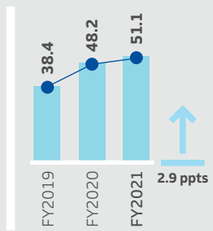
Data centres that provide hosting, disaster recovery services and cloud services to business customers.

For more information on productive capital, refer to page 47.

[2] *Spectrum comprises the set of invisible radio frequencies that travel through the air.*

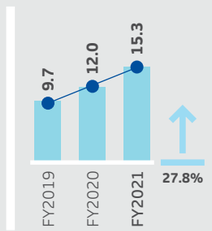
Fibre to the home (FTTH) connectivity rate

%



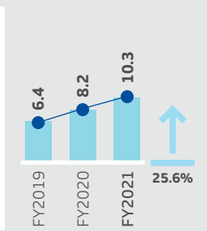
Active mobile subscribers

Million



Mobile broadband subscribers

Million



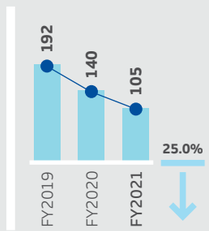
Social and relationship capital

Social and relationship capital reflects our contribution to South African society.

For more information on social and relationship capital, refer to page 73.

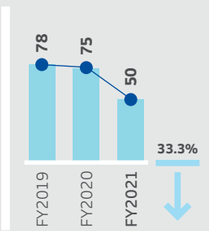
FutureMakers Independent Field Technician (IFT) procurement spend

R'million



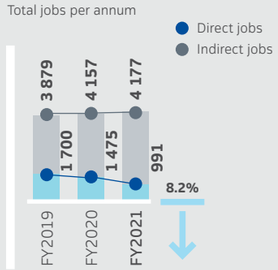
Investment in Telkom Foundation

R'million



Total jobs in the FutureMakers programme

Total jobs per annum



Human capital

Contributors to human capital include our employees' individual skills, competencies, experience, motivation to innovate and be productive, and their health and wellbeing.

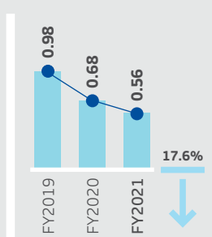
For more information on human capital, refer to page 67.

Group employees

Number

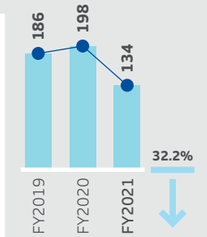
Lost-time injury frequency rate

Rate



Differently abled employees

Number



Natural capital

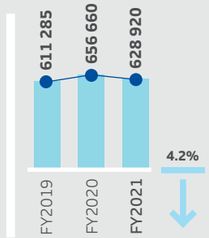
This includes using natural resources, comprising renewable energy sources, such as solar energy, water and other non-renewable resources. It includes our impact on the environment from e-waste and carbon emissions.

For more information on natural capital, refer to page 77.

[3] *Scope 1 and 2; excluding Yellow Pages.*

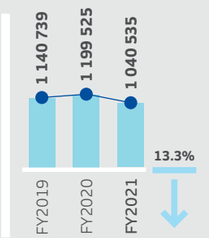
Total carbon footprint[3]

tCO_2e



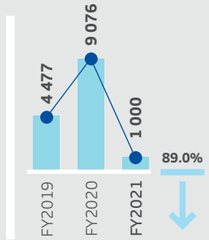
Water consumption

Kilolitres



E-waste recycled

Tonnes



1

A Telkom snapshot

Overview of our business

Telkom is a leading information and communications technology (ICT) services provider in South Africa. Our offering includes fixed-line, mobile and data services, information technology (IT) services and financial services. Telkom is listed on the Johannesburg Stock Exchange (JSE) with the share code TKG. The South African Government owns 40.5% of Telkom, 49.6% of our shares are held by institutional shareholders, 3.4% treasury shares and 6.5% by non-institutional shareholders[1].

[1] *Refer to page 117 for more information on Telkom's equity and debt holdings.*

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Telkom's purpose, vision and values

Our vision

To lead in the converged ICT market through deep and credible relationships and a distinctive customer experience by:

- **Leading** in converged solutions
- **Providing** a quality network with unmatched reach
- **Offering** end-to-end digital solutions in the business community
- **Creating** innovative and pervasive broadband consumer services
- **Being** the wholesale provider of choice
- **Being** the best place to work for committed and accountable people

Purpose

Seamlessly connecting our customers to a better life.

Our values and culture

One of Telkom's keys to future success is to build a high-performance, values-driven culture. Telkom is committed to conducting business in an ethical manner based on our core values and acceptable principles. Our values form the foundation of our Group ethics handbook.

Telkom has five core values

C	**Continuous improvement**	Listen, act, learn and innovate. We seek continuous improvement and do things quickly, effectively and innovatively. We learn from our mistakes to enhance our performance and become more responsive to customer needs.
H	**Honesty**	Be real, open and truthful. We keep our promises and commitments. We tell the truth and are open and transparent in all our dealings with each other, our customers, our stakeholders and the broader community.
A	**Accountability**	"If it is to be, it is up to me." We take full ownership of our actions and deliverables. We do not blame others and always give our best. We are passionate and walk the extra mile for customers.
R	**Respect**	Ensure dignity to all. Protect the environment. We treat people with courtesy, politeness and kindness, and actively listen to others. We value diversity and always seek to understand others.
T	**Teamwork**	Together we win. We are team players with a common goal and shared vision. We deliver business results through co-operation and share our knowledge and resources to the benefit of the business and stakeholders.

Telkom's operating structure, products and services

This matrix sets out our operating structure and the products and services provided by our business units. The pages that follow contain further information.

Products and services provided by Telkom's five business units	Openserve (division)	Telkom Consumer (division)	Yep! (division)	BCX (100% owned subsidiary)	Gyro (100% owned subsidiary)
Connectivity Connectivity through ducted and aerial copper and fibre, and mobile and wireless transmission	●	●	●	●	
Infrastructure Property, masts and towers solutions to Telkom and third-party clients, data centres and fibre	●			●	●
State-of-art next-generation network Allows wholesale customers to connect their own customers	●	●			
Converged ICT solutions Provide converged ICT services and products which include cloud, software-defined wide area network (SD-WAN), augmented reality, virtual reality, blockchain, artificial intelligence and robotics			●	●	
Digital presence and e-commerce The e-commerce platform supports integrated business solutions for small and medium business customers			●		

Telkom's business units

openserve

Customer/market segmentation

OPENSERVE is South Africa's leading wholesale infrastructure connectivity provider with the largest open-access network across South Africa.

Our open-access model allows us to provide broadband, enterprise, optical and carrier solutions to wholesale customers across the following segments:

- **Consumer** – addresses the broadband connectivity needs of end-customers through multiple internet service providers (ISPs)
- **Enterprise** – enables business-to-business connectivity through high-bandwidth connectivity products and solutions
- **Carrier** – comprises customer-specific high-capacity backhaul and managed connectivity services for network service providers
- **Global** – provides network infrastructure connectivity, for example, submarine cables and satellite

Products and services

- **Broadband**
- **Enterprise**
- **Carrier**
- **Global**

Differentiators

The state-of-art next-generation network spans across core, aggregation and access, making the network a unique wholesale market differentiator

Largest wholesale open-access **infrastructure** connectivity provider in South Africa

The leading high-speed fixed broadband connectivity provider in South Africa

Capacity to grow network infrastructure connectivity across all segments

Extensive experience and skills capacity across network communication and connectivity services

Refer to page 47 for Openserve's performance.

Telkom Consumer

Customer/market segmentation

TELKOM CONSUMER is driven by high-speed mobile broadband and, together with its fixed-line network, is a converged communications provider.

Telkom Consumer operates in the following segments:

- Mobile
- Fixed-line high-speed broadband

Serviced by the following access mediums:

- Owned mobile network
- Owned content platform
- Owned ISP
- Fixed services provided on a reseller basis

Products and services

- **Broadband (mobile, fixed, nomadic)**
- **Voice**
- **Content**
- **Gaming**

Differentiators

Data-led mobile network

Market-leading capability across fixed and mobile, including content and gaming

Broadband-led propositions

Fibre backhaul base stations

Higher data propensity customer base

Refer to page 51 for Telkom Consumer's performance.

yep!

Customer/market segmentation

Yep! is a leading digital solutions company providing converged communication and intern service and technology solutions to small businesses in South Africa.

The Yep! customer segments comprise:

- Single-owned businesses
- Small businesses
- Medium-sized businesses

in all verticals and industries of the economy

Products and services

Our businesses provide the following services to small and medium businesses:

- Fixed-voice, broadband and private branch exchange solutions
- Mobile connectivity solutions
- IT solutions
- Payment and business lending
- A digital marketplace for small and medium businesses
- Financial services solutions which includes an expanded insurance product offering (device and funeral, from motor only)

Differentiators

Our **Yep! e-Marketplace** for business creates a digital platform to improve customer experience across the value chain

Our **e-Marketplace** enables small and medium businesses to sell, buy and bid for work opportunities

This intuitive **e-commerce platform** allows customers to complete a needs analysis, purchase, explore conveniently, using their chosen payment method

Our **capabilities** also include:

- Strong partnerships with over-the-top (OTT) players on our online platforms
- Large customer base with long-standing relationships
- A regional sales force
- Digital-first approach and an online service portal

Refer to page 55 for Yep! performance.

BCX

Customer/market segmentation

BCX is a state-of-the-art technology company that provides ICT solutions and an integrated portfolio of technology solutions in South Africa.

BCX customer segments comprise:

- Corporate (retail, mining, banking, financial services and healthcare)
- Public sector
- Large business

Products and services

Our diversified technology product portfolio provides a wide range of solutions, namely:

- **Converged communication** including voice, SD-WAN suite, ethernet and OTT solutions
- **Digital platform solutions** including digital, enterprise applications and customised industry-specific offerings
- **Cloud platform solutions** including enterprise cloud and infrastructure, field services management and cybersecurity

Differentiators

Our capability to provide **end-to-end ICT solutions**

Market leader with strong presence in connectivity, end devices, applications and other IT services markets

Largest Tier 4* **data centre** footprint

Industry-specific expertise

Strategic vendor relationships

Develops **customised applications**

** Tier 4 is defined on page 59*

Refer to page 57 for BCX's performance.

Gyro

Customer/market segmentation

Gyro comprises masts and towers, property investment and property services business. Gyro manages the property portfolio of Telkom currently utilised for operations.

Gyro customer segments comprise:

- Mobile network operators
- Wireless ISPs
- Broadband providers
- Public sector
- All property segments (retail, office, industrial, residential, student accommodation and data centres)

Products and services

Masts and towers with multi-tenant leases on existing and new towers

Property development includes new developments and repurposing and refurbishing existing buildings

Property services with real estate and tower management services include:

- Asset management
- Development management
- Programme and project management
- Property management
- Facilities management
- Space user-demand management

Differentiators

Large independent, South African-based masts and towers portfolio

National footprint of properties, masts and towers

Capacity and readiness to become the preferred real estate solutions provider for non-mainstream large space users and real estate portfolio owners

Leveraging the Group's technologies to implement smart-enabled buildings and next-generation property and facilities management solutions

Refer to page 61 for Gyro's performance.

2

Value creation

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How our leadership supports value creation: Chairperson's report

The past year was part of the most unprecedented period in modern history. The ability of businesses to adapt swiftly to changing conditions was given the ultimate test, and remarkable efforts across leadership, citizenry, business and government were required to manage the impacts of COVID-19.Telkom is proud of its role in supporting South Africa during this time.

COVID-19 increased the demand for telecommunications services – from large corporations to schoolchildren who needed to receive education. As South Africa's biggest provider of telecommunications infrastructure, Telkom provides the backbone to communication services. As a concerned corporate citizen, in collaboration with government and fellow market participants, Telkom played a pivotal role during the year by actively providing intellectual and technological input to keep people connected, supporting national health initiatives (for example, developing COVIDConnect[1]) and assisting stakeholders.

Telkom's first priority during the pandemic was, and remains, the safety of employees as we continued to fulfil our purpose of *seamlessly connecting customers to a better life* and ensuring our service delivery was not compromised. As an essential services provider, Telkom trained and equipped frontline workers to engage with customers safely and capacitated 80% of employees to work from home. Sadly, Telkom, up to date of publishing this report, has lost 40 employees to COVID-19 since the start of the pandemic, and we extend our deepest condolences to their families, colleagues and friends.

The Board was actively involved in strategically guiding the Group's COVID-19 response. We held 10 Board meetings in FY2021, enabling us to remain abreast of developments, ensure Telkom continues to operate sustainably and confirm that employee safety is secured. We conducted conversations with management on the changing operating environment and its impact on Telkom's strategic risks, to ensure these are adequately considered, managed and mitigated.

Telkom continued to operate seamlessly and performed well despite the COVID-19 challenges and unresolved issues related to the release and licensing of high-demand spectrum.

In the past year, extraordinary decisions needed to be taken to keep people safe, and extraordinary leaders have prevailed. Telkom's leadership rose to the challenges and continuously engaged with our people, who were adapting to new ways of working remotely, to ensure that our focus remained steady. Astute investment choices were made to support our service delivery. These ranged from growth-driving investments in mobile and fibre infrastructure, to reactivating old copper infrastructure to provide services that were accessible to different levels of clients at a time when the need for connectivity was heightened.

However, these successes and our actions to protect Telkom's ongoing sustainability required sacrifices and trade-offs. To safeguard our financial sustainability, no salary increases were approved for Executives, senior management, management and bargaining unit employees. The majority of Non-executive Directors did not receive an annual increase. However, the Chairperson of the Board and the Investment and Transactions Committee fee was adjusted according to the market 50th percentile. This was a tough decision that was carefully communicated to employees. I am pleased employees remained committed to the Group and understood what we were facing as an organisation. In addition, Telkom's various S189 processes, which commenced prior to the onset of COVID-19, concluded during the year, as discussed further on page 71.

The Board's FY2021 focus areas remain relevant for FY2022, with value unlock a key priority, supplemented by increased focus on Board and Executive Director, succession and transformation.

Further to these focus areas, the Board has dedicated attention to the Group's transformation agenda. Telkom continues to make strides in becoming a properly transformed organisation at all levels, with commendable progress made at Executive level.

The market and investors have also transformed their expectations of companies, and we are experiencing increased demand for responsible ESG practices and disclosure. Telkom believes that we have a fundamental responsibility to the environment and to ensure that the Group is well governed. ESG considerations are therefore gaining prominence in our strategy formulation and through our Social and Ethics and Risk Committees. We will be focusing on these areas and their disclosure.

[1] *Refer to page 76 for more detail on the development of this tool.*

COVID-19 increased the demand for telecommunications services:

Large corporations that needed to continue business

Schoolchildren who needed to receive education

South Africa's biggest provider of telecommunications infrastructure

Telkom provides the backbone to communication services

Supporting national health initiatives

Developing COVIDConnect

Telkom played a pivotal role during the year by actively keeping people connected

The Board's focus areas remain firm as we support Telkom's digital transformation.

Telkom's ambition is to be a leader in South Africa's digital revolution as our business transforms from legacy communication formats to a digital ecosystem, including data, mobile and IT solutions. The Board's key focus areas for FY2021 enabled and supported Telkom's strategy while undertaking checks and balances to safeguard the Group's long-term sustainability and value creation.

Evolving technology

It is imperative that Telkom remains at the forefront of technology trends, which is achieved through engaging with our service providers and through internal innovation in our research portals.

The Board is able to effectively interrogate management's technology proposals and ensure the business is considering the right technology through the ICT expertise provided by Sibusiso Sibisi and Navin Kapila, and the appointments of Alphonzo Samuels and Herman Singh as Non-executive Director and independent Non-executive Director respectively.

Alphonzo Samuels' knowledge will assist the Company and Board to understand ICT and digital transformation. Herman Singh brings expertise in business disruption and technology, and the ongoing convergence of technology and business.

Unlocking value from the business

We continued our FY2020 focus on reviewing the Group's business portfolios to identify mechanisms to unlock value and ensure future relevance and sustainability.

This process involved significant Board focus, studying valuations, strategic imperatives and capital allocation, and resulted in clear implementation plans.

Accordingly, the Group continues to evolve the operating model to create value. Part of this process required redefining the business units' operating and service delivery models, driven by changing operational requirements, evolving customer needs, advancing technologies, and market and industry challenges. Telkom concluded its judicious S189 processes, which were closely monitored by the Remuneration Committee.

Scaling up the Mobile business

We have strategically invested in scaling up the Mobile business as a driver of value for our customers and the Group.

Through a combination of increased mobile demand, attractive product offerings and a R4.5 billion capex investment in our network, we have seen a 27.8% growth in our subscriber base, translating into R19.6 billion in external revenue. The Board is pleased with the return on this investment and confident in the future growth prospects of the Mobile business.

5G readiness

The Telkom Group is positioned to successfully commercialise 5G imminently through collaborative implementations with Fixed and Mobile Networks, in support of Enterprise and Consumer customers. Work on this has already commenced.

Implementation strategies for 5G are holistic and consist of 5 key elements, namely: 1) data-lead Radio access, where more than 2/3 of our network already provides 4.5G (LTE-A) access. Leading up to 2026 we see 5G access complementing our 4G and 4.5G (LTE-A) network at 25%-40% of connections to the Network 2) the Mobile Core Network has already been upgraded to support the Non-Standalone deployment of 5G New Radio technologies, 3) fibre-fed Mobile sites (in the 70%- 80% corridor) enabling Telkom to provide scale-able backhaul as 5G is deployed at required sites, 4) our Exchange footprint will ensure that Multi Edge Cloud (MEC) in support of the 5G Transmission and Virtualisation network evolution can be deployed where it's required, and 5) we anticipate gaining access to low-band spectrum that will be used to provide strong 4G/5G coverage in more areas; over time Telkom will increasingly use its 2300 MHz a combination of its spectrum holdings to test and deploy New Radio (NR) 5G networks.

Fibre to the home (FTTH) increased

We are committed to providing a scalable and state-of-art next-generation network that caters for current and future demands through continued investment in modernising and transforming our network.

The adoption of new ways of working due to the pandemic has shown the importance of high-speed connectivity. Fibre to the home (FTTH) increased by 51.1%. As we continue to invest in our robust infrastructure network, we aggressively increased our footprint in the latter part of FY2021 to pass approximately 549 900 homes.

FY2021 signalled the importance of high-bandwidth services, which have grown exponentially, and this is reflected through the increased fixed-data consumption of 28.3% across Openserve's network. The need to consume multiple digital services led to an upsurge in data traffic, resulting in an increase in revenue across fixed fibre and carrier connectivity solutions.

Spectrum allocation

Telkom welcomed the release of temporary spectrum licences in response to COVID-19, and utilised this optimally to serve customers during the pandemic.

However, the release and licensing of additional high-demand spectrum continue to be a challenge and needs to be concluded in order for Telkom to compete effectively in the mobile telecommunications market. We advocate a responsible and pro-competitive approach to spectrum licensing by the Independent Communications Authority of South Africa (ICASA), and continue to engage constructively with the regulator on this matter.

Improving customer experience

Providing a distinctive customer experience is an essential and competitive element of our value creation, as it impacts our ability to attract and retain customers and directly influences our reputation.

The Board has interrogated the risk of poor customer service and management's ongoing actions to improve customer experience. There are clear indicators that this is improving; however, we will continue to oversee that appropriate investments and initiatives are considered to increase customer loyalty, retention and satisfaction, and in turn increase revenue.

Telkom's well-functioning governance structures and balanced Director profile endeavour to create significant value for the Group through ensuring good governance practices and a culture of mindful interrogation and effective decision-making.

Succession planning for Executive Directors and Executive management remains a focus. The Board and Nominations Committee monitor Director diversity, tenure and independence, and manage Director rotation while ensuring the Board is capacitated with the right balance of skills and length of tenure to effectively deliver on its mandate.

The Board's female representation reduced significantly due to Santie Botha and Khanyisile Kweyama retiring out of the Board in September and December 2020 respectively; the resignation of Tsholofelo Molefe, the Group Chief Financial Officer (GCFO) in December 2020; and the untimely passing of Dolly Mokgatle in January 2021. The Board appointed Herman Singh and Alphonzo Samuels as Non-executive Directors to address the ICT skills gap identified through the 2020 annual skills assessment, and to enable succession planning activities. Dirk Reyneke was appointed as the new GCFO on 07 December 2020. As the four outgoing female Directors were replaced by three male Directors to meet our skills requirements, gender representation will form a key consideration in our future recruitment process.

Following these changes, we reconstituted the Board Committees. We remain comfortable that we have a Board with the right expertise in place, and that we are able to carry out our strategic and governance mandate.

On behalf of the Board, I welcome Herman, Alphonzo and Dirk and look forward to the contribution of their knowledge and insights. I would like to thank Santie and Khanyisile for their wisdom, leadership and contribution over the past nine years, leading the Remuneration and Social and Ethics Committees, respectively. We wish them and Tsholofelo well in their future endeavours.

The past year has tested our adaptability and resilience – businesses are driven by people and at a time like this, we found the resilience of our people admirable.

I thank all of Telkom's employees for adapting the way they do things to continue to deliver on a high level, for accepting the tough decisions leadership made in the best interests of the Group and for supporting the vision that management had in place.

On behalf of the Board, I thank our Group Exco for its steadfast focus and adaptability during this uncertain and dynamic period. We express our gratitude for the loyal support of customers and the partnership of our service providers who are critical to the continuation of our operations.

Finally, I thank my Board colleagues for their unwavering support and commitment to ensuring that the Board and its Committees fulfil their mandate and support Telkom to keep South Africans connected.

Sello Moloko
Chairperson

We were deeply saddened by the unexpected passing of Dolly Mokgatle. She was a lawyer, leading businesswoman and Director who was a renowned advocate for the economic empowerment of women and women-owned enterprises. We have lost a very strong contributor to the Board and someone with an extremely positive spirit, and we share our condolences with her family.

Jabu Mabuza was an influential leader, distinguished businessman and role model for all South Africans. As a former Chairperson and Board Member of Telkom for 7 years, he was key in its turnaround. His leadership demonstrated flawless ethics and set the standard for the future. We join the country in mourning the passing of this remarkable business leader, whose life was tragically claimed due to Covid-19 complications.

Our business model

This report discusses Telkom's value creation and elaborates on the inputs we rely on, the highlights and challenges of our key business activities, the products and services we sell and the results we achieved (outcomes). The diagram provides a synopsis of our business model and should be read in conjunction with the rest of the report.

Inputs

Financial capital

Equity invested by shareholders

Retained earnings

Debt funding

Productive capital

Network footprint including mobile, wireless, fixed lines (fibre and copper), national backhaul (connectivity of base stations)

Base stations, masts and towers, fixed-line exchange, properties (mostly accommodating exchange and switch equipment)

Spectrum

Data centres

Office and retail buildings

Human capital

Group culture

Remuneration policies and structures that aim to attract and retain the required skills

Experienced and skilled leadership

Training, Talent Management and Succession Planning programmes

Employee Wellness programmes

Intellectual capital

Recognisable brands such as Telkom, BCX, Openserve, Gyro and Yep!

Rights and licences such as:

- Licences to provide electronic communication networks and communication services
- Licences to use spectrum

IT research and development

Internal policies, procedures and frameworks such as Telkom's governance framework, enterprise risk management (ERM) framework and environmental management systems, with the aim of maintaining compliance and internal controls

Social and relationship capital

Telkom's Group ethics handbook and values

Ethics pledge

Investment into Telkom Foundation and the FutureMakers programme acts as a catalyst for socio-economic growth

Stakeholder engagement activities and reputation management

Partnerships with IT application providers and other key partners and suppliers

Natural capital

To minimise our impact on the environment, we apply international best practice, comply with laws and maintain our environmental and social licences to operate:

- Electricity
- Water
- Copper

Business activities

Ongoing planning, building and maintaining infrastructure

Network planning is the basis from which infrastructure is developed, expanded, improved and maintained. Various licences, assessments, commercial negotiations, compliance with regulations and laws, among others, are required during this process.

1. Connecting customers

- Customer request received online, through contact centre or at retail facility
- Infrastructure confirmed (if applicable)
- Technician dispatched (if required)
- Service activated/ product provided
- Customer billing process
- Telkom's mobile fixed and fibre solutions are provided through third-party service providers who are paid incentives accordingly

2. Providing solutions/ infrastructure to corporates

The value chain for these solutions depends on the nature of the request, and typically follows the process below:

- Customer request received directly or through tender
- Either a standard solution or a new customer-specific solution is developed
- Tender awarded/ solution approved
- Build, implement and activate solution
- Customer billing process
- Maintenance/ continuous support

3. Telkom's enabling and support functions play an important role in building a sustainable business

- Regulatory
- Human resources (HR)
- Finance
- Procurement
- Marketing and sales
- Strategy
- Reputation management
- IT
- Corporate social responsibility
- Legal and compliance

Outputs

Telkom's products and services can be divided into five categories.

1. Connectivity
2. Infrastructure
3. State-of-art next-generation network
4. Converged ICT solutions
5. Digital presence and e-commerce

Page 6

Outcomes

Financial capital

Operating profit of R5 103 million[1] (FY2020: R3 805 million[1]) of which 51.4% (FY2020: 36.6%) was retained for future growth (retained earnings)

Cash generated from operations of R14 244 million (FY2020: R12 756 million)

Repayment of debt of R1 132 million and interest paid of R1 291 million

Net debt/EBITDA ratio of 0.9x (FY2020: 1.3x)

Page 43

Productive capital

27.8% increase in **active mobile subscriber** base to 15.3 million

25.6% increase in **mobile broadband subscribers** to 10.3 million

More than 169 000 kilometres of **fibre deployed** (FY2020: 165 900 kilometres)

Page 47

Intellectual capital

Our **ICT solutions** provide state-of-the-art converged solutions to customers and update our customers' knowledge of our projects and services

Page 65

Human capital

R9 042 million (FY2020: R9 527 million) paid to employees and Directors in **remuneration and benefits**, creating local employment

Group employees: 12 039 (FY2020: 15 099)

Investment in **employee training and development**, including female leadership, enhances our human capital and contributes to increased diversity

Talent and Skills Attraction programmes contribute to Telkom's pipeline of young, diverse talent, which is essential for future sustainability

Page 67

Social and relationship capital

Education initiatives through Telkom Foundation reach learners and teachers

Small business development through the FutureMakers programme – R105 million in procurement opportunities accessed by businesses (FY2020: R140 million), contributing to transformation in South Africa

Page 73

Natural capital

Telkom's **environmental impact** categorises it as a low-risk organisation

Environmental Management programmes reduce water and electricity usage and increase the use of renewable energy to support the future availability of these resources

Total carbon footprint of 628 920 tCO_2e (FY2020: 656 660 tCO_2e)

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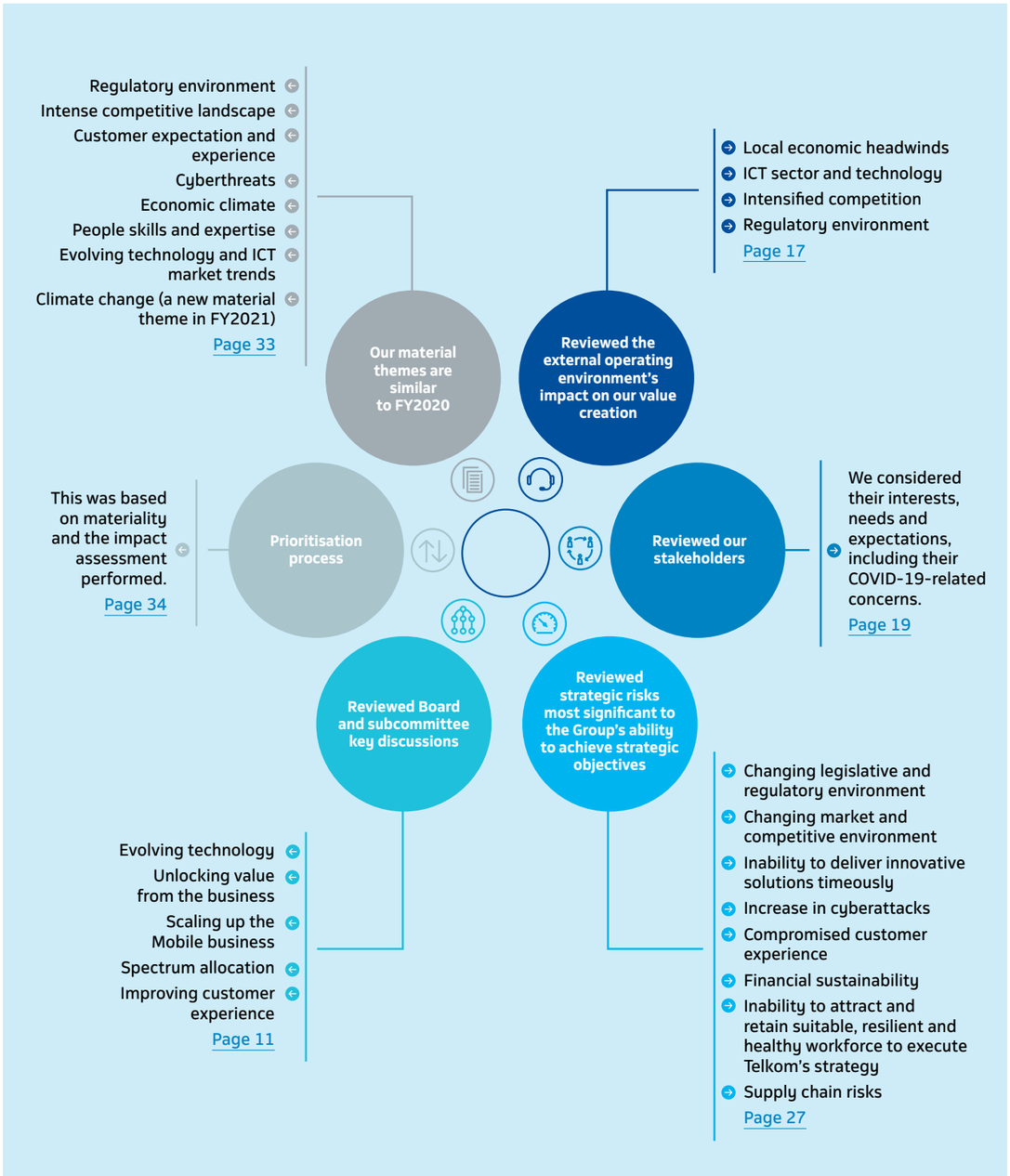
[1] *Based on pro forma financial information. Refer to pages 123 and 124 for the reconciliation of the reported figures to the adjusted figures.*

Material aspects of our value creation process

We define our material themes as the factors that substantively affect our ability to create value for our stakeholders over time. Our material themes determination process is set out below. Management's materiality determination process and the material themes were approved by the Group Exco and the Audit Committee and finally by the Board.

Materiality determination process

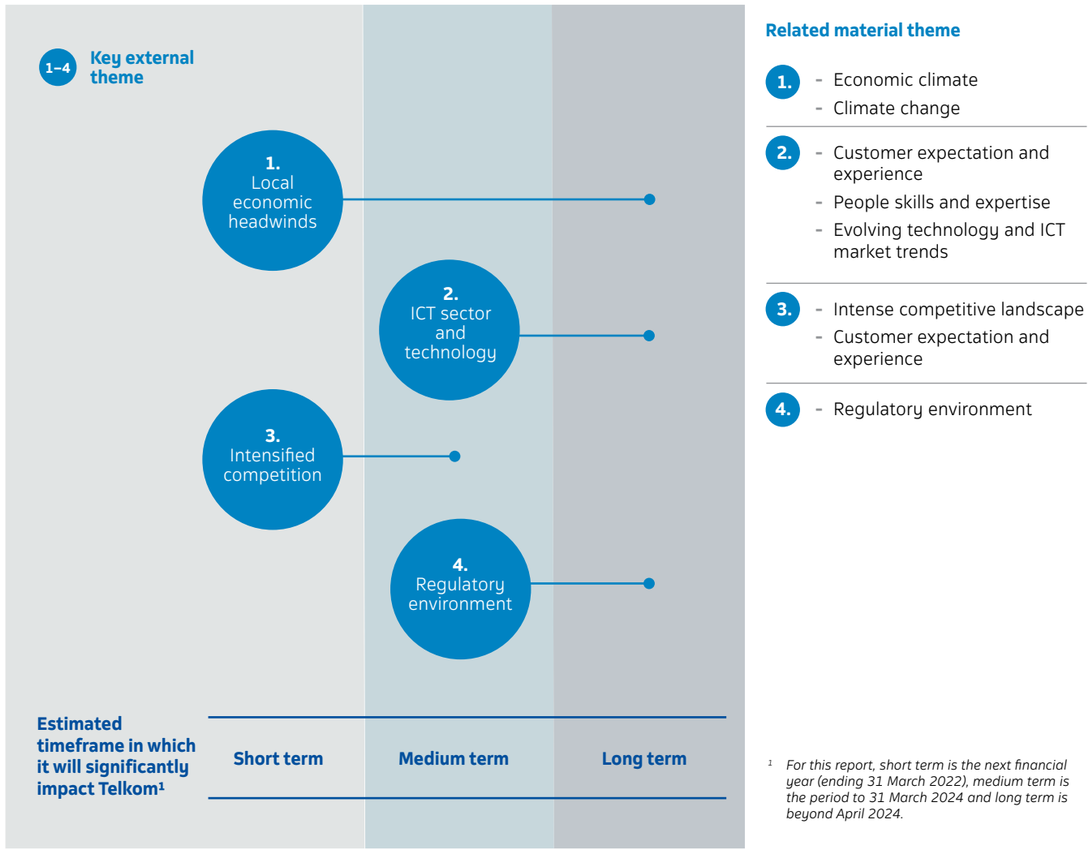


The world we operate in

We monitor local and global trends to assess the potential impact on our markets and customers. As the external market and environment change, we review our strategy to capture new opportunities and to mitigate emerging risks.

COVID-19

South Africa and the rest of the world are being **severely impacted by COVID-19** and **ensuing social and economic disruptions**. In FY2021, these disruptions affected Telkom's operations across all the components of our operating environment and are **expected to continue to do so in FY2022**.



[1] *For this report, short term is the next financial year (ending 31 March 2022), medium term is the period to 31 March 2024 and long term is beyond April 2024.*

1 Local economic headwinds

Context

COVID-19 and the subsequent hard lockdown caused havoc on South Africa's already faltering economy, with economic growth hitting record lows in 2020, contracting by 7.0% from 2019. Economic growth is forecast to expand by 3.1% in 2021 and 2.2% in 2022.

South Africa's rising debt to gross domestic product (GDP) trajectory has been tempered somewhat, estimated now to peak at 88.9% in 2025/26, compared with the previously estimated peak of 95.3% of GDP. The risk of public debt default remains high, with credit rating agencies remaining sceptical of the country's ability to effectively curtail rising public debt. Consequently, the risk of further sovereign credit ratings downgrades remains.

Implications for our strategy

Telkom will continue to factor in the risk of potentially higher borrowing costs and environmental changes. We continue to focus on sustainable cost management and targeted capital investments to mitigate the downside risk of lower economic growth, as well as climate change considerations.

For further reading
Page 39
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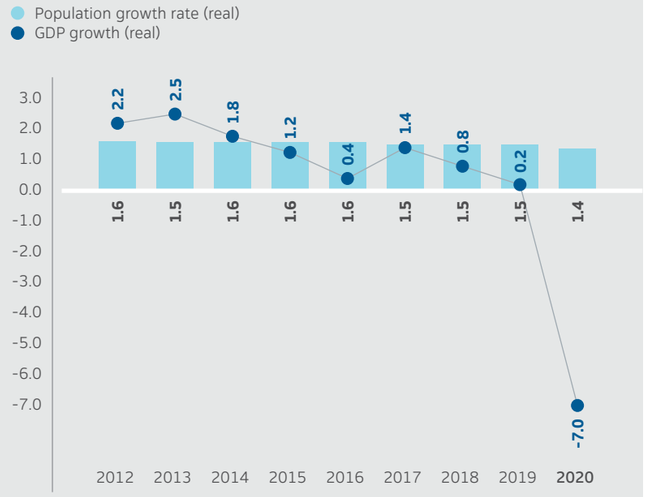
Dramatic increase in the gap between South Africa's GDP and population growth rates

Year-on-year growth (%)



Source: Stats SA National Accounts and Mid-year population estimates; National Treasury GDP estimates for 2020

2 ICT sector and technology

Context

It is expected that hybrid work from home/office conditions will become entrenched, due to practices developed in response to COVID-19. In addition, increased virtual engagement for learning, extra-mural meetings, shopping and entertainment further emphasises the requirement for good quality, high-speed broadband services that enable streaming and video-heavy collaboration tools.

Customers are demanding that the network provides fibre and mobile services that can adapt flexibly to their requirements. The role of service providers is evolving beyond network security to end-to-end security, thus opening new business models. Traditional enterprise technology growth will remain under pressure. However, integrated cloud/SD-WAN solutions will gain increased importance as enablers for integrated security, home broadband and office applications.

Implications for our strategy

Telkom continues to ensure that the end-to-end communications network (access, aggregation and transmission) is constantly available and can scale appropriately in line with increased subscribers and exponential traffic growth.

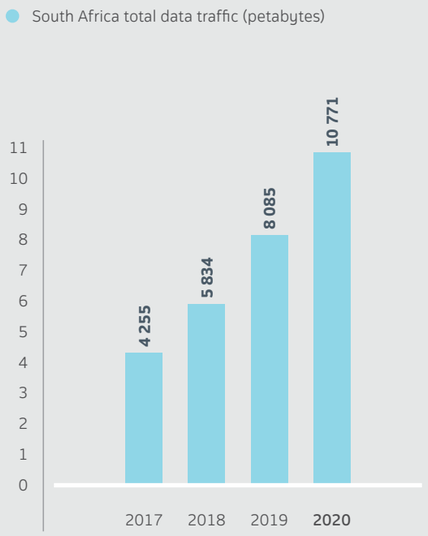
Telkom is developing integrated solutions for selected vertical markets, including health and retail. These are combining connectivity and information security with tailored ICT applications to expand South Africa's digital footprint. We also see an opportunity to use aggregation nodes and new network topologies, to bring data centres and cloud-based computing power closer to the edge.

To meet customer expectations, we seek an optimal balance between crafting meaningful partnerships and developing internal skills and capabilities.

For further reading
Page 39
Page 75

Accelerated growth in South Africa's fixed-data traffic

Year-on-year growth (%)



Source: Omdia 2020

3 Intensified competition

Context

The competitive landscape within the South African ICT sector continues unabated. A combination of the pent-up demand for data, disruptive pricing by challengers such as Telkom, as well as regulatory pressure has prompted incumbent mobile operators to reduce the data cost.

In addition, the pervasive rollout of fibre by new and niche infrastructure players and aggressive pricing by ISPs have led to a reduction in overall fibre broadband pricing while speeds increase. This is expected to further intensify over the next two to three years.

Implications for our strategy

Telkom remains true to its data-led strategy. The pricing regime remains value based, giving customers a quality network experience at an affordable price. We are extending our market-leading fixed wireless broadband products into the pre-paid market. For example, our Mo'Nice product offers customers personalised data offers through powerful data analytics.

Telkom will continue to drive growth in non-connectivity and value-added services revenue, through our diversified product offerings such as airtime lending, Telkom Plus, Ringa Music and Telkom One.

For further reading
Page 39
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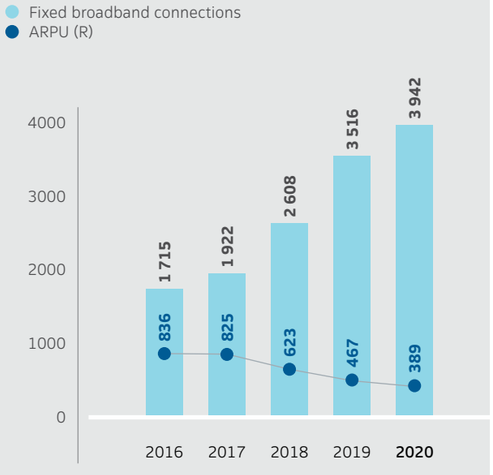
Continued fall in South African fixed broadband average revenue per user (ARPU), despite growth in broadband connections

Broadband connections ('000)



Source: Omdia 2020

4 Regulatory environment

Context

The release and licensing of additional high-demand spectrum remain key to determining the future structure of South Africa's mobile communications market.

The granting of temporary spectrum licences in response to COVID-19 proved that access to sub-1 GHz spectrum is necessary for Telkom to compete effectively in the mobile communications market.

The implementation of the new pricing methodology for wholesale broadband access, following the Competition Commission's Data Services Market Inquiry report, was viewed positively by ISPs and consumers. Both have benefited from lower broadband prices.

The final results of ICASA's Priority Markets Inquiry into the efficacy of competition in the mobile broadband market are expected later in 2021.

Implications for our strategy

Telkom has remained steadfast in its view that the licensing process of spectrum needs to be carried out in a responsible and pro-competitive manner. We remain cooperative in seeking a solution and have instituted legal proceedings to ensure that the process of assigning high-demand spectrum is one that will result in a market structure that supports fair and effective competition with the larger mobile operators.

For further reading
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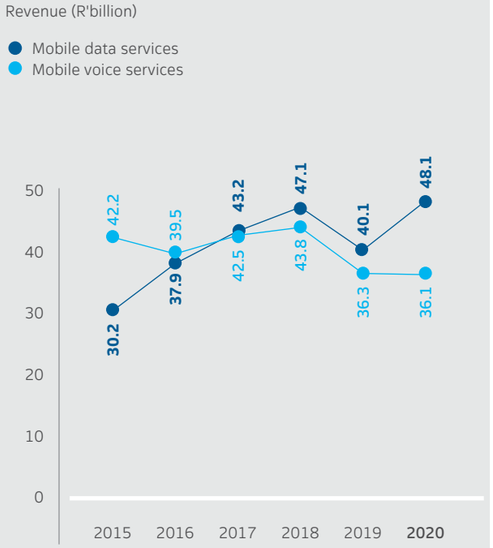
South Africa's service revenue for mobile data becomes significantly higher than for mobile voice

Revenue (R'billion)



Source: ICASA – The state of the ICT sector in South Africa, March 2021

Engaging with our stakeholders

16

We are committed to developing and maintaining quality long-term relationships with our stakeholders who have an interest in our products and services or have a stake in our business. It is through effective stakeholder relationships that we create shared value for the Group and our stakeholders.

Telkom commits to open communication with its stakeholders. We engage with our stakeholders on a range of diverse matters. We strive to engage with and respond to stakeholder concerns appropriately and in a timely manner, keep them informed and disclose how we use their suggestions.

Our stakeholder engagement framework and policy guide how we manage our stakeholder engagements. Our Stakeholder Management programme is structured around identifying stakeholders, engaging with them, understanding their various challenges and expectations, and aligning these to Telkom's strategic and operational objectives and targets.

Telkom's key stakeholder groups are the same as in FY2020. We engaged with stakeholders regularly through appropriate channels.

Stakeholder governance structure

Board

The Board is the ultimate owner of shareholder management matters and is responsible for managing response strategies.

Social and Ethics Committee

The Committee assists the Board in fulfilling its responsibilities by ensuring that key stakeholder relationships are effectively managed.

Group Chief Executive Officer (GCEO)

The GCEO ensures commitment to effective stakeholder management.

Group Exco

The Group Exco meeting plan includes critical stakeholder matters, among other agenda items. The stakeholder management profile is reviewed and discussed. Certain Members are assigned to monitor specific stakeholder groups.

Management

Management implements the overall stakeholder engagement process through the approval of the stakeholder engagement framework and policy.

Monitoring and reporting

Properly assessing stakeholder relationships is critical to Telkom. It allows management to channel time and effort to those relations that are assessed to be relatively weak. We assess the effectiveness of stakeholder engagements and relations through KPIs that are linked to value creation and relationship quality. We ensure this is measured accurately and consistently across the Group. We aim to disclose some of these KPIs in the short to medium term.

Our focus area in FY2021 was on how our stakeholders were impacted by COVID-19 and the interventions the Company took to address these challenges. In FY2022 we will continue to focus on the impact that COVID-19 has on our stakeholders and all other material stakeholder concerns.

How our stakeholders were impacted by COVID-19

COVID-19 has and continues to fast-track digital transformation in companies, and Telkom needs to adapt quickly or risk redundancy. Due to more people working and learning from home, there was a surge in fixed and mobile network traffic as demand for our telecommunications services increased. **Our supply chain remained resilient.** We continue to assess the adequacy of current inventory levels for short and medium-term consumption. Identifying strategic suppliers ensured that our service requests/orders had high priority, and we reviewed suppliers' business continuity plans.

Telkom frontline employees, such as field service technicians, worked through the peak of the pandemic, as electronic communication services were declared essential. These employees were the most vulnerable, as they continued to serve customers, while 80% of employees were empowered to productively work from home.

Customers were under severe financial pressure, particularly large corporate customers and SMEs, as some of them could not trade during levels 5 and 4 of the national lockdown.

Communities needed access to healthcare information and students were forced to adapt to online schooling.

Telkom played and continues to play its role as a good corporate citizen in supporting the nation during the pandemic. Our key COVID-19 interventions are detailed on the following pages. Various of these interventions positively impacted more than one stakeholder group; however, we have only included each intervention in its primary stakeholder group.

The value we create for stakeholders

Communities

How communities create value for Telkom	Interests, needs and expectations
Our communities drive our social licence to operate. We have a responsibility to contribute to the socio-economic environment in which we operate. Civil society and forums can impact our operations.	- Affordable products and services - Access to communication - Financial support - Access to servitudes - Job creation and business opportunities
The value Telkom creates	**Telkom's desired outcomes**
- The nature of Telkom's products and services allows it to add value to communities in a broad context - Our infrastructure allows any person to transact through electronic banking, either from an ATM or a point of sale - Providing affordable internet connectivity to individuals as well as SMMEs supports local employment and economic growth. This is further enhanced by Skills Development and enterprise and supplier development (ESD) programmes - Telkom Foundation and other initiatives support communities, with a focus on education	- Partnerships with communities - Good corporate citizen status - Youth empowerment - Enabling SMEs
COVID-19 concerns: Social and educational assistance	**COVID-19 interventions:** Support education initiatives
- Educational assistance, as students needed to adapt to online learning, which most students could not afford	- Launched our education platform Lightbulb Education (page 76) - Zero-rated access to educational sites for all public universities, technical and vocational educational training colleges and all public schools in South Africa

Customers

How customers create value for Telkom

Customers underpin our existence and drive our reputation and brand. They consume the products and services from which we generate revenue. Customer requirements guide product or service development in terms of new trends.

Interests, needs and expectations

- A relationship of trust and transparency
- Reliable, affordable and value-rich products and services
- Solutions that support cost management
- Timeous resolution of complaints and issues
- Effortless transactions
- Secure information
- Responsive communication on relevant products and services

The value Telkom creates

- Offering our customers the most compelling voice and data value propositions on the market, be it budget friendly for individuals, or high-value data packages enabling business customers to stay connected while on the move
- Selling space on our communications towers enables communications businesses to access their customers without incurring passive infrastructure development costs
- Through our expertise and experience, we design, implement and manage our customers' operational ICT environments through optimisation of cost and complexity, providing a launchpad for their digital transformation
- By investing in e-commerce marketplace platforms, we help small and medium businesses to grow, which supports local employment and economic growth

Telkom's desired outcomes

- Affordable products and services and a compelling value offering
- Quality and improved network coverage
- Good customer experience
- Customer retention
- Increase in market share

COVID-19 concerns: Severe financial pressure

- Affordability of data
- Sufficient data to work from home and for online schooling
- Ability to manage liquidity and pay suppliers
- Ability to continue to trade on online platforms

COVID-19 interventions: Alleviate financial pressure

- Reduced data prices and increased speeds and broadband bundle sizes
- Granted payment holidays and extended payment terms during levels 4 and 5 lockdown
- Offered SMEs free access to the new Yep! marketplace and desktop applications since the launch of Yep! in May 2020
- Adapted stores to comply with COVID-19 health and safety protocols
- Improved online shopping and online access to Telkom products on various platforms

Media, opinion makers and influencers

How media, opinion makers and influencers create value for Telkom

Media, opinion makers and influencers drive reputation and brand perception.

Interests, needs and expectations

- Access to information
- Responsiveness
- A relationship of transparency and trust
- Educating the public

The value Telkom creates

We provide information and context on technical and operational developments as well as thought leadership on issues affecting our industry.

Telkom's desired outcomes

- Enhanced reputation
- Positive brand positioning of Telkom's products and services

COVID-19 concerns

- Business continuity and ability to keep South Africans connected during the pandemic

COVID-19 interventions

- Regular updates on our network readiness and stability
- Timeous response to COVID-19-related news cycle
- Updates on data consumption and trends

Government and regulators

How government and regulators create value for Telkom

Government and regulators publish policies, legislation and regulations that impact the cost of doing business and our ability to derive a reasonable return on investment. Regulators issue critical licences such as those necessary to use the radio frequency spectrum. They provide a regulatory and disclosure framework that grants confidence to capital providers. Non-compliance with legislation and regulations can result in penalties and fines.

Interests, needs and expectations

- A relationship of trust and transparency
- Compliance
- Quality and affordable products and services across South Africa
- Effective competition in the market
- Confidence of capital providers in the market

The value Telkom creates

- Contributes to the fiscus through financial contributions such as tax payments, licence fees and contributions to the Universal Service and Access Agency of South Africa
- Enables government's social and economic development mandate through investment in networks and infrastructure
- Shapes government policies through robust engagement with government, regulators and competition authorities, and participation in industry forums. Supports local procurement and employment and value-adding corporate social initiatives (refer to communities on page 20 and suppliers and business partners on page 24)

Telkom's desired outcomes

- Fair regulations/policies that encourage investment
- Effective competition

COVID-19 concerns

Government: The effects of COVID-19 on society
- Curbing the spread of COVID-19

Communication challenges

COVID-19 interventions: Support a nation through crisis

- Developed a COVID-19 management solution in partnership with others (refer to the COVIDConnect case study on page 76)
- Donated 1 500 devices and data to the Department of Health to assist with track and trace
- Availed our training centre as an additional quarantine site
- Formed a disaster relief fund for the Red Cross in support of frontline healthcare workers
- Implemented various obligations under relevant regulations published by ICASA and the Department of Communications and Digital Technologies
- ICASA issued temporary radio frequency spectrum to deal with COVID-19 communication challenges

Image: Telkom direct store

Employees

How employees create value for Telkom

Employees possess the intellectual capital required for all core and supporting business processes. They are our strategic partner in ensuring the Group's sustainability through performance, culture and skills.

Interests, needs and expectations

- A relationship of trust and transparency
- Job security
- Fair remuneration and recognition and reward for performance
- Development and career progression
- A non-discriminatory and safe work environment
- Flexible work environment

The value Telkom creates

- We provide employment and career development opportunities in a non-discriminatory environment, supported by an integrated, accessible and flexible Employee Wellness programme that extends to employees' families. Our remuneration includes various benefits to enhance value to employees
- Learning and Development programmes are aimed at fostering employee engagement, broadening our employees' skill base and developing skills for future leadership

Telkom's desired outcomes

- Productive, innovative and competent workforce
- Talent attraction and retention
- Ethical leadership

COVID-19 concerns: Employee wellbeing and safety

- Psychological impact of the pandemic on employees
- Exposure to the risk of transmission

COVID-19 interventions: Protect the health of employees

- Provided free testing and counselling to employees and their families through our wellness partner, ICAS
- Empowered approximately 80% of employees to productively work from home
- Supplied all necessary personal protective equipment (PPE) to frontline employees
- Conducted extensive internal communication engagement on COVID-19
- Launched a Mental Wellness programme to help employees cope with changes and loss
- Adapted stores to comply with COVID-19 health and safety protocols
- The Company is planning to provide free vaccinations for employees as well as a vaccination site

Investor community

How investors create value for Telkom

The investor community creates access to equity and debt markets. It drives demand for Telkom shares, thereby impacting our market capitalisation.

Interests, needs and expectations

- Long-term sustainable return on investment
- Stabilisation of debt levels
- A relationship of trust and transparency
- Access to management
- Clearly articulated investment case
- Improved ESG disclosures

The value Telkom creates

Telkom provides a sustainable return on the investments of financial capital providers through dividend payments, share price appreciation, capital and interest payments on bonds and interest repayment on loans.

Telkom's desired outcomes

- Access to equity and debt markets
- Investor confidence
- Fair valuation of share price
- Positive credit rating

COVID-19 concerns: Telkom's ability to manage COVID-19

- Telkom's liquidity and leverage
- Loan covenants and loan facilities
- Group profitability in a depressed economy given exposure to constrained industries
- Telkom's ability to continue with capital investment

COVID-19 interventions: Build financial resilience

- Cash preservation
- Strengthened balance sheet
- Sustainable cost management
- Disciplined capital allocation

Refer to the financial capital section on page 43.

Organised labour

How organised labour creates value for Telkom

Organised labour supports sound labour practices and assists in communicating labour-related matters. It is a strategic partner in shared value between Telkom and our employees. This relationship can influence the Group's strategic plans and operations through industrial action.

Interests, needs and expectations

- A relationship of trust and transparency
- Proactive consultation on business changes that impact employees and collaboration on agreements
- Stable workforce
- Continuous commitment to drive skills development and employment equity progress

The value Telkom creates

- Employees allowed to exercise their right to freedom of association
- Access to the workforce
- Support for shop stewards
- Facilitation of fee deduction

Telkom's desired outcomes

- Constructive relationships
- Satisfactory solutions to disputes

COVID-19 concerns

- Access to meetings scheduled for various forums
- Keeping abreast of COVID-19 developments

COVID-19 interventions

- Organised labour sessions continued through virtual channels
- Regular COVID-19 sessions were conducted with organised labour to discuss infections, raise challenges, etc.

Suppliers and business partners

How suppliers and business partners create value for Telkom

Our value-adding partnerships with our suppliers and business partners allow us to deliver high-quality products and services to customers.

Suppliers underpin our value chain and directly influence raw materials and other input costs.

Business partners often represent Telkom to customers. Suppliers and business partners impact our ability to meet customers' expectations.

Interests, needs and expectations

- Increased two-way communication
- Joint contractual obligation management
- Performance visibility and feedback
- Adherence to payment terms
- Effortless transactions

The value Telkom creates

- Suppliers and business partners generate revenue through supplying their products and services to Telkom at fair terms
- Telkom provides a platform to partners, suppliers and service providers to make their products available to the market and strengthens their brands through association with and/or accreditation by Telkom
- We provide training and support to our subcontractors where relevant and required
- Our Enterprise and Supplier Development (ESD) and Transformation programmes support local procurement as far as possible. We also support local employment through supporting and developing local contractors

Telkom's desired outcomes

- Supporting local procurement, employment and upliftment of small and medium businesses
- Leading broad-based black economic empowerment (B-BBEE) status
- Joint market opportunities
- Supplier sustainability

COVID-19 concerns

- Lower volumes
- Late payment
- Supply shortages

COVID-19 interventions

- Fair distribution of volumes where possible
- Early payments to SMEs
- All payments are done on SAP, with daily detailed reporting which improved the turnaround time
- Mapped Telkom's high-risk supplier footprint to manage global supply shortages

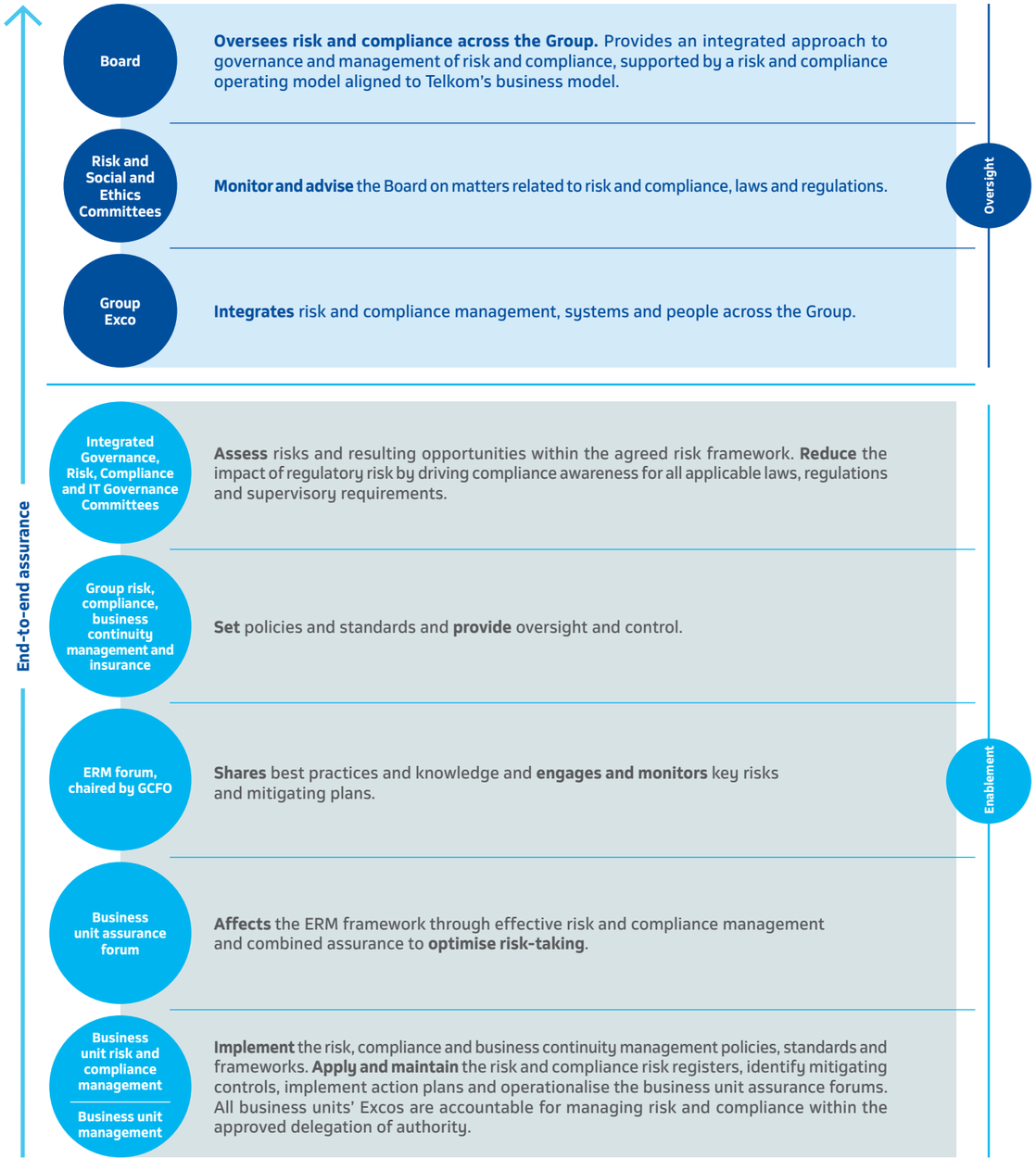
Enterprise risk management and compliance

Telkom continues to operate in a rapidly changing market, characterised by a volatile technological environment in an uncertain industry, which forces it to constantly balance risks and rewards and closely monitor risks which might impact its strategic objectives.

Telkom's operating environment (as set out on page 16) impacts its risk management.

Our approach to risk and compliance management

Telkom's governance structures continued to support risk and compliance management across the Group, in accordance with their set mandate.



We progressed further on the transformation journey to enhance the Group's risk management approach and framework. This requires an understanding of the ongoing impact of COVID-19 on the economy and society, and the risks and opportunities created within our operating environment and Telkom's role in addressing these.

The Risk Committee oversees the activities of enterprise-wide risk management and is apprised on a regular basis by management. The Committee also oversees management's activities in ensuring that the ERM framework is embedded and adhered to. The Group adopts the principles outlined in the risk appetite and tolerance framework of assessing and understanding the amount and type of risks the Group is willing to take as part of discussions and decisions to be made. These are the most critical integrators of ERM and business management.

In managing and dealing with the Group's risks, Telkom ensures:

- Risk and opportunity management is clearly and consistently integrated into Telkom's culture
- An integrated approach of dealing with risk across the lines of defence is followed (pages 32 and 91)
- Risks and opportunities are managed in accordance with best practice
- It anticipates, observes and responds to the macro- and micro-environments
- People, processes and technology support the strategy underpinned by governance, risk and compliance requirements
- Group-wide interdependencies are recognised

In FY2021 Telkom experienced COVID-19 as an unforeseen and unusual event where an emergency management team was established to adequately manage and reduce the risk for the Group.

Improvements in FY2021 as part of the journey towards a risk-intelligent Group

- Improved the Group's risk and compliance culture
- Senior leadership demonstrated and took accountability for any matters of governance, risk and compliance
- Embarked on exploring predictive analysis and a futuristic approach for risk management
- Strengthened opportunity management and collaboration across the Group

TCFD | Risk management

TCFD

Refer to natural capital on page 77 for further information on climate change.

Describe the organisation's process for identifying and assessing climate-related risks	Our risks associated with climate change are integrated into Telkom's risk identification and management processes, and assurance processes. The Group's risk management approach is based on a Board-approved ERM methodology and philosophy to ensure adequate and effective risk management. Regulatory, reputational and physical risks are identified and assessed on an annual basis and are considered three to six years into the future.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	The ERM framework is used to identify, assess, monitor and report on the Group's complex risks and opportunities including risks related to climate change. Group Exco is responsible for integrating risk and compliance management. Using the ERM framework, the Board is committed to aligning Telkom's risk management to good corporate governance and best practice standards.

Business continuity management

Telkom has business continuity plans in place aimed at reducing the likelihood and the impact of business continuity risks should they materialise. It further ensures continuous improvement of the competency and capability of the Group's business continuity management.

The Disaster Management Act, 57 of 2002 specifically requires Telkom to maintain communication services during adverse conditions and to support local and national government should a crisis arise. Telkom needs to ensure that its infrastructure, business processes and emergency management procedures have the resilience required to safeguard the interests of its key stakeholders, reputation and brand.

Telkom established a crisis management structure for COVID-19, the Group Emergency Management Team, which reports to Group Exco. It has defined terms of reference, processes, structures, roles and responsibilities and covers all Telkom operations and business units.

Emerging risks and significant events in FY2021

Emerging risks

ERM endeavours to identify and assess emerging/external risks and opportunities that may impact the Group. COVID-19 induced an economic crisis which exacerbated the already existing societal inequalities, deepened uneven development at several geographical scales and transformed consumer behaviour. A resultant lack of cohesive societies will mean that political stability and efforts put into economic growth, business development and competitive sustainability are threatened. Therefore, we closely observe the macro-environment, as it informs the micro-environment.

Climate variability and change have the potential to threaten the infrastructure, integrity and productivity of Telkom's business, which in turn will increase the number and severity of disruptions. In addition, extreme or unusual weather might impact the sector on a micro or macro level. Refer to the natural capital section on page 77.

We acknowledge that the Group's performance is not only measured by the ability to derive value for shareholders, but also by the level of the Group's accountability for societal matters (i.e. the environment, people and society at large).

Power outages[1] and load shedding[2]

Load shedding continued in FY2021. Power outages pose a threat to our customers, impacting their ability to do business with Telkom. Outages resulting from increased battery theft from cell phone towers also threaten our ability to provide uninterrupted services.

Telkom's response plans are adequate and effective across all key areas such as stakeholder management, technical (backup power, alternative power solutions, diesel, water and mobile generators) and critical resources. At Group level, Telkom has a model in place to manage essential and critical services across the various load shedding thresholds (i.e. stages 4 to 8 and including blackout).

In FY2021 the standby/backup generators installed at various equipment sites assisted in ensuring there were minimal disruptions to operations and service delivery to customers. As a result, there were no significant impacts on the business operations.

Our strategic risks

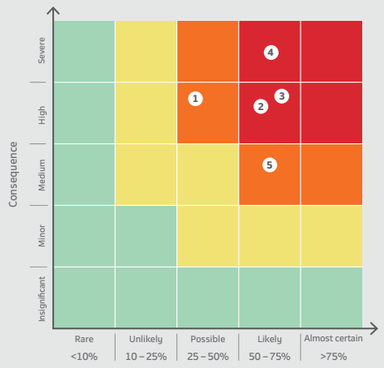
Our strategic risks, mitigating factors and opportunities are set out on the following pages. The Group reviewed strategic risks, which are those that bear the most significant impact on the Group's ability to achieve and realise its strategic objectives. We used a bottom-up and top-down approach to ensure a holistic risk management process.

It was imperative to review the strategic risks Telkom might be faced with in pursuit of value. Changes that gave rise to this review were to ensure that there is clear alignment with the strategy and the considerations of the COVID-19 pandemic across the Group.

Due to COVID-19 exposure, it was equally important to recognise and ensure that as we manage the strategic risks, we take cognisance of the financial sustainability; Telkom's ability to attract and retain suitable, resilient and healthy employees; and manage supplier risks. These risks had the potential to impact the achievement of the strategic goals for the organisation.

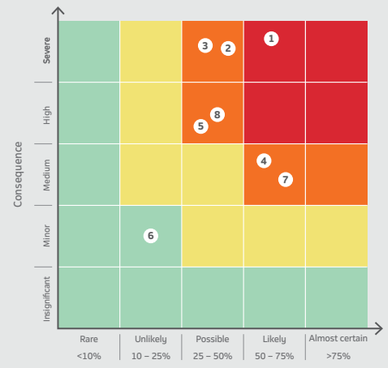
The risks discussed below, separately or in combination, could have a material adverse effect on the implementation of our strategy:

[1] Power outage is the loss of the electrical power network supply to an end user.
[2] Load shedding is the action taken to interrupt electricity supply to avoid excessive load on the generating plant.



FY2020

1. Competitive threats
2. Customer experience
3. Technology enablement to achieve business objectives
4. Possible changes in legislation and regulatory requirements
5. Information and information security management



FY2021

1. Changing legislative and regulatory environment
2. Changing market and competitive environment
3. Inability to deliver innovative solutions timeously
4. Increase in cyberattacks
5. Compromised customer experience
6. Financial sustainability
7. Inability to attract and retain suitable, resilient and healthy workforce to execute Telkom's strategy
8. Supply chain risks

COVID-19

Telkom handled the immediate consequences of COVID-19 and adopted various measures to slow down the contagion across the Group. The pandemic provided Telkom with the opportunity to optimally test its business continuity plans and responses. The following measures and actions were put in place:

Limiting employee exposure

- Reorganised work arrangements to allow 80% of employees to work from home, including field technicians who were dispatched from home
- Provided COVID-19 PPE to employees, including masks, face shields, sanitisers and hazmat suits where necessary
- Provided measures to limit, control and monitor employee movement into the office buildings where necessary

Supporting employees

- Identified high-risk employees (employees with comorbidities and those 60 years and above), implemented special measures to ensure heightened protection and repurposed employees (refer to **page 72**)
- Daily temperature screening for employees working at the office and those travelling to customer sites
- Continuous education and awareness regarding PPE usage, symptoms, processes and working from home, among others, and established a Telkom COVID-19 helpline for screening, testing and counselling
- Continuous engagement with organised labour to ensure alignment

Supply chain risk management

- Conducted an impact analysis to assess the adequacy of current inventory levels for short and medium-term consumption
- Mapped Telkom's high-risk supplier footprint, conducted an impact analysis and closely monitored highly impacted geographies; also met with strategic suppliers to ensure higher priority during the pandemic
- Identified single-source suppliers and accelerated the qualification of new suppliers for alternative supply sources
- Reviewed suppliers' business continuity plans and conducted supplier risk self-assessments of readiness in terms of gazetted protocols and conducted reviews to address non-compliance
- Conducted financial monitoring of ESD companies

Building readiness

- Identified facilities or buildings that could be occupied and ensured they were COVID-19 ready and complied with 30% occupancy
- Appointed compliance officers for each site
- Regular building audits by the occupational health and safety team to ensure COVID-19 compliance before employees were reintroduced; and continuous safety, health and environment compliance audits on people and buildings
- Introduced deep-cleaning protocols for buildings and facilities

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
1. Changing legislative and regulatory environment		
Government enacts legislation that can potentially impact Telkom's regulatory environment. This might result in possible non-compliance with laws and regulations, cause reputational damage and threaten the financial sustainability of the Group. Regulations are categorised as follows: - Regulations required to operate the business (i.e. spectrum, infrastructure, B-BBEE and competition regulation) - Customer-related regulations (i.e. Regulation of Interception of Communications and Provision of Communication-Related Information Act, 70 of 2002 (RICA), Protection of Personal Information Act, 4 of 2013 (POPIA), Promotion of Access to Information Act, 2 of 2000 and General Data Protection Regulation	- Continuous engagement with internal and key government stakeholders - Managing our compliance universe effectively to improve our relationship with regulators and ensure we remain compliant - Proactive implementation of any new legislation - Continuous scanning of any regulation (including outside of telecommunications) that might have an impact on Telkom's sustainability	This external risk is one of the highest risk factors for Telkom's future success. The regulatory model remains a concern and poses significant risks to growth in the industry. There are significant delays in the finalisation of spectrum and network sharing agreements, which puts pressure on the sector. Compliance to regulation will remain a priority due to the influence of various external regulatory forces. The compliance office continues to support line management through the execution of the compliance plan. Opportunities still exist to influence some regulations to ensure we derive an optimal outcome, realising benefits on our revenue growth and financial stability. Also, to ensure that the competitive landscape is levelled across the industry.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
2. Changing market and competitive environment		
Telkom operates in a rapidly changing market and technological environment. Pricing and product offerings are constantly under pressure as Telkom strives to remain competitive. This is exacerbated by new entrants in the connectivity space. Failure to swiftly respond to competitive threats and market changes could negatively impact the Group's market share, revenue growth and profit margins. The anticipated spectrum auction contributes to this risk, as it puts pressure on Telkom's competitiveness.	- Continuous monitoring of the market and competitive landscape, using intelligence to gain further insights - Developing product offerings that are appealing to customers and exploring upselling opportunities - Developing and implementing adaptive strategies that are focused on innovation - Implementing strategy to remain competitive	This risk remains very high, as it is exacerbated by wireless open-access network (WOAN) and spectrum auction uncertainty, as well as the impact of COVID-19 on consumers and the economy. Although COVID-19 has placed Telkom under pressure, opportunities still exist for Telkom to increase market share and improve revenue growth and profitability. This can be done through an increased focus on innovation, adaptation and executing the digital and innovation strategies.
3. Inability to deliver innovative solutions timeously		
Failure to deliver innovative solutions, could negatively impact the Group's market share, relevancy, revenue growth and profit margins. Incomplete business technology transformation means that although the business is transformed at the top, processes and resources at the bottom still require updating to drive innovation, efficiency and agility. Legacy platforms inhibit agile and speedy solution delivery.	- Execution of the digital strategy is under way, with notable achievements in Yep! - Developing and implementing an innovation framework that will ensure Telkom remains innovative and competitive and enhance value-added offerings to capitalise on price pressures - Enhancing customer-facing processes to improve time to market	The risk remains a priority on the Group's strategic agenda, as products, services and technology are key to transforming the Telkom business and competitiveness in the market. There is an opportunity for the Group to deploy more innovative products, services and technology that will inspire customer confidence.
4. Increase in cyberattacks		
The upsurge in online activities (i.e. work from home, expansion of e-commerce footprints, etc.) increases the possibility of cyberattacks, which could lead to unstable systems, loss of customers and, consequently, reputational damage as well as data and revenue loss. The external risk of proliferation in the digital space, Internet of Things and software of networks poses a risk of an exponential increase in cyberattacks or even cyberwar. The risk is heightened by: - Limited user awareness of new attack strategies - Ineffective security operations - Poor security operational governance - Limited threat hunting capability	- Ensuring that cyber-related risks are mitigated, and all business-critical/ sensitive data is protected in line with relevant regulations - Ensuring that all the relevant mitigating measures (i.e. backups, installations of anti-virus software, employees' awareness, infrastructure security) are in place and continuously monitored to assess Telkom's vulnerabilities and opportunities to secure it against cyber-related risks - Continuously monitoring the information security strategy and operational security management - Conducting security assessments across the Group to re-examine information security - Ensuring that there are collaborations between related parties to resolve some of the common threats in the industry (i.e. cloud providers, operators and device vendors, etc.)	There are opportunities for information security investment aimed at growing business and ensuring that customer trust and loyalty are increased. There are also opportunities to continuously deploy processes designed to contribute to driving business growth, strengthening customer trust and generating new competitive advantages.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
5. Compromised customer experience		
Customer experience can be compromised due to customer perceptions and related feelings caused by the cumulative effects of the quality of services offered, possible data breaches and product prices. The inability to meet the rising demands for innovative product offerings might exacerbate the risk, which could result in lost revenue, brand erosion and reputational damage.	- Continuously improving and crystallising Telkom's customer value proposition - Enhancing customer-facing processes to improve quality and reduce our time to market for new products - Launching new products to attain sustainable competitive advantage - Improving customer service by accelerating the digital platform over and above providing the network - Improving our effectiveness in resolving service queries at the first instance across all Group touchpoints - Developing and implementing data enhancement initiatives to ensure that customer data is always protected	The risk remains a priority for the Group, as customer retention and customers experiences are key aspects of building a financially sustainable business. There are opportunities to increase our customer loyalty, retention and satisfaction, and increase revenue in turn, through: - Developing and implementing data protection initiatives to safely create, process, transfer, delete and dispose of customer data - Ensuring that there are noticeable improvements in our network availability and stability Another opportunity is in targeted and customer-centric offerings, which are aligned to industries susceptible to disruption. This could grow revenue and accelerate industry transformation.
6. Financial sustainability		
Maintaining financial capacity to sustain or grow operations, while simultaneously building adequate financial resilience to manage unforeseen economic events. This risk can be due to: - Insufficient liquidity and/or cash flow deterioration - Inadequacy of management of forex - Impact of interest rate - Customers' inability to pay on time - Unsustainable leverage ratios - Technology evolution contributing to the rapid decline in fixed-voice usage - Regulatory uncertainty, for example, spectrum auction - Tough competitive environment	- Continuously monitoring Telkom's sustainable Cost Management programme - Launching new products to drive revenue - Continuing with cash release initiatives – for example, the Supply Chain Finance programme - Maintaining adequate debt headroom and disciplined capital allocation with flexible capex investments, and secured adequate debt facilities - Maintaining a sound governance framework in ensuring transparent financial and operational frameworks and supportive credit ratios	The risk has improved due to a relentless focus on the Cost Management programme, and reflected in resilient Group revenue. We have seen significant mobile growth, despite some business units being negatively impacted by the national lockdown with customers under severe financial pressure. There is an opportunity to continue to build financial resilience in the face of a tough trading environment, focusing on several levers: - Sustainable cost management - Cash preservation - Disciplined capital allocation - Mitigating financial risks
7. Inability to attract and retain suitable, resilient and healthy workforce to execute Telkom's strategy		
Telkom's ability to attract and retain suitable scarce expertise for its strategy execution and to compete in a market that requires new skills (Internet of Things, cloud and information security). This risk is driven by the following key factors: - Alignment of skills needed to execute the business strategy - Ability to build workforce resilience (engaged and productive for the future) - Telkom's ability to protect the health of employees	- Developing and executing workforce strategies that support the business strategy - Aligning learning objectives to Telkom's strategic objectives - Recognising and leveraging talent as a strategic asset, with continuous skills gap analyses to be able to deal with the current and future business requirements - Compliance with employee-related statutory requirements	The risk is continually being managed. The uncertainty of the third and fourth COVID-19 waves exacerbates concerns regarding the emotional and psychological stability of employees while trying to deal with the effects of the pandemic. The opportunity remains for Telkom to ensure that employees are supported from an occupational health and safety perspective to ensure they remain productive.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
7. Inability to attract and retain suitable, resilient and healthy workforce to execute Telkom's strategy continued		
- Telkom's ability to address issues of gender parity - Employee engagement and support - A recruitment strategy that will merge the demands of business while allowing flexibility to the workforce to align with market demand (i.e. adoption of a people-centric approach)	- Developing and implementing change management processes to keep up with the pace of change and enable a robust environment - Continuously supporting employees through Occupational Health and Safety and Psychological Containment programmes	There is opportunity for Telkom to review its recruitment strategy to remain relevant and be able to compete with the global market for talent.
8. Supply chain risks		
Telkom's exposure to internal and external supplier-related risks has a potential to disrupt the business and cause revenue loss and reputational damage. Internal risks are caused by: - Inadequate planning - No contingency plans in case of a disaster - Increase in supplier bargaining power External risks are caused by: - Geopolitics (USA versus China) - Suppliers' financial or management stability - Suppliers' physical location and regulatory compliance pressures - Unexpected customer demands - Environmental circumstances that are caused by other systems such as economic, social and climate issues	- Implementation of a clearly defined supply chain strategy that considers supplier quality, diversification, risks, opportunities and liabilities - Developing and implementing policies and processes to manage the supply chain across the Group - Continuously conducting a comprehensive business impact analysis to get a clear understanding of exposure post the COVID-19 pandemic - Reducing the supply concentration - Creating collaboration platforms and a communication framework that have the potential to assist with cost management and error reduction and foster collaboration in matters like security and logistics	The risk has increased in priority driven by the impact of COVID-19 on supply chains and the concentration risk in the industry. Opportunities remain to be innovative and efficient in contract management and in managing ESD (enterprise and supplier development) financial stability/ viability to ensure continuity.

Telkom's material risks are also detailed in the enterprise and risk management report which is available online at www.telkom.co.za/ir in compliance with the new governance requirements contained in paragraph 8.63(s) of the JSE Listings Requirements.

Compliance

Compliance with laws and regulations applicable to Telkom's operations is critical, as non-compliance may have potential serious consequences. An enhanced compliance policy and compliance framework govern the Group's dedicated compliance function. These documents form the basis for the Employee Regulatory and Legal Compliance Commitment programme where employees commit to uphold the stated compliance requirements, with an annual renewal of the commitment statement.

Management is charged with the responsibility for implementing the compliance framework and processes. Reports on compliance risk are provided to the Risk Committee quarterly, which reports back to the Board at least once a quarter. Telkom management has reported no material critical non-compliance issues, repeated regulatory penalties, sanctions or fines for contraventions with statutory obligations to date.

The challenging and "business unusual" operating environment of FY2021 created high visibility for compliance. It required decisive compliance and business continuity management actions as reflected in the numerous changes and directions issued in the Disaster Management Act, 57 of 2002. Compliance and business continuity management employees integrated their activities by keeping business units updated with regulatory changes affecting their business.

Legislative focus

Key legislation addressed was the Protection of Personal Information Act, 4 of 2013 (POPIA) to ensure readiness towards complying with the eight conditions for the lawful processing of personal information. The focus was supported by a Group-wide POPIA e-learning course. Management met the compliance requirements under COVID-19 regulations and directions for essential services providers under both the Electronic Communications and Transactions Act, 25 of 2002 and Disaster Management Act, 57 of 2002.

In February 2021, the Constitutional Court found sections of the RICA unconstitutional, as it fails to provide adequate safeguards to protect the right to privacy, as buttressed by the rights of access to courts, freedom of expression and the media, and legal privilege. However, the Court suspended its declaration of invalidity for three years in order to allow Parliament adequate time to proceed with its investigations and develop suitable remedial legislation.

Compliance requirements under the Payment Card Industry Data Security Standard remain on the radar especially during the COVID-19 pandemic, when a sudden and dramatic increase in online activity was almost immediately matched by steep rises in cybercrime, fraud and cyberattacks.

FY2021 compliance focus areas

The compliance focus areas included privacy matters, customer-related challenges and electronic communication trends.

Customer-related matters

Ongoing initiatives to improve the quality of customer information for RICA compliance, which will also have a positive effect on POPIA readiness. Management has a heightened awareness of Telkom's responsibility to protect the personal information of customers and deal with compliance-related customer enquiries.

POPIA and data privacy

An increase in cyberthreats and attacks created opportunities for emphasising compliance responsibilities. The increased dependency on technology for working from home and transactional activities supported the role of the POPIA IT compliance task team, which became involved to ensure IT system readiness and compliance.

IT and COVID-19

Assisted the COVIDConnect project to draft a Personal Information Impact Assessment framework to ensure alignment with the POPIA regulations. Refer to the COVIDConnect case study on page 76.

Disaster management and COVID-19

All relevant government regulations and directions were shared with the appropriate teams to ensure strict adherence to health protocols and social distancing on Telkom premises. The compliance team responded to management enquiries on disaster management legislation.

Electronic communications

As an essential services provider, we monitored business units' compliance with ICASA's requirements under the ICT COVID-19 National Disaster Regulations in terms of the Independent Communications Authority of South Africa Act, 13 of 2000 and the Electronic Communications Act and Transactions Act, 25 of 2002 (as amended). We further followed the spectrum debate, related legal battles and the effect on customer expectations.

Risk and compliance focus areas for FY2022

Telkom has reviewed annual plans to mature the second line of defence strategic priorities to keep up with the ever-changing and growing set of realities. The strategic plan (FY2022 to FY2025) represents a strategic document that will be monitored and reviewed on an annual basis to ensure that the second line of defence work matures, and that ERM management across Telkom meets all the requirements of both external and internal processes. Telkom ensures that it is aligned and within Telkom's business plan process, in ensuring that efforts are prioritised. The Telkom ERM strategic intent will be annually reviewed to ensure it is aligned with Telkom strategic objectives.

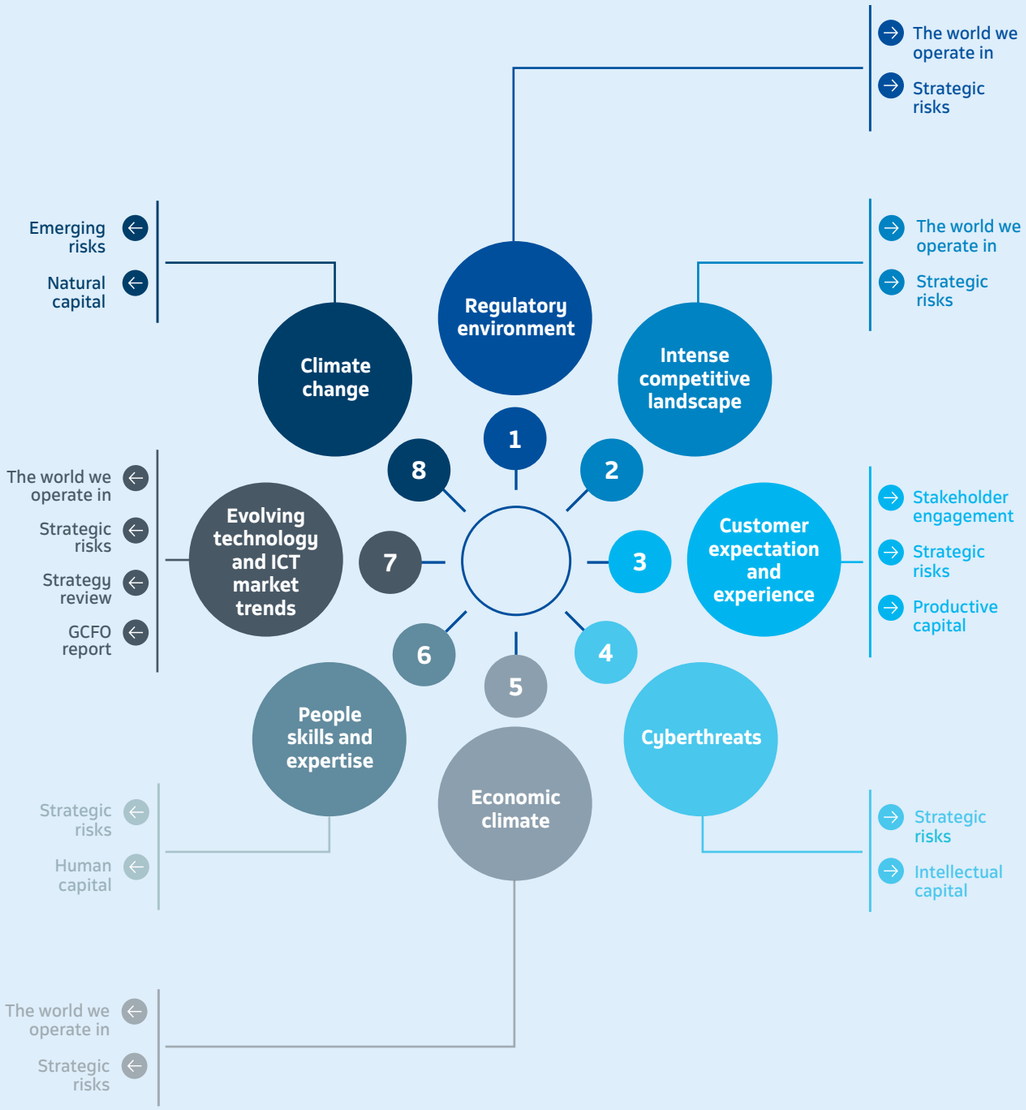
- **Integration:** Working with other assurance providers towards enhanced combined assurance
- **Proactive activities:** Providing proactive best-in-class risk and compliance management
- **Value creation:** Providing value-adding second line services across the Group
- **Embedding risk culture:** Embedding a risk intelligent culture across the Group
- **Operational efficiencies:** Continuously improving our operational efficiencies
- **Accurate data:** Ongoing digital transformation to meet a growing need for accurate, trusted data and a strong focus on sustainability, driven by POPIA compliance and COVID-19 challenges
- **Consumer rights:** It is expected that many more consumers will make use of their consumer and data protection rights. The management of data subject rights will remain a priority as consumers will demand transparency and start exercising their access rights. Spikes in data subject requests through the POPIA compliance support office have already increased
- **Employee rights:** With many employees working from home, achieving compliance with laws and regulations which limit, for example, working hours and paid sick leave, will require careful consideration
- **Amended laws:** Policy and legislative changes can be expected following the COVID-19 challenges and economic recovery, such as possible amended Occupational Health and Safety Act, 85 of 1993 (OHS Act) guidance concerning workplace safety. Anticipated future legislative changes include amendments to the Promotion of Access to Information Act, 2 of 2000 and the OHS Act, with specific reference to Ergonomic Risk Assessment and General Safety Regulations, as well as awaiting the commencement date of the Cybercrimes Act, 19 of 2020. Bills before Parliament on the radar include the Performers' Protection Amendment Bill, Copyright Amendment Bill and Prevention and Combating of Hate Crimes and Hate Speech Bill

Material themes

Our material themes represent a prioritised view of our material matters as determined by the materiality determination process (page 15).

Telkom disclosed seven materiality themes in FY2020. These were confirmed and updated to reflect their current status. In reviewing the materiality themes, Telkom added climate change as a new theme.

COVID-19 is a material matter that significantly impacts most of our material themes.



1 Regulatory environment

Telkom operates in a highly regulated environment impacted by policy uncertainty and inconsistency, and continuously evolving regulations and legislation. International regulatory trends further impact Telkom, irrespective of the different operating context; the South African political environment; and the resources required to implement new or changing regulations.

The world we operate in, page 16
Strategic risks, page 28

2 Intense competitive landscape

The competitive landscape includes OTT players and other non-traditional entrants disrupting the market, and the convergence of telecommunications, technology, media and consumer electronics.

This provides us with collaboration opportunities with OTT players, and requires Telkom to sharpen its focus on capital allocation, cost optimisation, business growth, innovative products and services, and customer satisfaction.

The world we operate in, page 16
Strategic risks, page 29

3 Customer expectation and experience

Our customers expect a differentiated value proposition where they receive value for money. Their experience is impacted by price, available products and services, service speed and reliability, data security and IT system stability.

In the context of Telkom's competitive landscape, customer experience impacts our reputation and customer attraction and retention. Therefore, Telkom must appropriately invest in products and services, systems and employees to ensure customer expectations are met.

Stakeholder engagement, page 21
Strategic risks, page 30
Productive capital, page 47

4 Cyberthreats

Cyberattacks and data breaches can potentially impact Telkom's service levels, leading to customer dissatisfaction, reputational damage, business disruption and loss of revenue. This requires continuous focus on information security and business continuity plans. Cyberthreats provide the Group with opportunities to develop new customer solutions (information security).

Strategic risks, page 29
Intellectual capital, page 65

5 Economic climate

Local and international economies influence Telkom's ability to grow the business, the cost of doing business and customers' spending power. This is impacted by muted South African economic performance; the South African political environment and geopolitical pressures; investor and business confidence; financial risks related to liquidity and foreign exchange and interest rate exposure; effectiveness of cost optimisation efforts; and socio-economic factors, such as the high youth unemployment rate. This is exacerbated by the impact of COVID-19.

The world we operate in, page 16
Strategic risks, page 30

6 People skills and expertise

Telkom requires skilled employees in ICT, digital and other areas to develop products and solutions to generate future revenue and provide the expected level of service to customers. We compete for scarce, specialised and technical skills with traditional and non-traditional players, locally and internationally.

Gender and race diversity, the premium paid for skills and experience, and the anticipated future skills pipeline (fourth industrial revolution) impact our attraction and retention of talent. Telkom's focus areas include empowering and enabling employees to work from home and a continued focus on skills development.

Strategic risks, page 30
Human capital, page 67

7 Evolving technology and ICT market trends

Telkom needs to remain abreast of advances in ICT and disruptive technology. We need to ensure long-term viability by developing innovative products and services and enhancing the Group's networks and infrastructure. This requires appropriate infrastructure, network investment and skilled employees to support product development and delivery. Focus areas include our ongoing investments in fibre and mobile infrastructure, while optimising the return on invested capital (ROIC).

The world we operate in, page 16
Strategic risks, page 29
Strategy review, page 39
GCFO report, page 44

8 Climate change

To protect our business and the environment, Telkom needs to mitigate and adapt to climate change impacts (specifically extreme weather conditions) and use our resources responsibly. These impacts can occur on our direct operations (operational impacts), or from poor customer service stemming from acute and chronic weather conditions (reputational and strategic impacts). The incurring of penalties and fines will also impact our reputation as a good corporate citizen.

Emerging risks, page 27
Natural capital, page 77

Progress on our value creation strategy: Group Chief Executive Officer's report

Telkom's purpose of seamlessly connecting customers to a better life is especially relevant today. When the physical world shut down, we continued to connect people virtually. As our world embraces a digital reality, we aim to ensure that South Africa has the digital capabilities to compete.

Key highlights

Mobile data revenue ↑ **41.0%**

Mobile customer base ↑ **27.8%** to 15.3 million

FTTH connectivity rate ↑ **51.1%**

FCF improved by ↑ **15.8%** to R2 063 million

Net debt to EBITDA improved to ↑ **0.9x**

This year was the toughest year I have experienced in a corporate environment. Telkom had to radically adapt to a new way of working with implications for culture, technology and processes. We had to respond to higher consumer demand while simultaneously adjusting our business to weather less favourable trading conditions.

As a provider of essential communication services to South Africa during a crisis, Telkom's modernised network infrastructure, product offering and dedicated workforce enabled us to overcome significant challenges and exceed customer expectations.

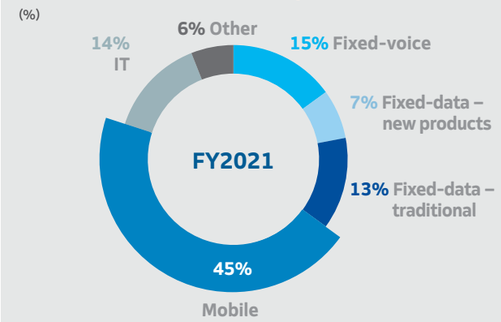
Our focused investment over the last few years has created a data-led, fibre-based network which enabled us to address the surge in data demand as South Africans began working from home. We also contributed to combating COVID-19 through supporting government, learners and our employees.

Our resilient revenue performance, driven mainly by the continued growth in our Mobile business, combined with a lower and more sustainable cost base, resulted in pleasing earnings growth and solid FCF generation. While it is never easy to do, we continued with the planned restructure of the business, and have emerged from the initial crisis as a leaner, more efficient organisation.

Our business today

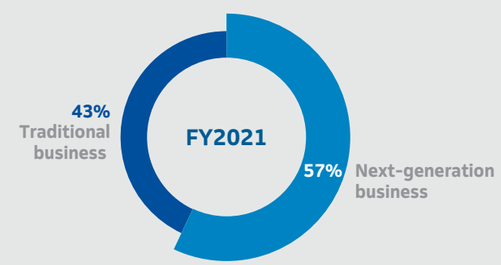
Revenue contribution to Group

(%)



EBITDA contribution to Group

(%)



Responding to our operating environment

The inevitable local outbreak of COVID-19 and resulting national lockdown in March 2020 came at a time when the South African economy could least afford it. Unemployment rose to record levels, touching 32.5% in the final quarter, meaning 7.2 million people were unemployed, up from 30.8% in the previous three months**. As business confidence dipped to new lows, businesses cut salaries, retrenched employees and delayed project spend.

As an essential services provider, we were able to trade throughout the lockdowns; however, these poor economic factors took a toll on certain areas of our business. Competitive responses intensified as promotions and pricing became a tool for competitors to attract and retain customers.

COVID-19 also accelerated the entry of new digital niche players in our market. These players will disrupt our market in unexpected ways. We must respond with innovative products that are quick to market.

We operate in a constantly evolving environment where advances in technology and changing customer demands require that we also transform the business for long-term growth and sustainability. Over the past decade, we have fundamentally changed our core business by moving from voice to data, from legacy to fibre, fixed wireless and to mobile, and from connectivity to IT services and digital ecosystems. We have evolved from being a monopoly player to competing with rivals across all our business units. We welcome healthy competition as it makes us better and forces us to continually improve.

> Telkom is trading at a massive discount to its net asset value. To address this, we have concluded the first phase of a journey to move from being an integrated telecommunications Company to a federated model with distinct business units. The second phase is to unlock value from each business unit. Each business unit has a unique strategy, brand and committed teams to further monetise their different market opportunities. This is a prospect that excites us and has also received favourable feedback from the market.

Performance overview

In the face of a challenging environment, Group revenue grew 0.4% to R43.2 billion. This growth continues to be driven by our Mobile business with revenue growth sufficient to offset the fixed-voice revenue decline and revenue pressures emanating from COVID-19.

Our sustainable Cost Management programme continues to underpin improved Group profitability and EBITDA margin. We optimised direct costs and contained operating expenses below inflation. Consequently, EBITDA grew 11.7%* to R12.0 billion* with the EBITDA margin expanding by 2.8 ppts to 27.7%*.

The performance of our business units varied as each was uniquely impacted by COVID-19, which demonstrates the diverse nature of our underlying business unit portfolio.

Our Mobile business continued its growth trajectory as we surpassed 15 million subscribers during the year with an average revenue per user (ARPU) of R104. As a growth area of our business, our intentional and focused allocation of capital to a data-led and fibre-enabled mobile network successfully prepared us for the significant increase in data demand and broadband mobile services brought about by more people working from home. Mobile broadband traffic increased 53.2%, resulting in mobile data revenue growing by 41.0% and underpinning the 34.5% increase in mobile service revenue to R16.9 billion

BCX suffered a decline in revenue as the national lockdown and the work-from-home response impacted fixed-voice revenue from enterprise customers. Information technology (IT) revenue also came under pressure as corporates deferred capital expenditure (capex) and delayed projects given the increased levels of uncertainty. Supply chain disruptions also impacted businesses as countries were locked down across the globe. In response, BCX successfully focused on optimising its cost base with a clear focus on cash preservation, resulting in EBITDA increasing 6.6%*.

* *Based on pro forma financial information. Refer to pages 123 and 124 for the reconciliation of the reported figures to the adjusted figures.*

** *Department: Statistics South Africa – Quarterly Labour Force Survey, 4th quarter 2020.*

Key strategic themes underlying performance

Evolution of the business

- Evolution[1] of technologies
- Evolution[5] of revenue mix
- Evolution[6] of skills

Monetising infrastructure portfolio

- Fixed mobile network[1]
- Mobile network[2]
- Data centres[3]
- Masts and towers[4]

Formidable Mobile[2] business

- Sustainable financial performance
- Good quality customers
- Mobile business strength

Broadband leadership

- High-speed broadband[1] (fixed)
- Mobile network[2] (wireless)
- Fibre ecosystem[1]

1 *Refer to Openserve on page 47.*
2 *Refer to Telkom Consumer on page 51.*
3 *Refer to BCX on page 57.*
4 *Refer to Gyro on page 61.*
5 *Refer to GCFO report on page 44.*
6 *Refer to HR report on page 67.*

Yep!, which focuses on small and medium businesses, was negatively affected by the responses to COVID-19, which included a national lockdown, retrenchments, salary increase suspensions and small business closures. We are, however, excited about the digital, e-commerce and fintech business opportunities as adjacent revenue opportunities driven by Yep!. We have seen some good progress with a number of digital platforms being launched including the Telkom e-business platform, which has an early uptake of 98 521 business customers on average using the platform on a monthly basis.

We witnessed good growth in the early stages of our funeral cover and mobile device insurance products launched during the year.

The need to consume multiple digital services led to an increase in data consumption in Openserve, driven by a surge in data traffic across fixed fibre and carrier connectivity solutions. This drove an increase of 2.9 ppts in the fibre to the home (FTTH) connectivity rate to a pleasing 51.1%, as homes passed increased by 20.7% to 549 957. Despite the increased revenue growth in FTTH and carrier-based connectivity solutions, the ongoing impact of COVID-19 on the Enterprise segment saw a continued weakening in legacy voice and data requirements. This led to a revenue decline of 10.9% to R13 485 million. We are excited that our fibre-based transport and access infrastructure enables us to convert last mile infrastructure into a seamless end-to-end customer experience, providing scalable revenue-generating opportunities in the near future.

Gyro masts and towers continued to grow by commercialising existing towers and executing a new build pipeline. Masts and towers revenue increased by 6.6% to R1 237 million, supported by an 8.0% growth in the number of new leases.

Notwithstanding the challenging trading environment, the Group delivered robust underlying earnings growth of 88.1%* to R2.6 billion*, growing BEPS and HEPS by 89.6%* and 53.4%*, respectively, compared to the prior year.

I am pleased that we turned the corner on the FCF challenges we witnessed in the past. For the past two years, we sustained strong FCF generation. In the current year, FCF grew 15.8% to R2.1 billion despite an increase of 8.9% to R8.4 billion in capital investment. The improvement was despite significant once-off impacts relating to restructuring and tax payments relating to prior years.

Our strong liquidity has enabled us to strengthen our balance sheet, repaying maturing debt of R1.1 billion. Our net debt to EBITDA on a reported basis improved from 1.3x in the prior year to 0.9x.

> Through the years we have evolved from a monopoly to a dynamic, diversified Group with the capabilities to survive and compete on our merits.

* *Based on pro forma financial information. Refer to pages 123 and 124 for the reconciliation of the reported figures to the adjusted figures.*

Risk management

Our risk environment has been greatly altered by the COVID-19 pandemic with some existing risks exacerbated and other new risks emerging.

South Africa's economic situation was critical before the pandemic and rapidly deteriorated in the resulting national lockdown. This meant that many of our customers faced severe financial difficulties, and numerous enterprise customers faced financial challenges and had to radically rethink and reduce their business.

A remote working environment has increased the risk of cyberattacks including malware, phishing emails and other malicious behaviour. We invest resources into training employees and providing clear and straightforward IT guidelines that will increase overall cyberliteracy within the business.

The pandemic disrupted global supply chains with a knock-on impact on our business. We have had to reassess our supply chain including identifying high-risk suppliers, assessing the adequacy of inventory levels and accelerating the qualification of new suppliers.

A risk unrelated to the pandemic is the challenge of navigating an uncertain regulatory environment. It takes time to fully absorb the implications of new regulation and legislation on our business. A lack of clarity curtails our ability to create additional long-term value.

We await critical rulings on spectrum licensing. We believe that lawful spectrum licensing will promote competition between operators and should not entrench the current duopolistic structure. We would like the process to be speedy, but not at the expense of fairness and transparency. Ultimately, the right decisions should go some way to levelling the playing field.

COVID-19 response

Throughout the year, our number one priority in response to COVID-19 was to ensure that our people were safe. This included both physical and mental wellbeing. We offered free counselling and COVID-19 screening to our employees and families. About 80% of our employees have worked from home since the national lockdown was announced. We have adjusted well to working from home and will only fully return to the office once it is safe to do so.

Once we had protected our people and assets, we extended assistance to our customers. We reduced prices, increased speed and broadband bundle sizes, granted payment holidays and extended payment terms during lockdown levels 4 and 5. We supported our SME customers by offering free access to the new Yep! marketplace and desktop applications.

In total, we spent approximately R100 million on COVID-19-related matters across our various stakeholder groups including employees, customers and communities. We took full advantage of the temporary release of spectrum to address the shift in traffic patterns prompted by COVID-19. When South Africa needed us, we were proud to step forward.

> The pandemic provided us with the opportunity to optimally test our business continuity plans and responses. It also allowed us to rethink the working environment and explore new possibilities for employees.

Outlook

The South African economy is expected to recover in the coming year with the International Monetary Fund predicting a GDP growth rate of 3.1%. While this is a positive indication, we predict that the year ahead will not be easy.

We observe the COVID-19 vaccine rollout with great interest. The nation's economic wellbeing and the health of our people depend on this being done successfully. We are eager for a rapid vaccine rollout which will see the virus in retreat and a return to some sense of normalcy.

We have the resilience to not only withstand difficult circumstances but also to find value within these conditions. We have a solid asset base to build from and we will spend the coming years unlocking further value in our business. The journey ahead will be enabled by our strong performance culture, strategic clarity and an understanding of our immediate priorities. We will continue to focus our capex spend on the growth areas of our business including fibre, mobile and our masts and towers portfolio.

Our strong and flexible balance sheet and strong cash flow conversion provide us with various funding options for growth opportunities, both organic and inorganic.

The 5G Commercial trail demonstrated readiness forward and support of a Non-Standalone deployment of 5G New Radio technologies.

The digital world is upon us and presents compelling new opportunities. I see huge potential in equipping South Africa to compete globally through developing our digital capabilities.

Change to the GCFO

> "At Telkom we grow people."

This past December Tsholofelo Molefe resigned as GCFO. Working with Tsholo was a true gift and I will always appreciate the time she spent at Telkom. During her two-year tenure she led an effort to derisk the balance sheet, optimise working capital management through structural change and enhance the capital allocation framework to focus on return on investment. She has left a strong finance platform behind.

That we were able to replace her within a month is a testament to the depth of talent within our business. It was a pleasure to welcome Dirk Reyneke as our new GCFO. Dirk has been with Telkom for almost a decade and has held positions as CFO of various divisions and subsidiaries. His understanding of the business is exceptional and he is a worthy successor to Tsholo.

Appreciation and condolences

This year has been difficult for both Telkom and the country. I am grateful for the strength and resilience of our people. I thank my Executive team and employees for their dedication and hard work throughout the year. My heartfelt condolences go out to the employees and their loved ones who have succumbed to COVID-19.

I also thank our Board for its unwavering encouragement. The Board was there to guide the Executive team and also challenge us when required. Finally, thank you to our customers and service providers for their enduring support as we continue our growth story.

Sipho Maseko
Group Chief Executive Officer

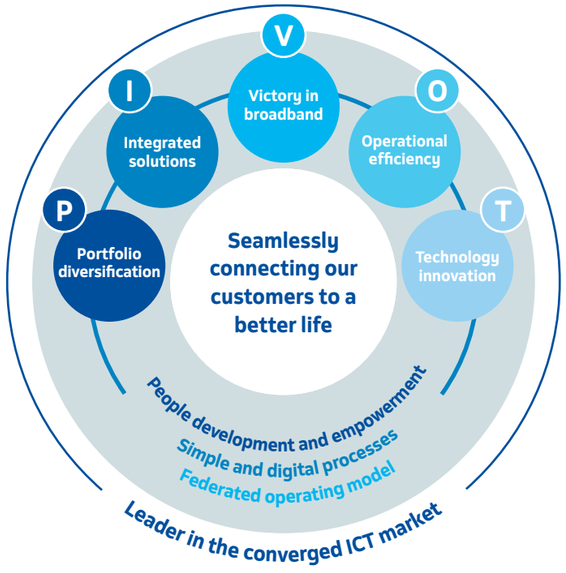
Our strategy review

Our customers are at the heart of all we do, and this is reflected in our intent to derive value by putting our customer first.

We constantly review our strategy to ensure it remains relevant in our rapidly changing operating environment, which is increasingly complex and challenging. In September 2020, we reviewed our strategy relative to COVID-19 and other changes in our external environment. We concluded that, while specific tactics and actions are changing, our strategy framework remains resilient.

We are playing a leading role in South Africa's digital revolution by leveraging our converged ICT leadership to enable solutions that enrich our customers' lives, be it at work, through online education, or via entertainment (movies, music and gaming). This positions us for long-term sustainability through returns to shareholders and aligns to the four SDGs which are most applicable to our business. Our reporting approach to SDGs is on page 1, and our performance against the SDGs is included in the appendix on page 115.

While our strategy remains unchanged, we have reviewed the communication thereof with the aim being to simplify it. Our strategy is being achieved through five strategic pillars which form our north star as we navigate a time of both local and international uncertainty.



PIVOT captures the transformational changes to our core business by moving from voice to data, from legacy to fibre, fixed wireless to mobile, and from connectivity to IT services solutions and digital ecosystems.

These five strategic pillars are largely executed through different business units. Based on the overarching five strategic pillars, each business unit has its own strategic objectives and focus areas. Progress against these are described on the pages that follow. Each business unit's performance is discussed on pages 47 to 63.

The strategy is underpinned by Group enablers with initiatives to drive continuous improvement in these areas as part of our strategic planning and execution. Despite increased digitalisation, our people remain the driving force of our business and we remain committed to their ongoing development and empowerment for decentralised decision-making. Our move to a more federated operating model, with a lean Corporate Centre, is one facet of this. We realise that improved customer experience is dependent on us simplifying and digitising our processes, and we are implementing initiatives to drive this. Refer to page 67 for more information on human capital. We continue strengthening the interaction and synergies between business units, while maintaining their focus and accountability. This improves our agility and responsiveness to the market, and the delivery of products and services to customers.

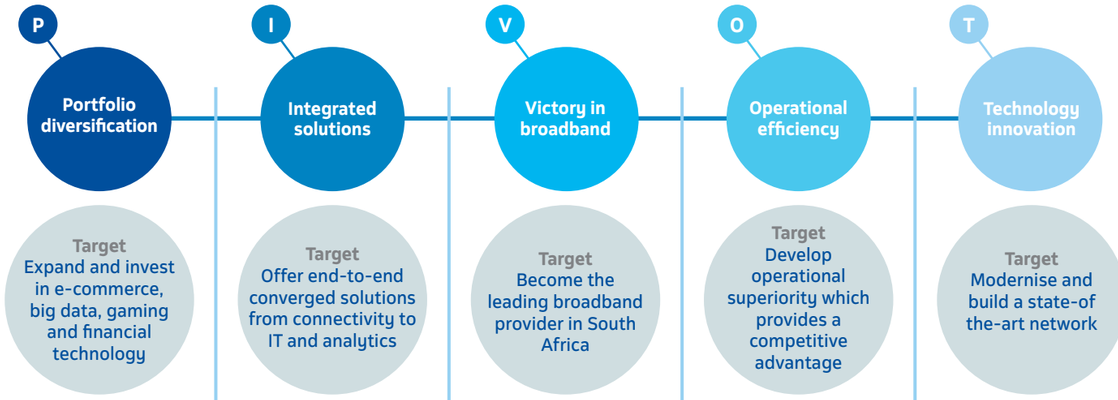
TCFD | Strategy

TCFD

Refer to natural capital on page 77 for further information on climate change.

Description of the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Telkom has identified climate-related risks and opportunities over the short, medium and long term. Climate-related risks and opportunities may influence Telkom's strategy and/or financial planning. This includes: - Extreme weather events, which have always negatively impacted our means to do business by affecting the network - The introduction of carbon tax legislation, of which the second phase (2023 onwards) is expected to have a significant impact on Telkom due to the potential broadening of the tax base to include scope 2 emissions
Description of the impact of risks and opportunities on business strategy and financial planning	Risks that significantly impact the execution of Telkom's strategy are managed by the Group Emergency Management Team. The Group Emergency Management Team has developed Group-wide response plans for water and electricity shortages, adverse weather conditions as well as fires and earthquakes. These plans include the rapid deployment of temporary electronic communications networks where required.

Our strategic pillars



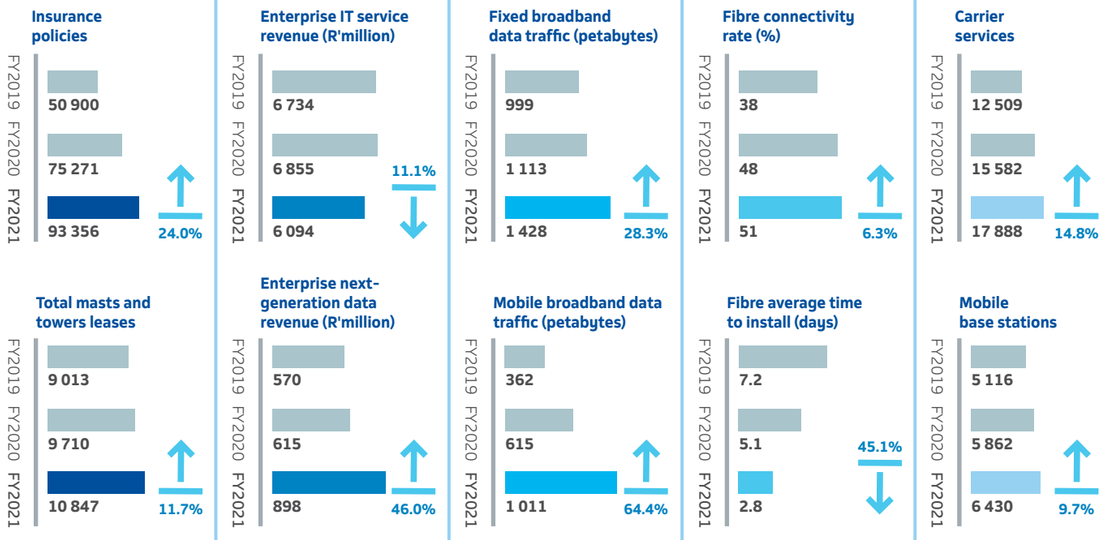
We seek opportunities to generate new revenue streams from existing and emerging digital services. Each opportunity will be considered on its merits, and will inform the decision to build, buy or partner.

We aspire to strengthen Telkom's ability to comprehensively address our customers' ICT needs. This requires the appropriate access solution to seamlessly integrate with a wide range of IT services, from traditional (hardware and software) to new and emerging IT services (cloud, Internet of Things) and analytics.

New digital services are built on high-speed data services. We are accelerating our capability to disrupt the local broadband market by leading in the delivery of innovative, value-rich solutions. These are offered to residential and commercial customers over the optimal access technology – fibre, fixed wireless, mobile, satellite and copper.

In an increasingly competitive world, our success depends on **continually improving** the efficiency and effectiveness of our operations.

We aspire to operate with the best scalable and most efficient network. Telkom will invest in the optimal mix of technologies to achieve this.



Continued growth in insurance as well as masts and towers revenue streams.

Despite a fall in enterprise IT service revenues, next-generation data showed strong revenue growth.

Both fixed and mobile data traffic increased significantly.

The fibre connectivity rate continued to rise, and fibre installations were completed faster.

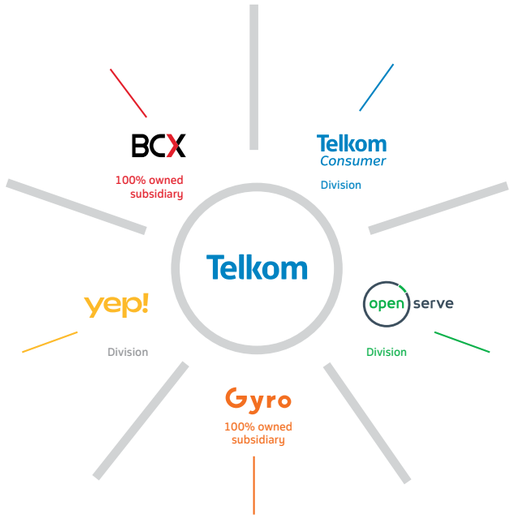
The fixed network delivered more carrier services and additional base stations were added to the mobile network.

Telkom operating model

Our federated operating model enables focused strategy execution through the five business units, as set out on page 6, and discussed in more detail on page 7.

Some of our businesses are separated functionally (Openserve, Telkom Consumer and Yep! (previously Telkom SMB)) while some are separated structurally (BCX and Gyro). We are in a process of structurally separating Openserve, to enable a greater range of value unlock opportunities and to complete the federated operating model.

We are reviewing our business portfolios and exploring how we can unlock value from them over the next three years. The Group's valuation is not a reflection of its intrinsic value and it is trading at a telco multiple, yet its portfolio of businesses also consists of IT, masts and towers and infrastructure businesses which are valued at higher multiples than telcos globally. The Value Unlock programme, which is underpinned by valuation, strategic imperatives and capital allocation, seeks to realise value for shareholders.



Business unit strategic focus and performance

	openserve	Telkom Consumer	yep!	BCX	Gyro
Key strategic focus areas	**Scalable** network **Commercialise** the network **Transform** service delivery	**Accelerate** mobile growth **Drive** high-speed broadband **Expand** the mobile network **Improve** customer experience	**Digital-first** approach **Adjacent** offerings	**Drive** organisational sustainability **Drive** digital transformation	**Optimise** and grow the masts and towers portfolio **Commercialise** the property portfolio **Enhance** building costs and operational efficiencies
FY2021 performance	**FTTH connectivity rate of 51.1%** **Launch of** Openserve **Connect app** Aggressive **increase in fibre** footprint in latter part of year **Growth in fibre** to the base station **Provided more value** to customers, by **doubling broadband speeds** at the same price point **Decreased CO_2 emissions by 18%**, due to reduced site assurance visits	**Mobile service revenue** up **34.5% to R16 938 million** **Mobile customer base** up **27.8% to 15.3 million** **Mobile data revenue** up **41.0% to R12 211 million** **Launch of TelkomONE** - the first official streaming **video-on-demand service** to host SABC TV and radio channels Celebrated **Telkom Mobile's 10th birthday** by becoming the **third largest operator in SA**, based on service revenue	**Launched the Telkom Financial Services business** and expanded the insurance product offering to device and funeral, from motor only **Yep! marketplace users grew by 25% year on year** **30% of our installed SME base** currently using the **e-commerce platform,** improving customer experience significantly Launch of **Telkom Digital Wallet** on the WhatsApp channel	**Total expenses** down **12.6% to R13 354 million** **EBITDA margin** up **15.7%** **Legacy to next-generation** migration strategy is **progressing well** **21% of our customers** have been migrated from Diginet to **Metro Ethernet** Launch of **Artificial Intelligence for IT Operations** (AIOps) offering, **to help enterprises** reduce operational cost of IT services	**Masts and towers revenue** up **6.6% to R1 237 million** **Masts and towers EBITDA** up **23.2% to R994 million** **Small cells and in-building solutions** in process of deployment **Property development projects advanced** further into the development planning phase **Savings of R110 million achieved** against planned property operating cost spend
	Refer to page 47 for further details.	Refer to page 51 for further details.	Refer to page 55 for further details.	Refer to page 57 for further details.	Refer to page 61 for further details.

3

FY2021 performance

Financial capital

Financial capital	**43**
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Productive capital	**47**
Openserve	47
Telkom Consumer	51
Yep!	55
BCX	57
Gyro	61
Intellectual capital	**65**
Human capital	**67**
Social and relationship capital	**73**
Natural capital	**77**

Key highlights

- **Group operating revenue increased** — **0.4%** to R43.2 billion
- **EBITDA increased** — **11.7%** to R12.0 billion*
- **Headline earnings per share (HEPS) improved** — **53.4%** to 561.5 cps*
- **Basic earnings per share (BEPS) improved** — **89.6%** to 529.1 cps*
- **Free cash flow (FCF) increase** — **15.8%** to R2.1 billion
- **Net debt to EBITDA improved to** — **0.9x**

Group Chief Financial Officer's report

Resilient performance despite COVID-19 headwinds.

A subdued economic environment exacerbated by the effects of COVID-19 characterised the year under review. Despite the uncertain trading environment, our focused and disciplined allocation of financial resources within a structured financial framework enabled us to weather the impact of the COVID-19 storm.

We delivered a strong performance with improved profitability, robust earnings growth, strong liquidity and a derisked balance sheet.

Our strong balance sheet has created a solid base and the capacity to continue to grow and scale our business as we successfully execute on our strategic intent.

Exceptional item impacting financial performance

VSP, VERP and S189

We have completed phase one and phase two of the Restructuring programme. An expense of R270 million was recognised in FY2021 (FY2020: R1 186 million).

Key themes from Telkom's financial performance

- Revenue resilience
- Improved profitability
- Robust earnings growth
- Strong liquidity
- Derisked balance sheet

1 Revenue resilience

Mobile revenue growth offset COVID-19 headwinds

The strong Mobile business performance offset the negative impact of COVID-19 on certain of our other revenue streams. Group revenue grew marginally by 0.4% to R43 222 million in a challenging operating environment.

Mobile service revenue grew 34.5% underpinned by a surge in data traffic growth of 53.2% and subscriber growth of 27.8% to 15.3 million subscribers. This was largely due to an increase in people working from home and online schooling, supported by ongoing investment in our mobile network.

Migration to working from home impacted the enterprise fixed business, as fixed usage diverted to mobile connectivity, leading to a 25.1% decline in fixed-voice revenue. We also saw enterprise customers reducing or deferring their spend on IT, resulting in a 12.7% decline in IT revenues.

Traditional fixed-data revenue continued to decline as we migrate customers' from traditional high-margin products to next-generation products. This strategy has proved successful as we witnessed an increase of 30.8% in new fixed-data revenue compensating for the 22.2% decline in traditional data revenue. We have now reached the inflection point where the profitability of new revenue streams exceeds that of our legacy revenue streams.

We continued to commercialise our current masts and towers portfolio, with tenancy ratio improving from 1.32x to 1.54x, underpinned by an 8% growth in the number of new leases. Gyro revenue increased by 6.6% to R1 237 million as a result. Our intentional allocation of capital in pursuit of new revenue streams over the last five years has seen our business evolve from a legacy and predominantly fixed-voice business to a next-generation, data-driven business with next-generation revenue streams now contributing more than 65% of Group revenue.

2 Improved profitability

EBITDA underpinned by sustainable cost management

Our relentless focus on sustainable cost management continued to underpin improved profitability. Our continued focus to extract efficiencies across the full spectrum of our cost base saw a reduction in both direct and operating expenditure (opex) of 2.0% and 4.3%**, respectively, when compared to FY2020. Consequently, EBITDA grew by 11.7% to R12.0 billion and EBITDA margin expanded by 2.8 ppts to 27.7%.

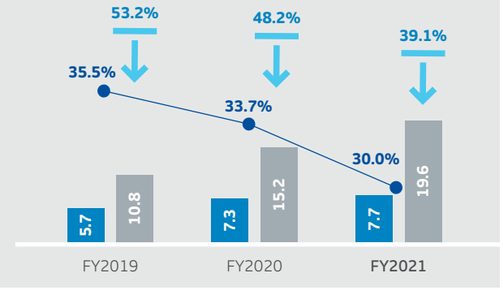
The full savings impact of our sustainable Cost Management programme of R2.3 billion exceeded management's expectation of between R1 billion and R2 billion for the year under review.

Another focus area was our cost to serve in our ever-growing Mobile business.

Overall, total costs to serve**/mobile service revenue ratio was optimised from 33.7%** in FY2020 to 30.0%** in FY2021.

Mobile cost efficiency ratios

R'billion



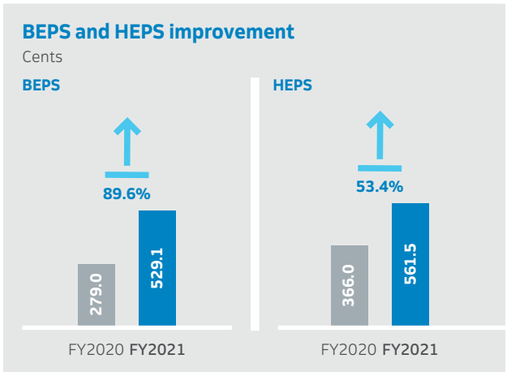
* *Excludes R270 million provided for VSP, VERP and S189 costs in FY2021 and R1 186 million in FY2020 and the related tax impact.*

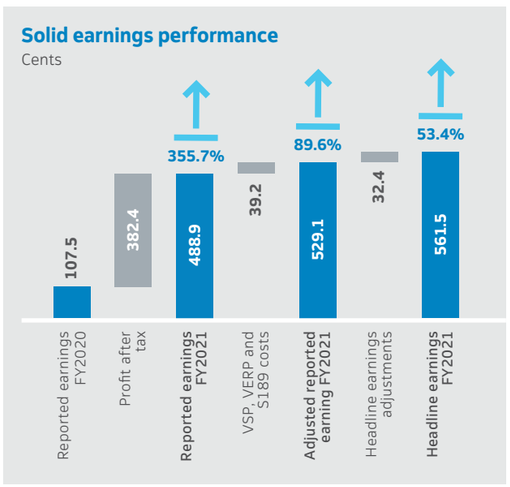
** *Based on pro forma financial information. Refer to pages 123 and 124 for the reconciliation of the reported figures to the adjusted figures.*

*** *Payments to other Operators (PtoO) and sales commission and incentives.*

3 Robust earnings growth

Despite the tough trading environment, the Group delivered robust underlying earnings growth, with BEPS and HEPS growing by 89.6% and 53.4%, respectively, compared to the prior year.





4 Strong cash generation sustained despite significant once-off cash payments

We have sustained strong FCF for the past two years. Our cash generated from operations increased 20.6% before restructuring payments of R1 348 million and prior year tax payments of R1 172 million. Despite these once-off payments, FCF improved by 15.8% as we exceeded our cash release initiative targets of between R700 million and R1 billion, by releasing R1 209 million in cash from these initiatives in FY2021.

Free cash flow (FCF)	Reported March 2021 Rm	Reported March 2020 Rm	Variance %
Cash generated from operations excluding VSP, VERP and S189 costs paid**	15 592	12 931	20.6
Less: VSP, VERP and S189 costs paid	(1 348)	(175)	(670.3)
Cash generated from operations	14 244	12 756	11.7
Less: Repayment of lease liability	(856)	(780)	(9.7)
Interest received	332	212	56.6
Finance charges paid	(1 291)	(1 374)	6.0
Taxation paid	(2 194)	(1 320)	(66.2)
Cash generated from operations before dividend paid	10 235	9 494	7.8
Cash paid for capex	(8 172)	(7 712)	(6.0)
Total	2 063	1 782	15.8

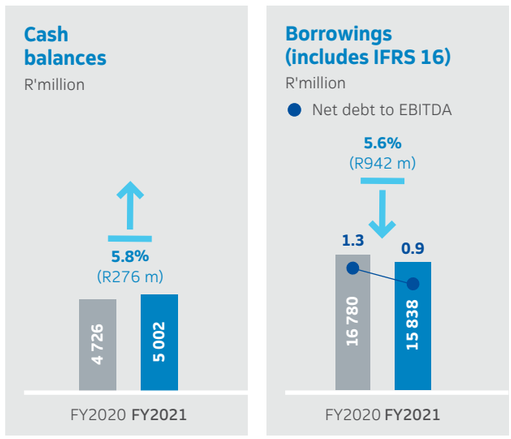
** *Excludes the impact of VSP, VERP and S189 costs paid in FY2021 of R1 348 million and R175 million in FY2020.*

5 Derisked balance sheet

Strong FCF enabled derisked balance sheet

Underpinned by strong FCF, we have maintained healthy liquidity levels. This is despite significant once-off payments we have made in FY2021, relating to VSPs/VERPs and restructuring payments, debt repayment and prior year tax payments. Cash balances improved year on year by 5.8%. Our healthy liquidity levels enabled us to repay maturing debt of R1 132 million, resulting in a derisked balance sheet with reported net debt to EBITDA ratio improving from 1.3x to 0.9x.

Net finance charges declined by 15.3% largely underpinned by our strategy to maintain higher levels of floating rate debt in FY2021. The average cost of debt declined by 2.6 ppts to 6.2%. We have benefited from the low interest rate climate under current economic conditions.



GCFO key focus areas

Given the uncertain economic environment, which we expect to continue into the foreseeable future, we will continue our focus on our sustainable financial framework and will concentrate on the following:

Growing revenues

Growth in Mobile and next-generation revenues are priorities while we will continue to migrate customers from traditional technologies to next-generation technologies, thus enabling us to grow and defend our revenues.

Improving profitability

Tight control on cost escalation through our sustainable Cost Management programme will continue. We remain focused on containing opex below inflation and to optimise our direct costs.

FCF generation

We are intent on improving our FCF. Cash preservation will continue to be key as we navigate the unprecedented challenging environment, thus we will continue to drive working capital optimisation and handset receivable financing.

Disciplined capital allocation

We will continue with our focus on key growth areas in line with our investment strategy. Our goal is to follow a disciplined approach to capital allocation, while driving maximum operational and capital productivity, to ensure capex investments give us optimal returns.

We have the flexibility to reduce capex investments in order to protect our liquidity position if necessary should unforeseen circumstances impact revenue generation.

	FY2022 – FY2024 guidance*
Revenue (compound annual growth rate)	Mid to high single digit
EBITDA (compound annual growth rate)	Mid to high single digit
Capex per annum	R8.0 billion to R8.5 billion
Net debt to EBITDA (times)	Less or equal to 1.0x

* *Excludes corporate actions and spectrum.*

Outlook

New medium-term guidance

Our capital investment over the past five years has enabled us to successfully evolve the business. With next-generation revenue streams contributing more than 65% of Group revenue and driving growth, we have derisked the business.

A large portion of our growth is driven by the Mobile business, which has consistently outperformed expectations in the last five years. We expect the Mobile business to continue on its growth trajectory in absolute service revenue terms, continuing to be the driver of growth and offsetting the decline in fixed-voice which now contributes only 15% of the business revenue. Based on this change in revenue mix, we believe that our Group revenue will grow to mid to high single digits over the medium term guidance period. In the first year of this guidance period we expect to be at the lower end of the range due to the impact of a possible third wave of COVID-19.

Our focus on sustainable cost management enabled an improvement in EBITDA while the Group transitioned from high-margin legacy business to a lower margin next-generation business. Following the structural changes in our cost base in recent years, we expect our continued focus on a sustainable cost base to drive efficiencies within the business. With the expected revenue growth and further optimisation of certain identified buckets of costs, we believe that Group EBITDA will grow to mid to high single digits over the medium-term guidance period.

We will continue to invest in our growth areas and expect to spend between R8.0 billion to R8.5 billion capex a year while continuing to grow our revenue. Discipline in capital allocation will be exercised as we seek to improve returns on capital investment. We will continue to focus on FCF generation and maintain the momentum demonstrated in the past two years. Net debt to EBITDA should be maintained below 1.0x. The Board remains committed to the value unlock strategy. Unlocking value from our portfolio of businesses is a key component of our capital allocation framework.

Dividend policy

Following the suspension of the dividend policy for three years, starting from FY2021. Management has reviewed its capital allocation framework which seeks to maximise returns on capital investments, maintaining a healthy balance sheet and generating strong FCF to grow shareholder value over the long term.

After two years of strong FCF generation, management believes that Telkom is generating sustainable FCF and has sufficiently derisked the balance sheet with adequate capacity to fund its Strategic Capital Investment programme.

Notwithstanding the uncertainty regarding the spectrum auction, management believes that Telkom is therefore in a position to reconsider the suspension of the dividend policy. The dividend policy will be reviewed, and a new dividend policy will be communicated on release of the FY2022 interim results in November 2021.

Dirk Reyneke
Group Chief Financial Officer

Productive capital

open serve

Image: Openserve employee

Openserve is committed to providing a scalable and state-of-art next-generation network that caters for current and future demands through continued investment in modernising and transforming its network. While we continued to experience a decline in legacy data and voice revenue, the need to consume multiple digital services led to an upsurge in data traffic, resulting in an increase in revenue across fixed fibre and carrier connectivity solutions. The adoption of new ways of working due to the pandemic has shown the importance of high-speed connectivity.

Performance snapshot

Achievements

- **FTTH connectivity rate of 51.1%**
- **Launch of Openserve Connect app**
- **Aggressive increase in fibre footprint in latter part of year**
- **Growth in fibre to the base stations**

Challenges

- **Evolution fixed business**
- **Increased competition in fibre broadband**

Key strategic focus areas

- **Scalable** network
- **Commercialise** the network
- **Transform** service delivery

COVID-19 impact

- **Surge in fixed-data consumption**
- **Increased demand to connect to fibre services**
- **Accelerated decline in fixed-voice**

Performance overview

Our focus on providing next-generation and higher-speed connectivity solutions resulted in revenue growth in FTTH and carrier-based connectivity solutions while COVID-19 impacted the enterprise segment significantly, weakening its data requirements as well as accelerating legacy voice decline in the consumer segment. The decrease in legacy broadband revenue, mainly due to the decline in services with speeds below 10 Mbps, was offset by an increase of 14.8% in the provisioning of carrier services with these customers migrating to wireless technologies such as long-term evolution (LTE) to fulfil their connectivity needs.

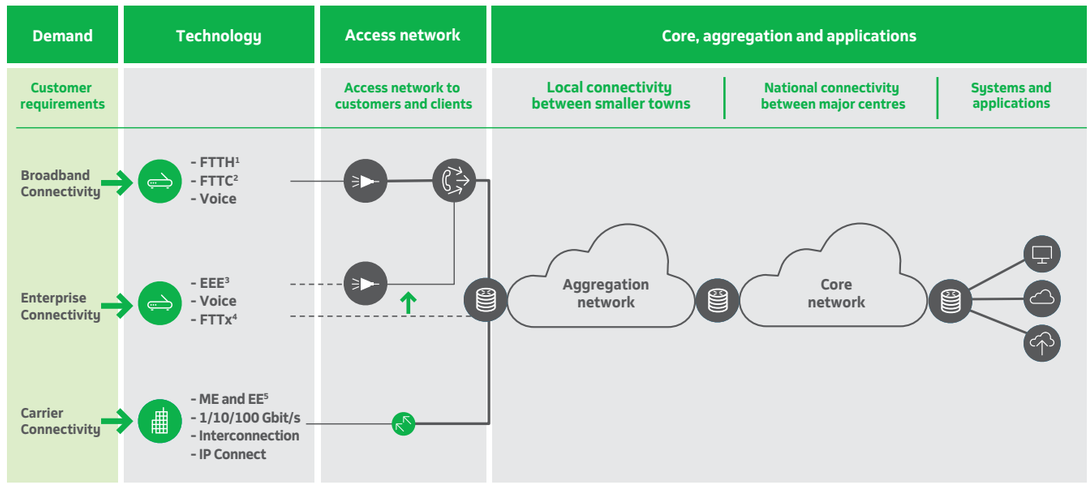
While this led to an overall revenue decline of 10.9% to R13 485 million, which resulted in an overall EBITDA reduction of 8.1% to R4 175 million, it is in line with our transformation journey of moving from legacy-based copper to sustainable next-generation connectivity-based revenue.

The EBITDA margin increased due to cost optimisation initiatives which not only supported Openserve's performance but also positively contributed to Telkom Group at large. Employee expenses and selling, general and administrative costs reduced by 24.4% and 10.0%, respectively, yielding an overall reduction of 12.5% in opex costs. This was underpinned by the redesign of Openserve's operating model, which saw a reduction of 28.7% in permanent employees.

Scalable network

FY2021 signalled the importance of high-bandwidth services, which have grown exponentially, and this is reflected through the increased fixed-data consumption of 28.3% across Openserve's network. Openserve's continued investment in modernising and expanding its network, including the capital investment in FY2021 of R2 942 million, has enabled a flexible, modular and scalable network architecture. This has ensured that Openserve delivers high-speed and increased-capacity networks across South Africa.

As we continue to invest in our robust infrastructure network, we aggressively increased our footprint in the latter part of FY2021 to pass approximately 549 900 homes with fibre, an increase of 20.7%. Furthermore, we upgraded existing fibre nodes, allowing us to use our strategic network investments to provide the ability to connect approximately 300 000 additional premises to our fibre footprint. This increased the overall premises that can connect and activate services on Openserve's fibre footprint to over 800 000.



1 *FTTH is fibre to the home.*
2 *FTTC is fibre to the curb/cabinet.*
3 *EEE refers to Enhanced Ethernet Express.*
4 *Fibre to the x (FTTx) is a collective term for various optical fibre delivery topologies that are categorised according to where the fibre terminates.*
5 *ME and EE refers to Metro Ethernet and Ethernet Express, respectively.*

Commercialise the network

The new norm of work and study from home led us to enhance fibre speeds and set the new South African benchmark of 25 Mbps minimum FTTH speed and introduce symmetrical speed offerings at no additional cost. This resulted in a 27.9% increase in fibre-ready homes, with more than 280 000 homes connected to our network, improving the connectivity rate to 51.1%.

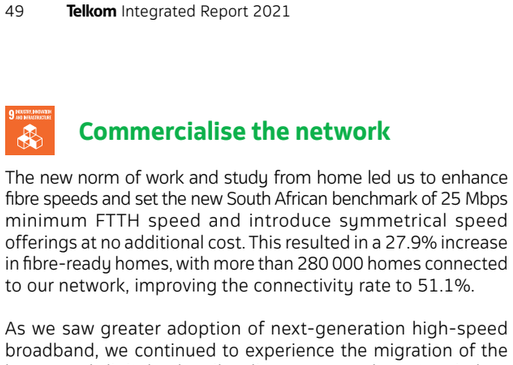
As we saw greater adoption of next-generation high-speed broadband, we continued to experience the migration of the low-speed digital subscriber line customer base to wireless solutions for their minimal data consumption requirements. While this negatively impacted the digital subscriber line base, the decline was offset by increased carrier backhaul provisioning growth of 14.8%. This aligns to our drive to commercialise high-speed fixed broadband on our network while providing sufficient capacity to grow all other market segments.

As we pursued innovative solutions, we further enhanced our broadband product portfolio by doubling speeds while maintaining the same price point and connecting homes at no cost, giving more value to customers. These attractive value propositions resulted in the activation of more than 370 000 services, including broadband and other value-added services like voice over internet protocol, intercom and security.

Monetising our fibre portfolio

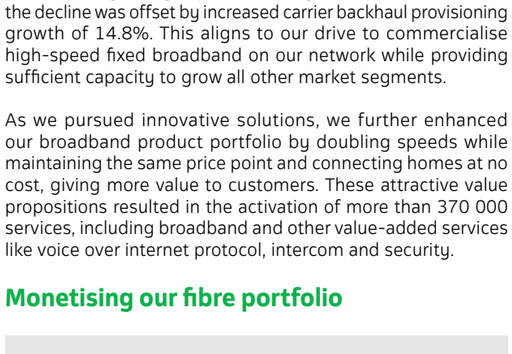
Fibre to the home

Homes passed



Fibre homes connected [1]

Connectivity rate



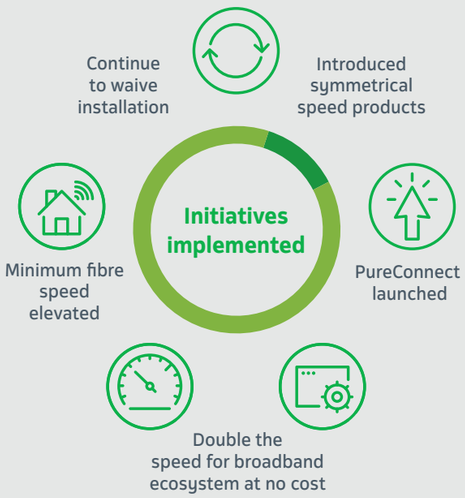
[1] *FY2021 homes connected measure as per the FTTH Council Global Alliance Definition of Terms.*

Transform service delivery

Our digital and innovation team which leads our transformation agenda focused on digitising our applications, processes and customer experience interactions. As a wholesale connectivity provider, we launched the Openserve Connect app, a first of its kind, putting self-service capability in the hands of the customer. Such platforms enable customers to manage their broadband network and track order and diagnostic requirements, driving our customer-centric approach. By adopting digital processes, Openserve focused on improving operational efficiencies which resulted in a 40.6% decrease in our assurance visits. This resulted in a reduction of 11.5 million km travelled by our frontline workers, thus positively contributing to our CO_2 emissions through a decrease of approximately 18% in fossil fuel usage.

Openserve took the necessary steps to reconfigure its delivery framework to improve the installation times of next-generation connectivity, such as FTTH, by approximately 46%. Additionally, our investments in our core, aggregation and access network ensured that we continued to maintain high standards of network availability, ensuring that our clients and their customers remained connected. The support and high delivery standards were recognised and reflected in a year-on-year increase of 1.8% in our interaction Net Promoter Score.

Broadband product evolution



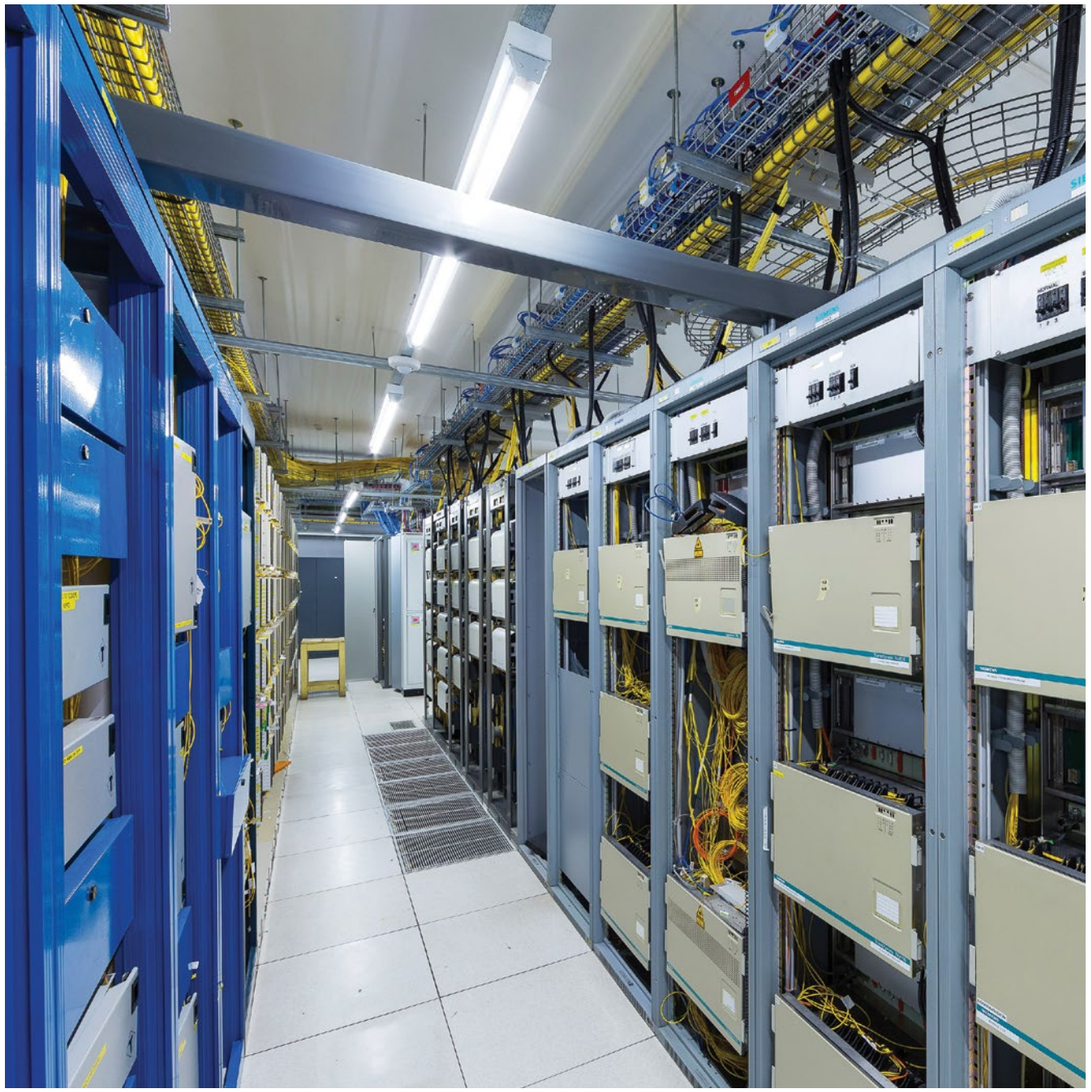


Image: Rosebank Exchange

Looking forward

Openserve will continue to create an agile, future-focused organisation which is built on our robust network and distinctive customer experience.

Openserve is confident of creating an agile environment that is underpinned by innovative product offerings, digital transformation and network modernisation. Openserve is upgrading its portfolio of systems, enabling automation of processes and migrating its products and services to modern applications that enable a digital experience both for its customers and its employees.

Recognising the varied needs of our client and customers, Openserve will continue to drive efficiencies across its network footprint, reengineer its processes and build digital platforms to provide a distinctive customer experience with competitive and innovative products as part of our value propositions to all market segments. With our investment to modernise the network, Openserve plans to continue to upgrade its network nodes to provide fibre connectivity and extend our fibre to the home footprint. With increasing number of users consuming video-centric content, RAN bandwidth demands will continue to grow and as such, Openserve is confident that such investments to our network will enable it not only to connect more premises with fibre but also provide fibre backed connectivity to small and macro sites to support future 5G bandwidth, availability, coverage and speed requirements.

Productive capital

Telkom *Consumer*

Image: Telkom direct store

The past year was characterised by an ever-increasing demand for connectivity by consumers for whom working and learning from home has become the new norm. Our innovative high-speed broadband-led propositions at attractive price points were the catalyst for our strong results. The Mobile business, now in its 11th year, continued growing, leading with data and disrupting with voice. Telkom Mobile has now become the third largest operator in South Africa, based on service revenue.

Performance snapshot

Achievements

- **Mobile service revenue up 34.5% to R16 938 million**
- **Mobile customer base up 27.8% to 15.3 million**
- **Mobile data revenue up 41.0% to R12 211 million**

Challenges

- **Copper access-based products continue to decline**
- **Ongoing site vandalism and battery theft**

Key strategic focus areas

- **Accelerate** mobile growth
- **Drive** high-speed broadband
- **Expand** the mobile network
- **Improve** customer experience

COVID-19 impact

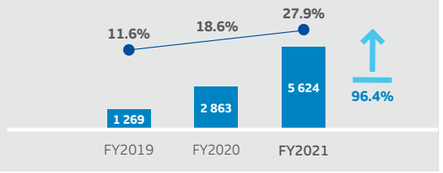
- **Connectivity surge led by work and learn from home**
- **Innovative and value-rich product suite**
- **Expansion of mobile footprint**
- **Deployment of temporary spectrum**

Performance overview

The Consumer segment, including Mobile, delivered a 10.1% increase in operating revenue to R25 815 million. This was stimulated by strong data demand in the Mobile business, with service revenue increasing 34.5% to R16 938 million. This includes applications services revenue of R528 million. Fixed-line copper revenue continues to decline due to continued migration to next-generation technologies such as LTE and fibre; however, the rate of decline slowed as the demand for home connectivity increased. To meet this demand, compelling new value offers were created to enable working and learning from home. A strong broadband demand and a prudent cost- containment strategy led to an impressive 90.1% EBITDA improvement to R5 007 million, translating into an EBITDA margin of 19.4% for the Consumer segment.

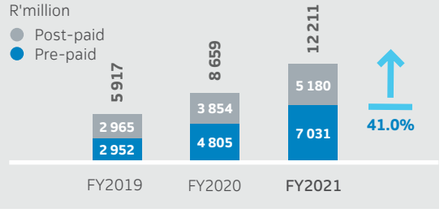
Mobile EBITDA/margin

R'million



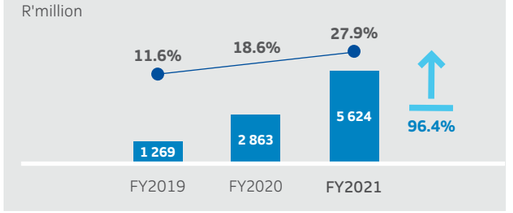
Mobile data revenue

R'million



Mobile EBITDA/margin

R'million



The SMB component that is under Yep! continues to improve operationally, with measures being implemented to control churn given the challenging economic landscape. Although SMEs have been significantly impacted by lockdown measures, there are some positive results with new customer acquisitions growing.

Mobile service revenue to businesses and public sector entities increased by 31.1% mainly due to work and learn from home. An online marketplace platform was launched and digital services revenue grew by 20%. The platform attracts an average of 337 000 unique visitors per month.

Telkom was named one of the official service providers by National Treasury following a competitive tender process. This contract is awarded for 01 April 2021 to 31 March 2026, and provides the opportunity to service the South African Government with all of its telephone communication needs, including hardware, software and accessories.

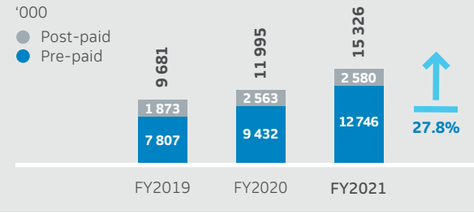
Accelerated mobile growth

In an increasingly competitive market, Telkom's Mobile customer base increased by 27.8% to 15.3 million customers. The overall blended ARPU increased by 15.1% to R104, spurred by an atypical COVID-19 surge. The pre-paid customer base continued its strong growth, expanding by 35.1% to 12.7 million and pre-paid ARPU increased by 17.5% to R77. The challenging economy had an impact on the overall post-paid base, but it remained relatively stable, growing by 0.7% to 2.6 million with an ARPU increase of 12.2% to R211, pointing to a distressed post-paid segment.

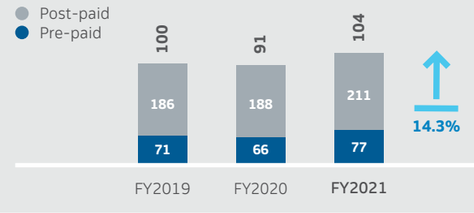
As part of Telkom's COVID-19 commitment, we have undertaken to provide customers with free access to educational content and key information on government websites. More than 185 government websites and educational institutions, as well as COVID-19-specific websites, have been zero rated, removing barriers to access these sites.

Subscriber growth

'000



Mobile ARPU



Drive high-speed broadband

Our innovative broadband-led offerings catered for the heightened need for data connectivity. The high-speed mobile broadband products available to the pre-paid and post-paid bases at significantly lower entry-level bundles and pricing, made access to home and personal broadband a reality. We saw 41.0% growth in mobile data revenue to R12 211 million, supported by 25.6% growth in mobile broadband subscribers to over 10 million.

Our focus on increasing value-added services to our mobile base was realised through the launch of Telkom's own video-on-demand platform, TelkomONE, in November 2020. It is a mobile-first proposition, aimed primarily at the underserviced youth market, and is gaining traction. We partnered with the SABC to become the first official streaming video-on-demand service to host SABC TV and radio channels.

Our strategy is to lead on value-based pricing and to grow customer ARPUs through experiential value-rich offerings. Leveraging entertainment streaming applications flanked by SmartHome/Internet of Things will result in a more competitive positioning in the market. These value-rich offerings are also the ideal platform to enable work from home and e-learning applications. Our fixed-line customers benefited from our high-speed broadband unlimited services, which have provided positive traction for new acquisitions and retaining our existing base through attractive price points. Strategic COVID-19 support to the above initiatives was introduced through the launch of the DSL Pure Connect uncapped bundles at promotional pricing, with an entry speed of 5 Mbps at R199 per month. This was coupled with a refreshed FTTH portfolio that features an entry speed starting at 25 Mbps at affordable prices. This addresses the need for fast, reliable high-speed and uncapped fixed-line broadband in the home.

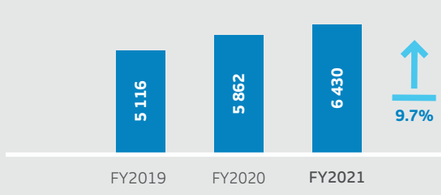
Expand the mobile network

During lockdown, we saw a surge in mobile network traffic due to more people working from home and students studying online. Our mobile traffic grew 53.2% to 942 petabytes. A capital investment of R4 502 million enabled us to carry this significant increase in mobile traffic.

We increased our mobile footprint, increasing our site rollout 9.7% to 6 430. Capacity upgrades, underpinned by the deployment of additional carriers and temporary spectrum, as well as ongoing spectrum refarming, resulted in the upgrade of 2 096 sites with temporary spectrum, 1 971 sites with additional carriers, 1 309 refarmed sites and 804 sites where LTE capability was improved. Our Mobile Network Expansion programme continues, emphasising 4G and deploying temporary spectrum in support of the COVID-19 response.

Telkom has faced major challenges with ongoing high levels of theft and vandalism of equipment. This problem is relevant to all operators and infrastructure providers in the country. Batteries are being targeted due to the ongoing power challenges in the country. Battery theft impacts the network's uptime during load reduction/load shedding and requires ongoing operational management. In FY2021, Telkom managed 2 170 incidents, where 1 351 non-service-affecting sites were repaired, 359 service-affecting sites were repaired and restored, and 129 still partially service-affecting sites were repaired.

Mobile sites integrated



Looking forward

We are continuing with high-speed broadband offerings, lead by LTE and fibre, as part of our innovative and value-rich product suite, to meet the connectivity surge of consumers working and learning from home.

Our Mobile Network Expansion programme will continue, emphasising 4G coupled with a deployed temporary spectrum in support of the COVID-19 response.

Our strategy remains to lead on value-based pricing through experiential value-rich offerings. Leveraging entertainment streaming applications flanked by SmartHome/Internet of Things will result in a more competitive positioning in the market.

case study

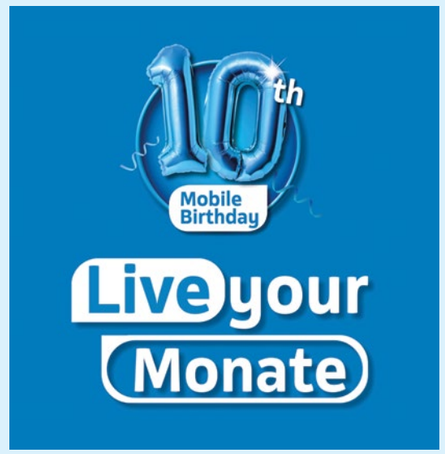
10 years in mobile

After enjoying a number of years as the primary provider of connectivity in the country, focused on fixed connectivity, Telkom took on the challenge of democratising mobile communications and launched 8ta in 2010.

In 2016, 8ta rebranded to Telkom Mobile and strengthened its brand positioning as a value for money provider through the launch of FreeMe, a proposition that gave consumers more than what they were used to or expected. This led to Telkom having the fastest growth of data subscribers and an exponential year-on-year subscriber base uptake. The addition of the high-speed broadband solution, SmartBroadband, continues to bolster this growth. From giving customers "more" to enriching their lives and empowering them to "live their Monate", 10 years later Telkom believes that its broadband-led strategy is exactly what South Africans need to transform their lives.

This data-led commercial strategy has informed Telkom's network design from inception, driving forward Telkom's decision to be the first deployer of 4G-based fixed wireless access by utilising the refarmed 2 300 MHz spectrum.

Telkom Mobile has been transformational in driving down the cost of data in South Africa by providing value-rich broadband products and services to customers. Our focus right from the start was to connect radio sites with fibre backhaul where possible, and this strategy has paid off, providing flexibility in backhaul that helped support COVID-19-related traffic spikes. Telkom has already decommissioned 70% of the legacy 2G network, and with its focus on significant 4G and 4.5G (LTE-A) deployments, enabled by fibre, is set to harness 5G and future generations.



Productive capital

yep!

Performance snapshot

Achievements

- **Launched the Telkom Financial Services business and expanded the insurance product offering to device and funeral, from motor only**
- **Yep! marketplace users grew by 25% year on year**
- **30% of our installed SME base currently using the e-commerce platform, improving customer experience significantly**

Challenges

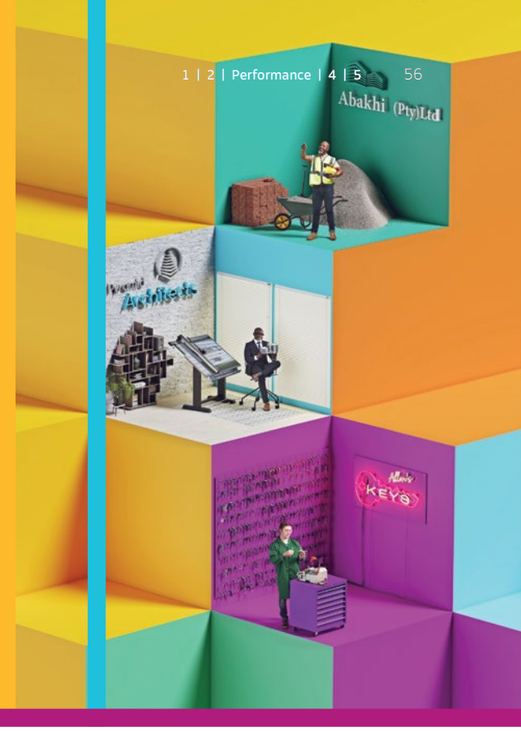
- **Legacy connectivity and advertising revenues continue to be under pressure and the pace of decline is accelerating**
- **Economic conditions remain difficult and SME failure rates are still high**

Key strategic focus areas

- **Digital-first** approach
- **Adjacent** offerings

COVID-19 impact

- **SMEs strained by COVID-19**
- **Resilience in connectivity business**



Yep! focuses on providing the SME segment with a diverse range of connectivity and digital marketing services that will enable customers to thrive in an increasingly digital economy and market.

Digital-first approach

In line with the strategy of driving a digital-first approach to business, a number of digital platforms were launched. This included the new Telkom Business e-commerce platform (www.telkombusiness.co.za) that enables SMEs to purchase a diverse range of connectivity products online. The uptake on the platform has been positive, with an average of 98 521 business customers utilising the platform monthly.

The Yep! brand was successfully launched together with the new Yep! app on 15 May 2020. This represents the first phase of the e-Marketplace strategy. As at 31 March 2021, there were over 25 335 downloads across the Google Play, Apple and Huawei stores, with the desktop version attracting an average of 337 827 users per month.

The Yep! proposition is also supported by our new Freed@ platform, a unique platform that allows SMEs to showcase their business and engage with their customers via surveys and competitions. The platform's benefit is the ability for customers to earn loyalty points via interactions that can be redeemed for a variety of rewards, including Telkom Mobile airtime and data.

Adjacent offerings

Driving the growth of adjacent revenue streams and opportunities remains a strategic imperative. In the third quarter of FY2021, we introduced solutions in the insurance, payments and lending space that address the needs of small businesses and consumers.

Funeral cover customers have increased by 484% since the product was launched in August 2020. Mobile device insurance gross written premiums and volumes grew by 23% and 24%, respectively, a good performance considering store closures during COVID-19 lockdown periods.

Telkom Digital Wallet was piloted in the fourth quarter of FY2021 and at year-end there are a significant number of verified customers using the platform. Pre-paid purchases are the most popular transactions on the platform. The wallet uses WhatsApp and allows customers to send money to anyone with a mobile number quickly and securely, without needing additional apps. Customers can pay or get paid through a quick response code, send money, make cash withdrawals or pay for goods. The wallet can also be linked to physical cards such as VISA and Mastercard.

The Yep! segment (previously SMB) has been aggregated into the Telkom Consumer Segment. Kindly refer to the annual financial statements available online at www.telkom.co.za/ir.

Image: Yep! marketing campaign

Looking forward

We want Telkom to be the go-to place for all South African small and medium businesses to connect and grow their businesses. Our goal is to shift revenue from pure connectivity products towards an e-commerce-based revenue stream across all SME sectors. The COVID-19 pandemic has further increased the urgency to accelerate small and medium businesses into e-commerce platforms. The business is well positioned to respond through the current solutions already available through Yellow Pages.

The focus going forward will be to initially equip customers with an online store through Yep!, customised websites and digital performance marketing services. This will help enable small and medium businesses to sell their products and services online without the complexity and time required to set up a traditional e-commerce site.

As the uptake of e-commerce and the marketplace accelerates, we will expand access to our adjacent product offerings in IT, procurement and financial services through the platform.

The outlook for the digital e-commerce and fintech business is an exciting one, and a lot was learnt and achieved in the past year. As a result, a revised distribution partnership model was introduced to improve sales and a digital platform is being developed to distribute all our products via online and mobile applications.

Productive capital

BCX

Performance snapshot

Achievements

Total expenses down 12.6% to R13 354 million

EBITDA margin up 15.7%

Challenges

Clients under severe financial pressure

Key strategic focus areas

Drive organisational sustainability

Drive digital transformation

COVID-19 impact

Clients under severe financial pressure

Robust COVID-19 response plan yielding results

- **Cost efficiencies**
- **Cash preservation**
- **New operating model**

FY2021 was characterised by financial uncertainties due to COVID-19 and the resultant national lockdown. The severe financial pressure experienced by customers led to delays in capex and reduced IT spend. The slight economic recovery seen in the latter part of the year resulted in pockets of growth opportunities.

Performance review

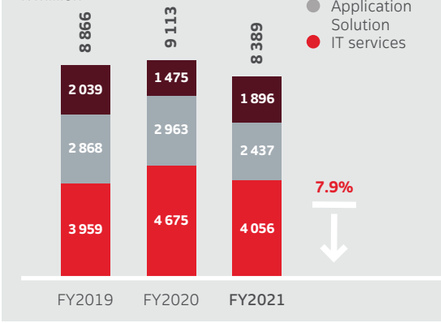
Four key factors impacted the negative revenue performance, resulting in a decrease of 10.0% to R15 742 million:

- Customer behaviour prioritised cost efficiencies and the consuming of more services and products at a reduced amount
- Corporate customers deferred capex and scaled down IT projects
- Reduced spend on enterprise connectivity due to an increased number of employees working from home
- Reduced fixed-voice revenue due to less traffic in our corporate customers' offices during lockdown

Including the impact of the international subsidiaries' divestments, **IT business revenue** declined by 7.9% to R8 389 million, mainly attributable to the adverse effects of the lockdown and low economic activity. IT service revenue, which is included in IT business revenue, declined by 7.9% to R7 772 million (excluding the international operations).

IT business revenue

R'million

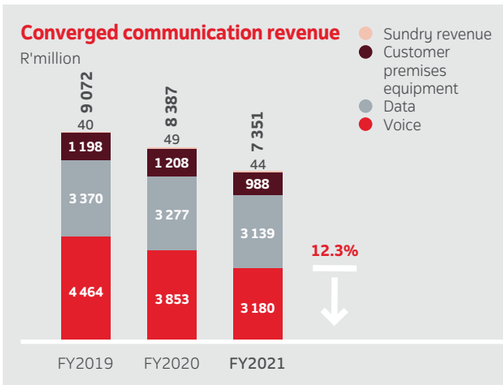


Converged communication revenue declined by 12.4% to R7 351 million, mainly attributable to the fixed-voice revenue decline of 17.5%. This is due to customers' continued migration from legacy voice to next-generation products, the negative impact of lockdown on voice minute volumes, the accelerated change in customer preferences towards virtual platforms and increased competition.

* *Refer to pages 123 and 124 for the reconciliation of the reported figures to the pro forma adjusted figures.*

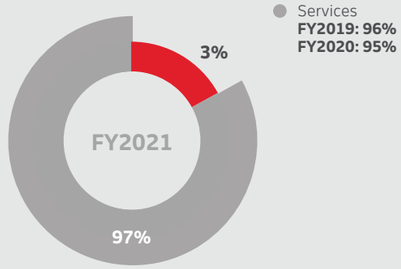
Converged communication revenue

R'million

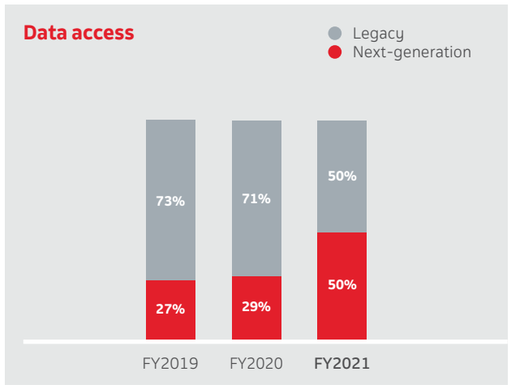


The legacy to next-generation migration strategy is progressing well and 21% of our customers have been migrated from Diginet to Metro Ethernet in FY2021, resulting in 50% of our data access products being delivered on next-generation technology. Customers consuming next-generation voice solutions have doubled this year, resulting in 8% of our current voice solutions being delivered from our next-generation platforms.

Revenue mix



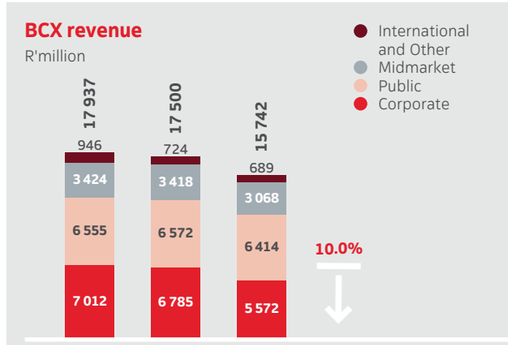
Data access



Despite the decline in revenue, EBITDA increased by 6.6%* to R2 464 million* due to cost efficiencies. The number of employees reduced by 372 or 6.0% due to the S189 process that was concluded in March 2021. Direct costs and opex declined by 12.1% and 12.7%*, respectively, and the EBITDA margin increased from 13.2% to 15.7%*.

BCX revenue

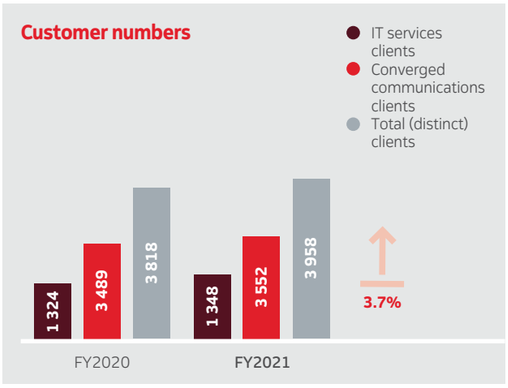
R'million

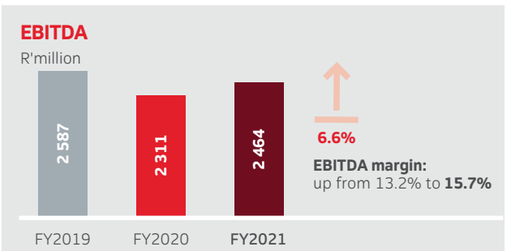


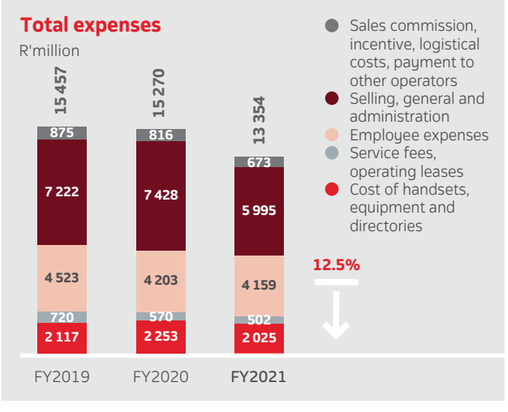
Drive organisational sustainability

Our commitment to driving operational sustainability is evidenced by two strategic organisational initiatives: firstly, to realign our business strategy in response to "the new normal"; secondly, an extensive reorganisation of our operating model aligned to the new strategy.

A fundamental shift in the new operating model was the separation of the IT business into two focused business areas – Digital Platform Solutions (DPS) and Cloud Platform Solutions – due to the increased reliance on new-generation cloud and digital technologies by remote and evolving business environments. This independent focus will lead to a range of strategic benefits for clients with seamless operational efficiencies. In line with developments within DPS, BCX EXA was launched as a vehicle for DPS go-to-market assets, including digital transformation consulting, software development and digital automation. This will have a direct impact on our operations and promotes greater operational efficiency and a more client-centric approach.





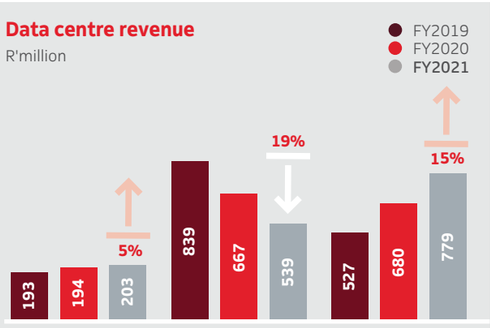


Drive digital transformation

We also focused investments on expanding our technology offerings, including expanding our SD-WAN capabilities by implementing application-centric infrastructure in our data centres. SD-WAN is generating interest as clients are looking to invest in next-generation secure, intelligent networks and the benefits that these bring.

In response to economic pressure, companies are focusing more on insights and analytics to enhance visibility and decision-making while reducing their cost to serve. We are optimising our traditional ICT environment and reducing our cost to serve by automating IT operations. To this end, our Artificial Intelligence for IT operations offering was refined based on learnings from its deployment within the Group, and it was taken to market in FY2021. This, together with our continued focus on security and software-defined networking, serve as proof points of our capabilities in digital transformation.

Coupled with other evolutions to our existing technology stack, these investments ensure that BCX continues to provide best-in-class, cost-effective, scalable and secure solutions to clients. We will be looking to further monetise these investments in the long term and expand investments in new technologies and proprietary internet-protocol-based offerings.



Co-location
- Clients moving away from own data centres to BCX Tier[1] 3* and Tier 4** data centres
- Lower cost and higher availability

Dedicated managed services
- Declining in line with market demand and industry trends, as customers transition from dedicated infrastructure to cloud

Cloud services
- Investment in BCX One Cloud yielding results
- Clients moving away from own infrastructure and services to cloud-based services, in line with market trend

[1] *The tier classification system involves several definitions. A site that can sustain at least one "unplanned" worst-case site infrastructure failure with no critical load impact is considered fault tolerant. A site that is able to perform planned site infrastructure activity without shutting down critical load is concurrently maintainable (fault tolerance level may be reduced during concurrent maintenance). It is important to remember that a typical data center site is composed of at least twenty major mechanical, electrical, fire protection, security and other systems, each of which has additional subsystems and components. All of these must be concurrently maintainable and/or fault tolerant for the entire site to be considered concurrently maintainable and/or fault tolerant.*

* *Tier 3: Multiple power and cooling distribution paths, but only one path active, redundant components, concurrently maintainable, 99.982% availability.*

** *Tier 4: Multiple active power and cooling distribution paths, redundant components, fault tolerant, 99. 995°/o availability.*

Looking forward

Given the continued financial pressure experienced worldwide, exacerbated by the impact of the COVID-19 pandemic, BCX remains focused on driving cost efficiencies, investing efficiently and preserving cash. Our goal is to optimise the way in which we deliver by automating processes and reducing our cost to serve. Our continued focus on cash preservation has yielded positive results with an increase of our FCF year on year. BCX will explore inorganic growth opportunities in order to enhance shareholder value in the medium to long term.

Our ambition to be a leading provider of end-to-end digital solutions in Africa and a provider of core industry solutions in retail, health, mining and energy, financial services and government remains our key strategic initiative. We want to deliver unique, differentiated business-to-business solutions to meet evolving customer needs and improve overall customer experience.

BCX aims to be a leading employer of choice for top industry talent and expertise. One of the key levers to build talent and sustained growth lies in our ability to continually build enabling capabilities. BCX is focused on building capabilities at an organisational, team and individual level. We prioritise digital skills and technical capabilities to drive value creation, deep industry knowledge for sustainability, adaptable operation and governance models to steer delivery, as well as leadership development and culture to drive personal mastery.

BCX will continue to focus on growing our own internet protocol solutions to meet the demands of our clients as they address the evolving needs of their more discerning customers. We will also continue to manage the decline of our voice revenue and reduce churn by focusing on our next-generation voice solutions underpinned by an aggressive migration strategy. While the market is not expanding, our aim is to continue driving our focus on cloud and digital platform solutions to gain market share and assist our clients in their digital transformation journeys. We have aligned our products and solutions offering considering the new environment and we will continue our focus on cultivating growth through organic and inorganic opportunities.

Image: BCX, Centurion

Productive capital

Gyro

Performance snapshot

Achievements

- **Masts and towers revenue up 6.6% to R1 237 million**
- **Masts and towers EBITDA up 23.2% to R994 million**
- **Tower Build programme gained momentum with 368 permits acquired**
- **Small cells and in-building solutions in process of deployment**
- **Concluded new leases to grow the masts and towers portfolio**
- **Property development projects advanced further in the development planning phase**
- **Savings of R110 million achieved against planned property operating cost spend**

Challenges

- **Poor economic conditions worsened by COVID-19 and the resultant impact on business operations**

Key strategic focus areas

Optimise and grow the masts and towers portfolio

Commercialise the property portfolio

Enhance building costs and operational efficiencies

COVID-19 impact

- **Gyro operations adapted to and navigated the uncertainties and new realities of operating in the COVID-19 environment.**
- **Working remotely for the entire year contributed to the reduction in property operating costs.**
- **The Tower Build programme was affected negatively, as building permits and availability of power for the new sites were delayed as municipalities operated at lower capacity during the year.**
- **Town planning approval processes for property development projects were prolonged due to operating under the lockdown regulations.**
- **Our disposal efforts experienced challenges due to prolonged transaction and property transfer processes as a result of the lockdown regulations.**

Gyro delivered satisfactory operational and financial performances during the year. We continued to operate remotely during the second half of the year. Our operations adapted to and navigated the uncertainties and new realities of operating in the COVID-19 environment in pursuit of the business objectives.

The masts and towers portfolio continued to grow by commercialising existing towers and executing the new tower build pipeline.

We continued with the property development planning activities, taking cognisance of the reduced development activity and lower real estate absorption in the market due to subdued demand as a result of the worsened economic conditions and the COVID-19-related impact.

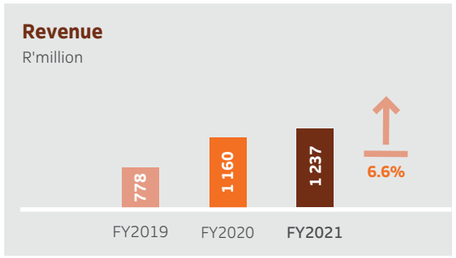
The COVID-19 operating environment presented the opportunity to further optimise on property operating costs across the Telkom businesses, mainly as we operated remotely except for services that required physical presence at the work premises.

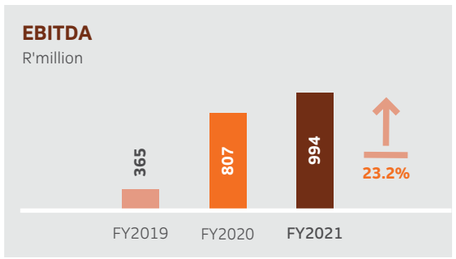
Performance overview

Masts and towers revenue increased by 6.6% to R1 237 million, supported by the number of new leases increasing by 8%. The growth in the masts and towers portfolio was offset by the decline in rental revenue for the property portfolio as internal tenants vacated properties due to space consolidation. We continue to prepare suitable properties for development opportunities. EBITDA for the masts and towers business increased by 23.2% to R994 million and the EBITDA margin increased to 80.4% (FY2020: 69.6%).

Lower property rental revenue, management fees and a once-off cost of R23 million to support government efforts to combat COVID-19 resulted in Gyro EBITDA decreasing by 4.4% to R1 135 million.

Masts and towers





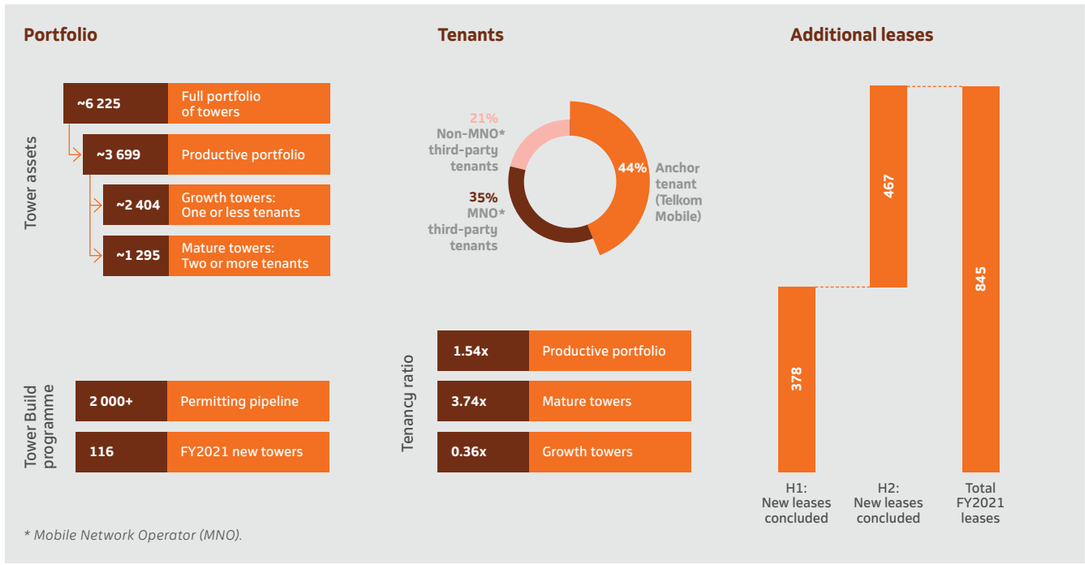
Optimise and grow masts and towers portfolio

The masts and towers portfolio is a critical element in delivering mobile network connectivity and related services to commercial, residential and individual customers.

Gyro has an active Tower Expansion programme that is supported by build-to-suit agreements from anchor tenants. We also proactively identify and secure strategic sites that we deem suitable for all mobile operators in order to support their requirement for market expansion. The portfolio remains categorised into the mature and growth portfolios, with the mature portfolio accounting for the majority of revenue. Despite the severe impact of the COVID-19 lockdown regulations on the Tower Build programme during the first half of FY2021, we accelerated the Tower Site Acquisition programme, resulting in at least 2 000 sites in the permitting phase. We obtained 368 building plan approvals and completed the construction of 116 towers. These towers are tenanted by Telkom Mobile, the anchor tenant for the new build pipeline.

We completed our proof of concept for a small cell solution to prepare for 5G site rollout and are searching for sites that will be suitable for our clients' 5G network coverage requirements. New leases were concluded for the existing portfolio, increasing rental revenue as our major clients improved their network coverage and capacity for their customers during the lockdown period.

As part of our new products and solutions, we started building 10 in-building coverage solutions in prominent shopping centres around the country and plan to build more in FY2022.



** Mobile Network Operator (MNO).*

Commercialise the property portfolio

The property portfolio segmentation process advanced further, resulting in the refinement and allocation of core and non-core properties and advanced development planning to commercialise the portfolio. The property decommissioning process and working remotely for the entire financial year contributed positively to the reduction of property operating costs.

Our development projects are based on the best use of land approach as informed by the demand and supply dynamics of the particular market. We continued to review the planned development schemes and to adapt them per the site and the market conditions. We have advanced the planned projects further into the development planning phase and are nearing the investment decision and project development phase. The development opportunities will be housed in special purpose vehicles to enable investment partnerships with suitable external investors.

Enhance building costs and operational efficiencies

Our Property Cost Optimisation programme included:

- Decommissioning assets no longer required for operational purposes
- Planning and implementing utility efficiency and cost-saving initiatives
- Disposal of assets that are not suitable for operations and development

Working remotely further contributed to the reduction in property operating costs and our carbon footprint. Despite the inherent above-inflationary escalations on electricity and water rates, utilities and facilities management costs increased by R96 million or 4.4% to R2 280 million. This incorporates savings of R110 million being achieved on property operating costs against our planned spend for the year. Our carbon emissions reduced significantly. Refer to natural capital on page 77.

Our disposal efforts experienced challenges during the year due to a prolonged transaction and property transfer process under the COVID-19 operating environment. The delays improved as the lockdown restrictions were relaxed. As at the end of the year, 16 properties valued at R9.9 million were transferred to new buyers while an additional 19 properties amounting to R10.6 million remain in the transfer process. We continue to identify more properties for disposal while monitoring the market's appetite for acquiring non-revenue-generating assets.

Image: Telkom masts and towers

Looking forward

We expect the trading conditions for FY2022 to remain suboptimal as a result of the continued challenges imposed by the COVID-19 environment. We plan to increase the efforts in driving our business growth objectives by continuously adapting and choosing how we would best incorporate further adjustments necessary to navigate the uncertainties caused by the pandemic.

Gyro will continue to execute on the two key drivers of revenue growth for the masts and towers business, which are to increase tenancy on existing towers and growing the portfolio with new sites. The mature masts and towers portfolio remains crucial to the network operations of the major mobile network operators in South Africa. We plan to further advance the Tower Build programme to meet the demand for tower co-location for the internal and external clients. The aggressive permitting of new strategic sites will continue in the new year for the anticipated new spectrum availability, densification for 4G/5G and penetration of underserviced markets (townships and second tier towns). Our small cells pipeline will proactively provide densification solutions for our major clients. We plan to roll out more in-building coverage solutions in commercial buildings in the new year.

The commercial real estate sector remains under pressure from the weak economic conditions and the reduced demand for new space. Tenants for office and retail property remain under financial strain, resulting in weaker performance for these property sectors. Our development projects remain underpinned by diligent and disciplined assessment of market conditions and demand dynamics at the site level. We will continue to prioritise property development planning to property sectors with stable and growing demand for space and will apply the utmost caution before starting the construction of any project.

The decommissioning of properties and the consolidation of office space in the different markets due to remote working will enable us to reduce property operating costs further. We will dispose of properties that are no longer suitable for operations and that are not part of the development pipeline in order to completely remove the associated property operating costs while generating additional revenue from the sale proceeds. Utility efficiency enhancement initiatives and capital investment planned for the new year will contribute further to the reduction of utility costs for the large utility consumption properties.

The new year ushers in a new opportunity for Gyro in the carrier neutral data centre business space. We plan to commence implementation of the data centre business plan during the year and strongly believe it is very compatible with our current focus in masts and towers and real estate. We will focus on optimising the existing data centres while at the same time planning new builds and edge data centre opportunities to grow the new business. The new data centre business is part of the value strategy for the property portfolio.

The masts and towers advanced value unlock will progress in the new year, with the plan to select and execute on a more suitable option for the unlock during the year. The main intention of the advanced value unlock is to affirm the enterprise value of the tower business and the position of the business as a leader in the local independent tower company market. Our towers are owned within Swiftnet and managed by Gyro Group as the external manager, and the advanced value unlock should affirm the value for this business.

Image: Employees working on a Gyro tower

Intellectual capital

The rapidly changing economic, social and business environment required Telkom to focus on technologies and processes that fast-tracked the digital transformation objectives of the Company. These included harnessing collaboration tools, implementing governance protocols and, importantly, enabling new capabilities for our customers through our various digital channels.

Performance snapshot

Material trade-offs considered in FY2021

Secure remote access was prioritised to enable collaboration with all stakeholders

KPIs and key measures

Customer and workforce experience

Efficient service and product launches

Actionable insights

Security posture

Key strategic focus areas

Accelerated digitalisation

Improved customer experience

Modern workplace

Improved decision support

Effective governance and risk

COVID-19 impact

Successes

- Accelerated and extended adoption of new collaboration technology enabling remote work
- Deploying digital self-service capabilities for multiple customer segments
- Productivity gains

Challenges

- Heightened information security risks
- Strained power supply and interruptions impacting remote work

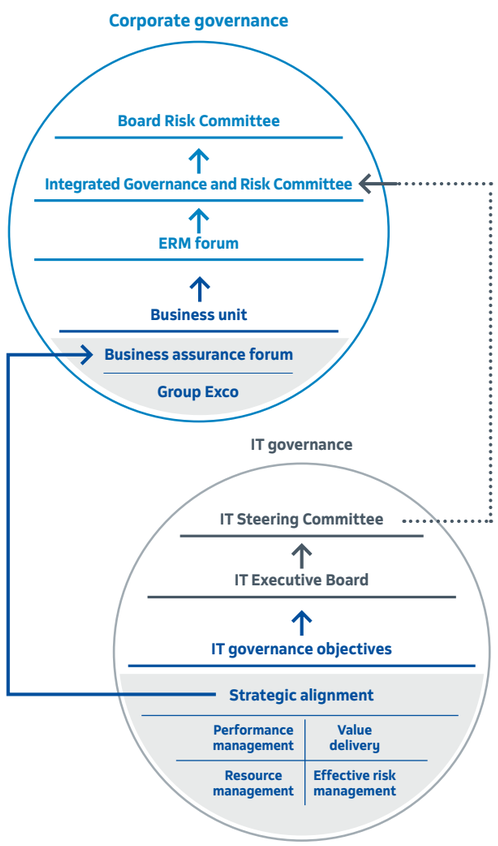
* *International Organization for Standardization (ISO)/International Electrotechnical Commission (IEC).*

Technology and information governance

Our governance of technology and information is based on King IV, Control Objective for Information Technologies 2019 and ISO/IEC 38500*. In complying with these, the Board assumes ultimate responsibility for policy and direction over matters pertaining to technology and information. The IT governance structures are integrated with corporate governance to align IT governance objectives with corporate governance ambitions.

We revised the Telkom IT policies, standards and risks to align with the changing business and threat landscape as a result of accelerated digital transformation due to remote work.

Integrated governance approach

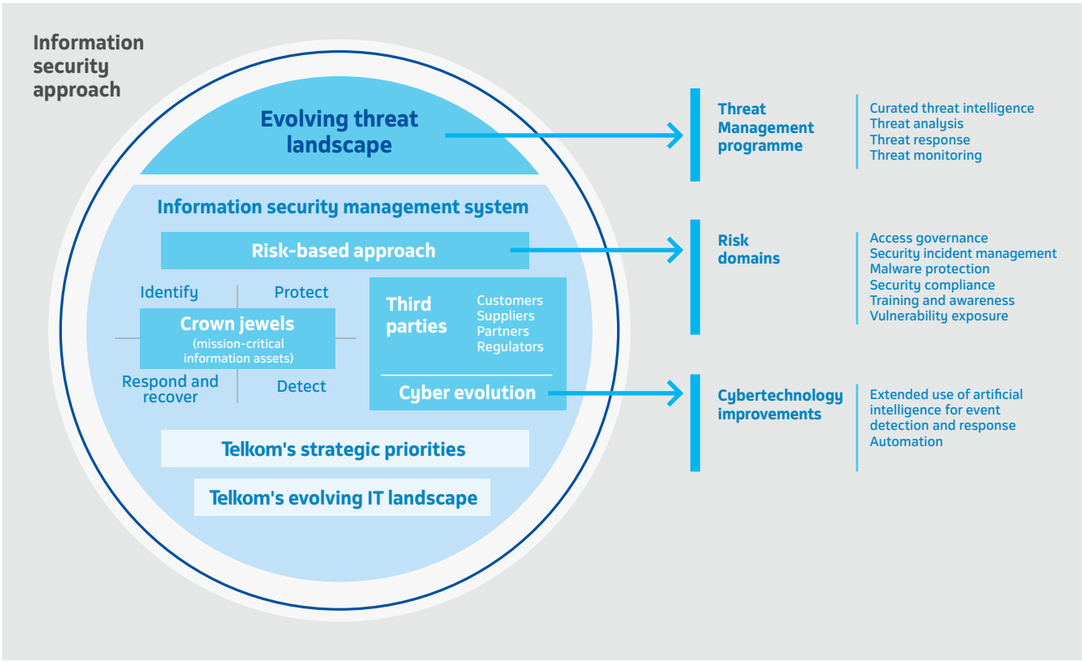


Information security

The digital enterprise of the future, enabled by a remote workforce, interconnected devices and rapid cloud adoption, presents an evolved and increased cyberattack surface. Attacks are becoming more organised and employ increasingly sophisticated methods that are designed to disable security controls and remain undetected for long periods.

In response to the ever-changing threat and technology landscapes, Telkom pursues a risk-based approach to information security. Telkom has improved its security posture. It continues to improve the maturity of its Security programme, in line with regulatory requirements, best practice guidelines and industry benchmarks.

Telkom was awarded ISO/IEC 27001:2013 certification for information security management for the effectiveness and adequacy of its comprehensive information security management system.



Strategic direction

Our transformation journey is focused on unlocking value by using digitally enabled processes and technology that drive improved customer experience and a clear business outcome. This digital transformation is enabling flexible and scalable business models and is aligned to the evolving Telkom Group operating model.

In aligning with the Telkom value unlock strategy, we enabled growth through system stabilisation, process simplification and accelerated deployment of the digital layer.

Performance

Implementing a secure remote workplace was prioritised to ensure we could enable stakeholder collaboration through the ongoing COVID-19 pandemic. In addition, analytics and business intelligence capabilities were enhanced to drive actionable insights. To drive the omni-channel experience forward, we launched and improved multiple customer-focused initiatives such as mobile apps and e-commerce platforms. Such initiatives were underpinned by the reconfiguration of business processes to prioritise digital touchpoints and customer interaction needs.

The unprecedented need for orchestration, communication and flexible configuration has been the key driver underpinning our efforts to constantly engage, enable and support customers and employees. This was supported by accelerated digitisation and anchored by simplifying business value chains across the complete ecosystem.

Key focus areas in FY2022

We aim to continue to focus on our digital transformation journey while continuing to strengthen and improve our current capabilities across our customer-facing and network-facing technologies. The growing demand to understand our customers' needs will drive our investments into data insights and will see us focusing on improving their experience while interfacing with us.

In addressing the growing risks of cyberattacks and the increased need to enable remote working, we will continue to improve our security posture.

As we look forward, continued implementation of a modern workplace will be a strategic thrust, utilising new and improved enterprise technologies.

Human capital

The outbreak of COVID-19 at the start of FY2021 required a swift repositioning of key human capital priorities. The Group's journey to remote work was propelled forward requiring immediate intervention to support and enable employees to work from home. Employee wellbeing became a central focus area due to increased stress and anxiety. People interventions ensuring a holistic focus (physical, financial, mental and psychosocial) were deployed across the Company to safeguard employees' health and safety while ensuring business and employee productivity.

Performance snapshot

Material trade-offs considered in FY2021

Non-quota leave for employees with underlying conditions who were unable to work remotely

Compulsory leave was extended for employees from July 2020 to December 2020 due to COVID-19 travel restrictions and limited vacation options

KPIs and key measures

Employee voluntary turnover
Training and development **spend**
Number of **graduates and learners** supported
Number of **learnerships and internships**
Employee diversity statistics
Research and development **investment**
Total recordable injury frequency rate
Lost-time injury frequency rate

Key strategic focus areas

Building a sustainability mindset
Transforming our culture
Enabling diverse, adaptive teams
Developing next-generation future leaders

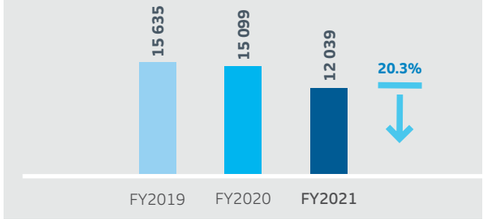
COVID-19 impact

Decrease in skills expenditure for training and development
Increased expenditure for employee COVID-19 testing
Increased impact on employees' holistic wellbeing
Risk of employees returning to work with underlying conditions

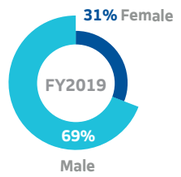
A snapshot of Telkom's workforce

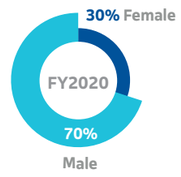
Redefining Telkom's operating and service delivery models to better serve the evolving needs of customers, resulted in a 20% decrease in permanent employees, without negatively impacting gender and race diversity. The number of differently abled employees was primarily impacted by employees' decisions to elect VSPs/VERPs.

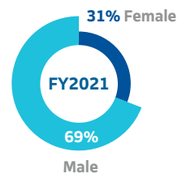
Number of permanent employees



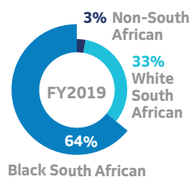
Gender diversity of permanent employees

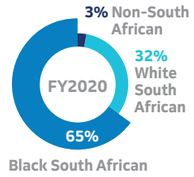


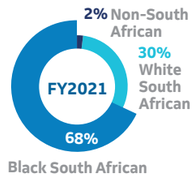




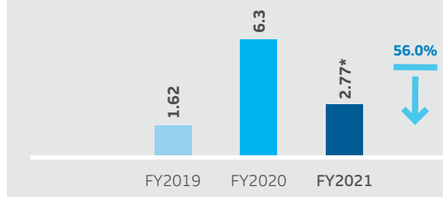
Race diversity of permanent employees



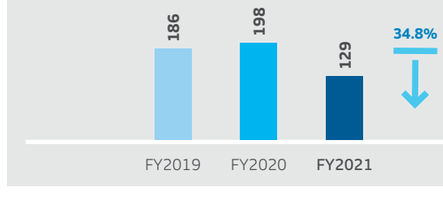




Employee voluntary turnover



Number of differently abled employees



* *Employee voluntary turnover was changed to reflect exits through natural attrition from the Group and not to include exits from one legal entity to another legal entity in the Group (as reported in FY2020). This explains the lower exit rate compared to FY2020.*

Building a sustainability mindset

The sustainability mindset includes leveraging HR tools and processes to support sustainable business objectives. To achieve operational efficiency and to future-proof the Group, we need to embed new ways of working. We are evaluating how we organise and complete work, with the view to embed remote work.

The remote work archetype is one of the strategies to support employees through COVID-19 and to create business sustainability. Remote work allowed the Group to ensure the safety of employees and made a critical difference to individuals and their families who were reliant on their physical and financial support. Employees could now focus additional time, previously devoted to commuting to work, on caring for their children, parents and communities.

The adoption of a change management framework ensures the focused and integrated execution of change management activities to drive strategic transformation. The agile and flexible approach can be used across projects and business activities. Lastly, the change approach allows scalability and "fitness for purpose" based on the level of change maturity in the Group.

Our new ways of work need to ensure employees thrive and that we create sustainable performance momentum. Enabling and sustaining this transition requires digital literacy, resilience, effective communication and emotional intelligence capabilities. We will leverage technology to enable and optimise this strategy while engaging and aligning our stakeholders throughout the process.

Partnering with our employee wellness provider (ICAS) to service employees and their families, contributes to a healthier and more vital society. The Mental Health programme and additional investment into employee health and wellbeing aim to improve employee motivation and productivity. This is achieved by addressing pivotal employee concerns and challenges through facilitated sessions to ensure guidance, support and building employee capacity.

Transforming our culture

Telkom's culture is assessed through an annual survey. The FY2021 survey centered on Telkom's remote work culture. The survey tested areas such as employee collaboration across the digital divide, remote leadership and employees' psychosocial wellbeing.

The survey's response rate was 58.9% (7 092 employees). The data analysis presented Group-wide findings and business-unit-specific themes. The Group-wide findings highlighted the comprehensive Group communication and leadership engagement as positive aspects of a remote work culture. The following future focus areas were identified: the need to normalise seeking help in difficult times, cognitive load management, improved psychological defence and positive coping mechanisms. These insights enable the implementation of meaningful interventions. This informs the way forward for a deliberate organisational remote work culture journey.

Interventions were Group-wide and business unit specific and are implemented through the remote work framework. The framework consists of five pillars aimed at effectively shifting Telkom's culture to a remote work culture and to enable a positive business impact. The pillars are:

1. Remote work (leaders and employee guidelines)
2. Wellbeing (psychosocial, financial and social aspects)
3. Physical (physical health and environment)
4. Engagement
5. Governance

The interventions are embedded in the Group's day-to-day operational activities to support and guide the culture transformation.

Enabling diverse, adaptive teams

Telkom emphasises attracting and building a diverse workforce. This is implemented through its integrated talent management policy with people practices that support its human capital strategy. Our robust talent management framework continues to enable the clear identification, development and retention of key and critical skills, enabling proactive succession plans and internal career mobility. A key outcome of the framework is actionable career development plans aligned to personal career aspirations and business needs.

Our differently abled policy and three-yearly revised employment equity plan guide us as an equal opportunity employer. The three-year plan came into effect on 01 April 2020. Refer to the social and relationship capital section on page 73.

Talent management

Talent acquisition

Employees joining Telkom can make a meaningful difference in people's lives by being part of the country's digital acceleration while growing their own potential and careers. 211 new hires were made, of which 66 are females, and 218 employees were promoted, of which 120 are females.

External recruitment continues to focus on attracting skills to meet our digital strategy needs. These include date science, data engineering, data analytics, digital channels and e-commerce, and IT security. These skills continue to be in demand.

Succession and career mobility

Clear succession plans with emergency cover were identified for all Executive-level and key roles, with development actions for successors to build deeper and more diverse talent pipelines. Our succession planning and internal talent mobility process played a significant role in ensuring business continuity of key leadership roles in FY2021.

Due to restructuring in some areas, the FY2021 talent review cycle focused on ensuring succession for Executive-level roles. The remainder of management levels and key/critical roles will be reviewed during the first quarter of FY2022. An average bench strength of two to three successors was identified per role:

- 46.9% of successors for the Executive layer are deemed ready in less than two years
- 30% of successors have a longer-term readiness level (three to five years). We will focus development investments over the next two years on this category

During the previous review cycle of all management levels, 28% "ready now" successors were identified. Our aspiration remains to build our internal talent aiding us to have 50% "ready now" successors across all management levels. The majority (92.4%) of high-potential talent was identified as successors for specific roles, enabling career pathing within the Group.

Leadership and talent development

Our Talent Development programmes are designed to fast-track the development of high-potential talent, the building of internal talent pools and the deepening of succession pipelines. A range of programmes are under way to address required talent and leadership skills as identified through the talent mapping and succession planning processes.

The following programmes focus on strengthening female representation at middle and senior management levels:

- The Female Leadership Development programme concluded its third cohort in September 2020 with 38 delegates. The fourth cohort starts in April 2021. The programme invests in leadership development of high-potential middle-management-level women, preparing them for more senior leadership roles. The retention rate is 95%, and although only one promotion was achieved so far, more are expected next year
- The Women in Operations programme within Openserve and Group IT aims to equip qualified high-potential, high-performance women at an operational and junior management level for future leadership and critical and scarce skills positions within the business. A total of 16 women graduated from the pilot programme in March 2020. Based on its success, a second intake of 32 women started in November 2020

Two Digital Leadership programmes aimed at building digital skills concluded in March 2020, with 104 leaders in the Emerging Leadership programme and 85 leaders in the Accelerate Leadership programme. During FY2021 the new intake focused on formalising digital leadership skills by partnering with the University of the Witwatersrand for a formal qualification (Post-Graduate Diploma in Digital Leadership). In total, 47 high-potential senior leaders form part of this 18-month programme which commenced in November 2020. The programme includes a formal qualification and a practical application that has a strong business integration element, bringing the learning into the business in real time.

Leadership 4.0 launched with four cohorts of senior and Executive-level leaders. Cohorts one and two started in October 2020 with 43 delegates and cohorts three and four started in March 2020 with 66 delegates. This programme aims to start preparing leaders for future business and leadership requirements. It is designed to bring the learning closer to the business through practical business application. We envisage rolling the programme out to other leadership levels next year.

Training and development

By investing in employee development, we ensure an enabled and empowered workforce that engages at the maximum level of its capabilities. This is evidenced in the variety of diverse yet inclusive development programmes for employed and unemployed individuals. By investing in the employability of individuals, we help them to manage their own careers and support a more robust economy, particularly as "jobs for life" can no longer be considered.

The development programmes identified are aligned to the sector skills plan and to the skills required for the business.

Training and development spend (R'million)	FY2019	FY2020	FY2021
Telkom[1]	189	199	93*
BCX	102	63	51
Gyro	1	1	1**
Group	293	265	145

* *Telkom spend for FY2021 includes spend for Yep!.*
** *Gyro includes learnership stipends.*
[1] *Telkom includes Openserve, Telkom Consumer and Corporate Centre.*

The 45% decrease in training and development spend was primarily due to our inability to run many of our programmes that are designed for classroom participation due to COVID-19-related social distancing and lockdown regulations. The impact of VSPs/VERPs and retrenchments further decreased the number of employees requiring training.

Part-time bursaries	258 new bursaries were awarded for the 2021 academic calendar year across the Company, with 58 continuing from 2020. Bursaries were awarded for a range of formal qualifications (NQF* 5 to NQF* 9), with bursaries for scarce or critical skills areas such as digital, technical and data science emphasised.
FTTH technology upskilling	Openserve's FTTH course requires physical and practical training. Due to Telkom's effort to reduce the spread of COVID-19, no training took place but will recommence in FY2022.

* *National Qualification Framework.*

Mental health webinars	Mental health challenges can impact absenteeism, rates of illness, accidents and employee turnover and have been highlighted and exacerbated by the COVID-19 disruption. The Group launched the mental health platform and live webinars powered by BCX. The webinars are facilitated by registered psychological professionals and seek to transform access and delivery of healthcare interventions through a bespoke online psychological intervention. A pilot group of 5 000 employees participated on a voluntary basis. The platform was launched in conjunction with Telkom's "One's"* campaign. It aims to extend beyond the COVID-19 disruption, and to shed light on previously stigmatised and stereotyped challenges many employees face.
SAP success factors learning solution	The SAP success factors learning solution launched in August 2020 with six learning modules aimed at improving employees' remote work capabilities. The solution will serve as the foundation for an accelerated approach to learning for employees, supporting a culture of continuous learning and performance. It will also further strengthen our ability to build soft skills and technical capability across Telkom.

* *Telkom "One's" campaign is the dedicated mental health communication campaign through which all mental health initiatives are run.*

Developing next-generation future skills

Next-generation skills

Telkom began the Centre of Excellence (CoE) technology research and development initiative in 1997. We sponsored eight post-graduate learners with an R820 000 investment (FY2020: 11 learners, R640 000) and permanently placed three post-graduate learners in the Group.

Approximately 180 full-time post-graduate students benefit from the CoE programme yearly, and Telkom provides R8.6 million in research funding to 15 CoEs (FY2020: R9.9 million).

Refer to the social and relationship capital section on page 73 for information on WeThinkCode (WTC) and the Explore Data Science Academy.

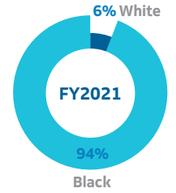
Learnerships and internships

Telkom focused on widening opportunities where possible for unemployed and employed learners, in line with business requirements. Learnerships and internships for unemployed learners are a critical pillar in building future skills and offering experience and insights into the world of work.

In FY2021 Telkom had 669 learnerships and internships in progress with 193 continuing from FY2020 and 476 new programmes (FY2020: 1 146). They cover areas including business administration, management, project management, ICT network maintenance and IT system support.

276
employed learners

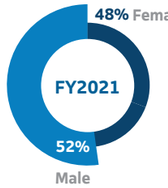
Learnerships (150) and internships (126)



1% increase in black learners from FY2020

393
unemployed learners

200 of the total participants, are differently abled



1% increase in male learners from FY2020

Organised labour

Telkom's labour relations system appreciates trade unions' involvement as material stakeholders. Telkom has a recognition agreement with the Communication Workers Union and South African Customs Union (the alliance) as a strategic business partner. The alliance has organisational and collective bargaining rights and is represented at business unit and Company forums, including the GCEO strategic briefing sessions.

Health and safety is a standing agenda item at the Company forums where Telkom and the alliance interact on national matters. This ensures that parties engage on all health and safety matters, particularly measures taken in response to COVID-19.

Permanent employees belonging to a union (%)	FY2019	FY2020	FY2021
Telkom[1]	53	54	52
yep!	47	57	26
BCX	0	0	0
Gyro	32	31	32

[1] *Telkom includes Openserve, Telkom Consumer and Corporate Centre.*

BCX does not have any recognition agreement or stop order facilities with any union.

Freedom of association

Telkom embraces the right of freedom of association. There are three unrecognised unions (Information Communication Technology Union, National Union of Metalworkers of South Africa and Solidarity) with members at Telkom. These three unions' membership percentages are below Telkom's 30% union membership representativity threshold.

S189 – Telkom

Openserve, Telkom Consumer and Yellow Pages began a judicious process to redefine their operating and service delivery models, driven by operational requirements, including customers' evolving needs, technological advancements and evolving technologies. The Company issued a notice in terms of S189 of the Labour Relations Act, 66 of 1995 in January 2020, and offered VSPs/VERPs to affected employees as an alternative to retrenchments.

The consultation process experienced several challenges until it was suspended in March 2020 due to the national COVID-19 lockdown. The suspension was lifted in May 2020 and consultation resumed in June 2020, concluding in November 2020. The consultation process was facilitated by an appointed Commission for Conciliation, Mediation and Arbitration commissioner. Termination notice letters were issued to all unplaced affected employees on 01 November 2020 and they exited the Company on 30 November 2020.

Originally, Telkom SOC* contemplated retrenching 3 000 employees in Openserve and Telkom Consumer; however, due to alternatives explored during the consultation process, 2 271 employees accepted VSPs/VERPs and 329 employees were forcefully retrenched.

The legal entity Trudon*, commonly known as Yellow Pages, followed a similar S189 process with 62 employees accepting VSPs/VERPs and 17 employees being retrenched.

S189 – BCX

BCX* faces significant market and industry challenges such as the economic recession, deferred customer spending, changing customer demands and high competition – placing pressure on pricing and margins. COVID-19 exacerbated the challenges customers face, with some applying for business rescue while others requested payment relief or deep discounts. This puts increased pressure on BCX's overall performance.

BCX responded to these challenges by critically reviewing and adapting the go-to-market and delivery strategies. BCX issued a S189 notice in October 2020 regarding the contemplated retrenchments of about 284 employees, inviting the Information Communication Technology Union, Solidarity and the alliance to a consultation process.

The Commission for Conciliation, Mediation and Arbitration facilitated a judicious process, starting in November 2020 and concluding on 29 March 2021. BCX proposed VSPs/VERPs as an alternative to retrenchment to all BCX permanent employees; 271 employees accepted VSPs/VERPs; 101 employees were retrenched and exited BCX on 31 March 2021.

Employee engagement

The HR function led each S189 employee engagement process and established channels of communication for affected and non-affected employees. It established business-unit-specific portals as "living documents" to ensure updated information relating to the processes was readily available to employees. Employee questions were routed from the portal to the HR team with a 24-hour turnaround. Frequent questions were transposed into a frequently asked questions document to proactively manage employees' anxiety.

Employee assistance centered on upskilling employees and emotional, psychological and financial support and guidance. Counselling services were provided to employees and their direct dependants through ICAS. Psychological debriefing sessions were offered to teams experiencing high levels of anxiety during this period.

The placement process was completed virtually via Microsoft Teams and conference calls, aligned with COVID-19 protocols.

Stakeholder engagement

The remote work archetype provides the opportunity to increase the number of forums held annually through virtual engagement sessions. Traditionally, six business unit sessions per business unit and four Company forums are held annually. During the period, engagement forums with key stakeholders were increased and held bi-weekly to enable more opportunity to engage and ensure involvement. The sessions allow more frequent engagement and the occasion to raise issues or challenges without the need to wait for a formal meeting. This results in a quicker feedback loop and the conclusion of challenges or issues timeously.

Substantive negotiations

In the absence of a signed wage settlement agreement between the Company and organised labour for FY2020, the Company implemented its final wage settlement offer unilaterally which expired on 31 March 2020.

When the unilateral implemented final wage settlement offers expired, substantive negotiations with organised labour did not commence because organised labour and the Company were involved in a S189 process which concluded at the end of November 2020.

The Company and the alliance agreed to conclude a one-year substantive wage collective agreement effective from 01 April 2021 and ending on 31 March 2022, was signed between the parties on 29 April 2021

Occupational health and safety and employee wellness

We are committed to providing a safe working environment where zero incidents are achievable. This is demonstrated through visible leadership, accountability and commitment to safe operations and driven by sound policies, frameworks and processes.

Telkom's Occupational Health and Safety programme facilitates workplace hazards/risk identification and control thereof and was a critical part of Telkom's COVID-19 response. We implemented extensive measures to protect employees and contractors and enabled operations to continue responsibly and safely during the COVID-19 pandemic. Some of the measures implemented included a Telkom COVID-19 hotline offering clinical risk assessment and medical advice for employees and their families, employee testing, COVID-19 hygiene measures, provision of PPE and enabling 80% of employees to work from home from 26 March 2020 to 31 March 2021. Refer to the risk section on page 25 for more information.

Our improved safety performance, including a 16% reduction in the lost-time injury frequency rate and an 18% reduction in the total recordable injury frequency rate, can be attributed to an improved safety culture and a heightened level of employee awareness and responsibility due to our previous safety initiatives.

Motor vehicle safety remains one of the high-risk activities in our operations, and we continue to monitor and foster good driver safety behaviour using tele-matrix systems, employee safety behaviour coaching and safety knowledge reviews.

* *The legal entities that went through the S189 processes in 2020/21 are BCX, Telkom SOC and Trudon.*

We deeply regret the passing of one of our employees, an Openserve technician. She was involved in a fatal motor vehicle accident on 16 February 2021 in the Limpopo province.

	FY2019	FY2020	FY2021	FY2021 target
Telkom[1,2]				
Total recordable injury frequency rate	1.24	0.93	0.76	0.79
Lost-time injury frequency rate	0.98	0.68	0.56	0.60
Fatal injury frequency rate	0.02	–	0.01	0.00
Fatalities	2	–	1	–
BCX[1]				
Total recordable injury frequency rate	0.41	0.55	0.17	0.79
Lost-time injury frequency rate	0.29	0.45	0.15	0.60
Fatal injury frequency rate	–	–	–	–
Fatalities	–	–	–	–

[1] *Permanent employees only.*
[2] *Telkom includes Openserve, Telkom Consumer, Corporate Centre and Yep!.*

COVID-19 AND VULNERABLE EMPLOYEES

The Group has taken extensive measures to ensure employees are protected against COVID-19. Telkom has actively managed the risk to employees considered vulnerable as per government regulations – those aged 60 and above and those with underlying conditions. ICAS, the Group's employee wellness partner, assisted us with a declaration process for underlying conditions: 3 408 employees declared their underlying conditions, with 1 517 of the declarations validated with medical certificates. The most prevalent underlying condition is hypertension, followed by type 2 diabetes.

Employees in these two categories were required to work from home. Where this was not possible, work was repurposed to accommodate them, or they were put on special non-quota leave. Telkom implemented stringent safety processes for employees who needed to access Telkom premises and resume duties as usual. 16% of employees were permitted to return to work and were provided with mandatory PPE. Risk mitigations are in place to manage their potential exposure to COVID-19.

Telkom implemented interventions to enable employees to work remotely while keeping safe. Change management and communication play a crucial role in ensuring employees are kept updated, are empowered to adapt to the new work environment and are able to maintain productivity. Topics such as information security, online engagement, work and home-life balance and personal development were communicated using blended channels, including learning management system modules.

Key focus areas in FY2022

Embedding new ways of working is a priority in FY2022. Working remotely can be a key differentiator in improving productivity, customer satisfaction and employee cost saving. A critical review of FY2020's learnings must inform developing new ways of work, introducing new capabilities and achieving new levels of performance.

In this new world of work, an accelerated approach to the continuous, significant upskilling and reskilling of employees will be a key strategic lever for sustained, exceptional organisational performance. Employee development will remain a priority to ensure an internal and external pipeline. The learning management system is the key mechanism to support remote work and employee development.

Telkom will entrench the performance framework to support the remote work archetype and development. The framework will embed a clear and continuous approach to performance management focused on leading indicators, performance plans aligned to business goals, future-focused objectives and rhythmic cadence.

The HR digital transformation project seeks to transition the HR system and processes to new technology. Implementing the SAP Employee Central cloud platform will enable a central location for employee data with an integrated view across business units and real-time reporting with improved accuracy. HR will be better equipped with meaningful workforce data to deliver tangible insights.

Digital literacy, resilience and emotional intelligence capabilities will be critical in enabling the FY2022 approach, and the relevant technology should be leveraged to enable and optimise this strategy. This approach will allow Telkom to become more competitive, improve engagement, reduce costs and enable greater work-life balance while reducing its carbon footprint.

Telkom has started bilateral and multilateral discussions with government and private sector to potentially use Telkom facilities as vaccination points for Telkom Group employees, their families and the public. Feedback on this initiative will be disclosed in the FY2022 Integrated Report.

Social and relationship capital

COVID-19 spurred fresh thinking and innovative approaches to respond to the immense pressure it imposed on learners, communities and entrepreneurs.

Performance snapshot

Material trade-offs considered in FY2021

Value creation which achieves both social and commercial return where possible

KPIs and key measures

B-BBEE ratings

Employment equity plan targets

Diversification of procurement spend

Number of **learners and teachers** impacted

R'million invested in Telkom Foundation

Number of **SMMEs** impacted or supported

R'million invested in digital skills programmes

Number of **jobs created** (direct and indirect jobs)

Key strategic focus areas

Diversify the supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs. This is one of the mitigating factors for supply chain risks identified in the business.

Digital skills development for the future

Holistic school development and integrating ICT in schools

COVID-19 impact

Digitisation of SMMEs

Economic impact of lockdowns on SMMEs

Blended learning models

Governing social and relationship capital

The Social and Ethics Committee is ultimately accountable for transformation and B-BBEE oversight. Senior management is responsible for transformation performance, led by Group Exco and supported by functional leadership.

Supporting ESD: FutureMakers

FutureMakers is Telkom's ESD unit, supporting 2 522 enterprises since its launch in 2015. Its purpose is to sustainably contribute towards the growth of SMMEs in the technology sector while contributing towards Telkom's own innovation and diverse value chain mandate. Diverse Supply Chain and Sales Value Chain programmes and innovation are key focus areas.

FutureMakers directly supported 248 enterprises (FY2020: 482) which collectively had just over 5 168 direct and indirect jobs (FY2020: 5 600). It spent R31 million (FY2020: R29 million) on incubation, connectivity and business support to SMMEs. FutureMakers supports entrepreneurs and enterprises that have a high potential to grow and impact both our businesses and society. We kept our Innovation programmes smaller than most years and have ensured that the SMMEs on the Diverse Supply Chain and Sales Value Chain programmes are of good quality.

FutureMakers launched the Township Innovation Incubator in December 2021, and 11 social entrepreneurs will be working through a structured innovation methodology to develop solutions to the social challenges they identified.

FOCUS AREA 1

Diverse Supply Chain and Sales Value Chain programmes are providing opportunities for SMMEs to thrive in our value chains and mitigate supply chain risks identified in the business.

IFT programme

Objective: Outsource the fault repairs of our network to SMMEs, providing access to the market.
Outcome: Telkom procured R105 million from 31 participants (FY2020: R140 million; 43 participants). As we upgrade our network, we migrate the IFTs from servicing a copper network to servicing and laying a fibre network. There were 474 (FY2020: 420) technicians employed by the IFT companies.

Consumer Dealers programme

Objective: To work with SMMEs in the distribution of Telkom products in the sales value chain.
Outcome: R20 million revenue generated by 12 Telkom Consumer Dealers in the FutureMakers programme (excluding stores) (FY2020: R21 million; 52 dealers). FutureMakers supported 12 dealers (FY2020: 41) and closed its Internet Café programme, which was part of the number of FY2020 dealers.

BCX Subcontractor programme

Objective: To provide IT companies access to market through subcontracting opportunities from our clients.
Outcome: The programme had 86 registered SMMEs (FY2020: 80). R126 million was successfully subcontracted to SMMEs over five years (FY2020: R83 million).

FOCUS AREA 2

Innovation programmes are geared towards incubating, investing and commercialising enterprises that are developing solutions using emerging technologies.

IDF Future Fund (venture capital fund)

Objective: To invest in technology start-ups from seed to growth stages through equity, quasi-equity and debt. The total fund is R250 million.
Outcome: Total commitments of R207 million in 108 start-ups since 2015 (FY2020: 173 million; 86 start-ups).

Open innovation

Objective: To provide technology support, incubation and acceleration to emerging technology start-ups. This has historically taken place in BCX through the BCX Innovation programme. As there was a need to focus on a Group-wide Innovation programme that results in social and commercial value, Telkom launched a Group-wide Township Innovation Incubator in FY2021.
Outcome: Overall, 11 entrepreneurs were selected based on the strength of their entrepreneurial orientation and the social problems they were solving.

Developing digital skills for the future

We aim to enable a talent pipeline of young people with future skills to fuel Telkom's business agenda and support digitalisation of the South African economy. The total investment into this was R37 million (FY2020: R37 million) and our key programmes are the Explore Data Science Academy and WTC partnership.

WTC developed a home-grown coding curriculum which replaced the previous system this year. This was partly to redress the foundational science, technology, English and mathematics (STEM) learning challenges inherited from the high school system, and to make learning more cost effective.

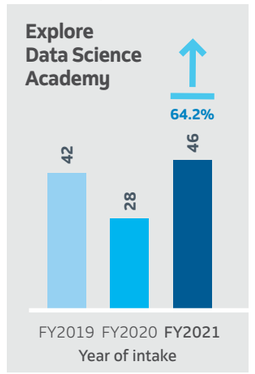
The Explore Data Science Academy's 2020 curriculum emphasised problem solving and understanding business value. Student internship projects at Telkom generated potential solutions for customer experience and churn, process analytics, the business impact of load shedding and market insights.

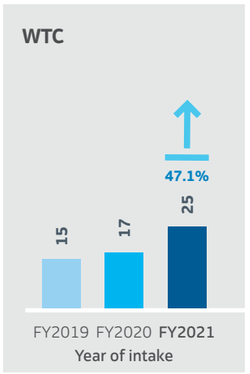
This year was significantly shaped by COVID-19, and we needed to adjust to limit its negative impact on our intended outcomes. The agility and flexibility of our partners ensured that performance and quality outcomes remained consistent.

- The Explore Data Science Academy transitioned to a completely online model during lockdown; and 80 successful graduates represent an 80% retention rate of the original cohort. By March 2021, 40% of 2020's graduates were placed in employment positions, a reflection of a slow-growing South African economy
- WTC shut down its campus between March and August 2020 due to concerns about inclusivity and the ability of all students to access the necessary tools to study online. The placement of 80 students who graduate in May 2021 is ongoing while they complete their four-month host employment in corporates and SMMEs. The 80 students represent a 72% retention of the cohort which started in 2019, improving the 50% retention rate of the 2018 cohort. Retention rates would have been impacted to some degree by COVID-19
- Necessary support mechanisms – hardware, software and broadband/data – were put in place to support 300 students studying from home. Innovative pedagogical support through enhanced peer-to-peer support, mentorship and tutoring further assisted students

While the vast majority of supported students are black, gender diversity remains a challenge in the technology industry.

Female representation (%)





Female representation

Diversity and inclusion remain priorities for WTC:

- The percentage of students coming from the extremely low-income category (household income below R75 000 per annum) increased from 32% in FY2019 to 59% in FY2020
- 81% of students come from low-income households (annual income below R350 000 per annum)

Supporting our communities: Telkom Foundation

Telkom Foundation supports young people in performing well in STEM to enable them to access post schooling and future economic opportunities. The Foundation also works with unemployed youth to enable them to attend ICT-certified skills programmes which open potential employment and entrepreneurial opportunities.

The Foundation invested R46.3 million including administration costs, with R29.5 million invested in education, R10.7 million in digital skills and R4.8 million in Social Development programmes (FY2020: R75 million).

COVID-19 resulted in a number of learners not being able to continue with learning due to school closures. We migrated the STEM Supplementary Tuition programme online, enabling learners to continue learning. Over 7 910 learners across the country signed up on our new Lightbulb online education platform (refer to page 76). 3 687 learners of the Foundation's supplementary STEM programme received learning devices and mobile connectivity, making it easier for them to connect and learn remotely. Learners participated in live sessions which were recorded and uploaded on the platform to enable wider access.

We migrated the Digital Skills programme to an online platform. 100 unemployed youths were trained remotely in Technical and Systems Support programmes accredited by the Media, Information and Communication Technologies Sector Education and Training Authority at NQF levels 4 and 5. Our Coding programme continued online with 300 learners.

Given the demand for remote teaching, the Foundation trained 1 950 teachers and education district officials in productivity tools and content useful in remote learning.

Our online programme continues with learners accessing content on our zero-rated platforms. To date, Telkom has zero rated at least 1 000 education sites, enabling learners to access content at no cost to them. Telkom zero rated another 200 sites to enable easy access to public service information.

Supporting learners

We supported a number of learners from struggling families, and families outside the programme, with food parcels. We migrated the Psychosocial programme online to continue supporting learners in and outside the programme. Childline supported 1 213 learners and families to cope with COVID-19 and other related psychosocial issues.

Our partnership with Families South Africa in Port Elizabeth reached 141 learners and their families, while our national Lifeline and Childline jointly reached 642 936 people.

Supporting B-BBEE

Expected changes to the ICT sector codes may impact the FY2022 rating. It is uncertain when these will be gazetted, as it was expected in January 2021.

The Employment Equity Amendment Bill was published for public comment in January 2021. When enacted, there will be ICT sector targets and related compliance certificates. Depending on the date of enactment, this will have a significant influence on our targets and employment equity plans.

B-BBEE ratings

Scoring element and weighting points	FY2019	FY2020	FY2021
Telkom			
Ownership (25)	23.00	15.91	**17.08**
Management control (23)	17.39	19.29	**16.66**
Skills development (20)	19.44	16.69	**17.06**
ESD (50)	47.87	47.06	**47.41**
Socio-economic development (12)	12.00	12.00	**11.92**
Total (130)	119.70	110.96	**110.12**
BCX			
Ownership (25)	23.00	18.76	**17.08**
Management control (23)	16.27	17.67	**15.82**
Skills development (20)	21.13	18.78	**20.67**
ESD (50)	48.22	51.41	**49.47**
Socio-economic development (12)	12.00	12.00	**12.00**
Total (130)	120.62	118.82	**115.04**

Telkom SA has maintained a B-BBEE level 3 status largely impacted by the ownership score. BCX has maintained B-BBEE level 2 status.

Procurement with black-owned businesses

Category	FY2019 R'billion	FY2020 R'billion	FY2021 R'billion
Overall spend with black-owned enterprises	4.00	25.00	**29.87**
Spend with black-owned small enterprises	1.70	1.61	**1.51**
Spend with black-owned generic large enterprises	2.20	4.28	**28.35**
Overall spend with black-women-owned enterprises	8.0	9.8	**7.02**

Key focus areas in FY2022

Telkom's black ownership and black women ownership will be a focus next year due to the loss of facilitator status for government-owned shares in FY2020. The changes in facilitator status resulted in Telkom being less than 51% black owned and less than 30% black women owned. Telkom will make every endeavour to reattain this level of ownership.

Management control will be a focus to ensure that the Group complies with the proposed Employment Equity Amendment Bill and its related sector codes and compliance certificates, should it be enacted.

Shared value

case study

Digital services: COVIDConnect case study

Detecting cases early and identifying contacts, as well as gleaning relevant insights to support longer-term planning, are key to managing the spread of COVID-19.

During the height of COVID-19 in 2020, the Telkom strategic insights team, in collaboration with BCX, the National Institute for Communicable Diseases (NICD) and the Department of Health, collaborated to develop a COVID-19 management solution to:

- Improve efficiencies and access to pandemic information for health workers
- Provide contact tracing and support to positive patients
- Glean insights which could support trend analysis, forecasting and planning

Over four months, the team grappled with complex data sets and stakeholder needs, to design a solution which would provide ongoing support and insights while alleviating the crisis. The solution, called COVIDConnect, incorporates the following:

- Uses the public sector's GovChat and Health Check WhatsApp platforms to provide public screening for COVID-19
- Receives test results from the NICD and links positive patients to monitoring and case management support
- Anonymous contact tracing through Health Check and SMS
- Aggregates data to support better pandemic management through monitoring of mobility and vulnerability patterns, disease incidence and transition

The solution has been beneficial to health workers in 52 districts and provides a basis for adaptation and application for managing other health conditions. The key outcome was to drive faster pandemic responses and more efficient use of healthcare resources. It demonstrates the power of data in creating value for both commercial and social return, and the flow-through impact of Telkom's investment in data science capability.

case study

Lightbulb education and Telkom partnership

At the start of the COVID-19 lockdown in March 2020, many South African learners were faced with the challenge of interrupted schooling and no access to learning.

Telkom wanted to introduce a compelling and unified education value proposition that would provide access through a zero-rated platform. The goal was to provide learners with Curriculum Assessment Policy Statements (CAPS)-aligned curriculum content, specifically on science, mathematics and English, for learners between grades 7 and 12. This education value proposition helps Telkom to deliver on social and commercial priorities, including enabling online access to quality education and product bundling for business-to-consumer marketing and business-to-business service.

We identified Lightbulb, a benefactor of FutureMakers, as our best fit to develop this. Learners are able to access the Lightbulb education platform via the web or on a cell phone. Some of its key features include:

- Free interactive digital CAPS-aligned content focusing on science, mathematics and English
- Personalised learning paths
- Group tutoring and audio and video conferencing features
- Video broadcasts
- Collaborative tools such as live chats, collaborative whiteboards and question and answer forums
- Assessments and self-quizzes
- Content management system

Over 7 000 learners registered on the platform and close to 3 000 learners participated in live virtual classes offered by Telkom Foundation during lockdown. These lessons were recorded and uploaded for learners to access at any time.

Most learners found the platform beneficial. Many of them remarked on the value of interactive assessments and how these were helping them prepare for examinations, especially given limited access to teaching. With learners back at school (mostly on rotation), most continue to use Lightbulb to reinforce learning. Content on the platform is continuously updated to support quality learning outcomes.

Natural capital

Telkom wants to grow its business in a sustainable way with the use of renewable energy to power its services and infrastructure.

Performance snapshot

Material trade-offs considered in FY2021

Investments in initiatives that conserve natural capital require financial capital. In FY2021 we considered the cost value trade-off of investing.

KPIs and key measures

Scope 1 and 2 emissions

Water consumption

Key strategic focus areas

Energy-efficiency initiatives

Power factor correction

Tariff optimisation

Smart Meters

E-waste recycling

COVID-19 impact

Reduction in our scope 1 and 2 emissions due to employees working from home

Water consumption reduction

To improve energy efficiency, an external energy expert conducted site surveys at selected Telkom office buildings, retail sites, data centres and access network sites. These sites had high energy and water consumption in FY2020 compared to FY2021. The key areas identified for improved energy savings and sustainability were tariff and power optimisation, heat ventilation and air conditioning efficiencies, load optimisation, the continuation of solar photovoltaic projects and water and sanitation reduction. These will be addressed in future through technical and innovation initiatives.

An expert conducted a water demand investigation and analysis. It included the municipal water usage with a breakdown for each essential water use segment. Several technologies were recommended as solutions to harvest, recycle and reticulate treated water for use in buildings. We investigated the following solutions:

- Wastewater recycling plant
- Reticulation of buildings' plumbing pipework to supply water for toilet flushing
- Rain/storm water and heat, ventilation and air conditioning harvesting systems

Water harvesting initiatives to redistribute water and reduce consumption levels and to achieve the best cost savings were recommended.

For Telkom's participation in the CDP and approach to TCFD, refer to enhancing our ESG disclosures on page 1.

Overseeing Telkom's impact on natural capital

Telkom closely measures, monitors and manages the Group's carbon emissions, as energy efficiency is a primary contributor to reducing operational costs and to mitigate the impacts of climate change. Telkom is committed to comply with all environmental regulatory laws. We identify, quantify and capture all environmental risks in the environmental aspect and impact register. Environmental controls are in place to mitigate environmental impacts.

Environmental management procedures are in place and are reviewed to monitor and manage environmental aspects. The most significant environmental impacts of our operations are e-waste, energy usage and the related carbon emission in our network. An external assurer has verified and validated certain KPIs in this report.

As part of our annual material themes determination process, we assimilate a set of material risks and opportunities by reviewing our business environment, ERM procedures, stakeholder engagement, and Board and Committee discussions. Management's process of determining materiality and the material themes is approved by Group Exco and the Audit Committee. During FY2021 climate change was identified as a new material theme. To protect its business and the environment, Telkom needs to mitigate and adapt to the impact of climate change and use resources more responsibly. Our risk assessment methodology enables us to define substantive financial and strategic impacts. A substantive impact would be regarded as a major or critical financial consequence, which is equivalent to or greater than a 20% loss in profits. Impacts from acute or chronic weather conditions can affect business continuity within our direct operations or lead to poor customer service.

Environmental compliance and regulations

There were no environmental notices of violation or directives issued against Telkom in FY2021. No compliance inspections were conducted by environmental regulators. Compliance with environmental statutes and by-laws is monitored through site inspections, audits and regular reviews of our procedures and operations. We met compliance in respect of the new National Greenhouse Gas Emission Reporting Regulations and we acknowledge the new Energy Performance Certificate regulation to be independently assessed and displayed.

TCFD

TCFD | Governance

Refer to ERM and compliance on page 25 and strategy on page 39 for further information on TCFD.

Describe the Board's oversight of climate-related risks and opportunities

The Board has overall responsibility for overseeing risk and compliance (including climate-related topics) across the Group. The Board is supported by Group Exco, the Social and Ethics Committee and the Risk Committee which monitor and advise the Board on matters related to climate change.

The highest level of responsibility for climate change matters in Telkom rests with the Social and Ethics Committee and the Risk Committee. These Committees monitor Telkom's activities, consider any relevant legislation and prevailing codes of best practice including safety, health and environment, and climate change.

Climate change risks and opportunities

The risks and opportunities below could have a substantive financial or strategic impact on our business.

Climate-related risks	Climate-related opportunities
- The introduction of carbon tax legislation, of which the second phase (2023 onwards) is expected to have a significant impact on Telkom due to the potential broadening of the tax base to include scope 2 emissions - Increased severity and frequency of extreme weather events, such as floods and cyclones. This is an acute physical risk to the network, as unpredictable weather events and disasters can damage infrastructure and increase network faults - Chronic changes in precipitation patterns, extreme variability in weather patterns and more severe weather conditions (e.g. acute winter rains in Western Cape) can increase our vulnerability to down-time and network faults - An increase in temperature will likely increase the air conditioning energy consumption requirement in the data centre and offices, and may potentially stress any water resources	- On-site solar energy generation can reduce operating costs, vulnerability to load shedding and carbon tax liability - Sensor technologies and light-emitting diode (LED) lighting can reduce energy consumption and costs - Increased resource efficiency, especially through improved building energy consumption, can reduce operating costs and carbon tax liability, and a green star rating can enhance Telkom's reputation - Efficient water consumption can reduce operating costs, possible drought impact and the possible impact of water-cooled IT infrastructure - Arranging sustainable finance may lead to cheaper financial capital ring-fenced to sustainability projects that reduce natural capital impacts

Phasing out ozone-depleting substances

The Department of Environmental Affairs promulgated the phasing out of ozone-depleting substances in 2014. The regulation outlines 2020, 2025 and 2030 requirements for phasing out and managing ozone-depleting substances. In 2016 (baseline year), Telkom had 97 tonnes of R22 gas in the system. To date Telkom has reduced R22 gas to 39 tonnes. This was achieved through decommissioning of different Telkom sites and replacing heat, ventilation and air conditioning units that exceeded the commercial expected life cycle by 30%. To comply with the year 2025 legislative target of 31.5 tonnes, Telkom must reduce R22 gas by a further 7.5 tonnes. This reduction will be achieved through further decommissioning of sites that is planned in the next four years as well as the replacement of aged heating, ventilation and air conditioning equipment.

Driving energy-efficiency

Telkom relies on conventional energy to power its business and faces critical resource uncertainties and constraints. Our focus is to aggressively drive energy-efficiency measures. Telkom intends to grow its business in a sustainable way with the use of renewable energy to power its services and infrastructure, which will improve the resilience of the network and industry which Telkom has an impact on.

Due to the challenges posed by electricity availability in South Africa and the reliability of electricity supply, impacted by the effects of load shedding, as well as the rising electricity costs and potential regulatory changes, Telkom is gearing towards the use of alternative energy and new power generation methods, including greener energy. This will mitigate the risks involved with dependency on state-owned power, while ensuring sustainability goals are embraced. Responsible corporate behaviour is particularly important in the case of greenhouse gas emissions, which have a global impact.

Water and energy-saving initiatives

Some of the following projects planned for FY2021 were completed and some could not be executed due to the COVID-19 lockdown:

- The tariff optimisation and strategic account management project is in progress and 186 accounts were actioned with the relevant municipalities. This entails reducing notified maximum demand, consolidating accounts and converting tariffs from large power voltage to low voltage
- Online monitoring of real-time energy consumption is progressing with smart meters installed at 269 sites. Online tracking is in progress. Phase 2 for a further 200 sites will commence in FY2022
- Phase 1 of the power factor correction project, using harmonic filtering and voltage dip mitigation, is completed and benefits are being tracked. Phase 2 will start in FY2022
- The following projects will be implemented in FY2022:
  - Solar photovoltaic installation at sites with maximum irradiation
  - Phase 2 installation of low-flow regulators on taps to reduce consumption at high-consumption sites
  - Improve heat, ventilation and air conditioning performance through set point and comfort cooling analysis
  - Replace inefficient lighting with LED lighting
  - Convert waste to compost, and wastewater treatment for improved water efficiency
  - Water harvesting with tanking to conserve water and redistribution for landscape irrigation

Reducing Telkom's carbon footprint

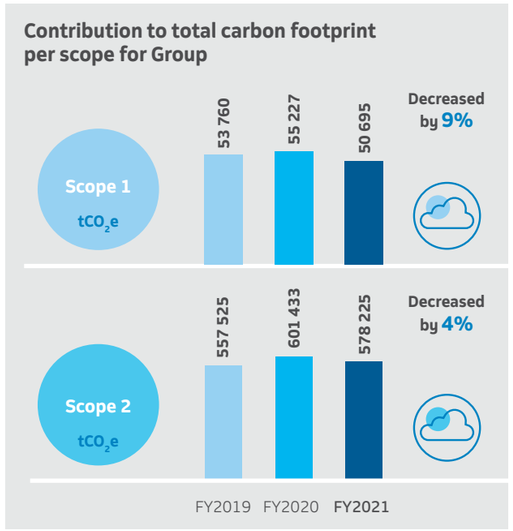
Scope 1 and 2 emissions decreased due to employees working from home during COVID-19.

Scope 1 includes:

- Refrigerant gases used by Telkom
- Fleet petrol consumption by BCX and Yep!
- Fleet diesel consumption by BCX and Telkom
- Bulk diesel purchased by BCX (Centurion data included), Yep! and Telkom

Scope 2 includes:

- Electricity consumption by BCX, Yep! and Telkom

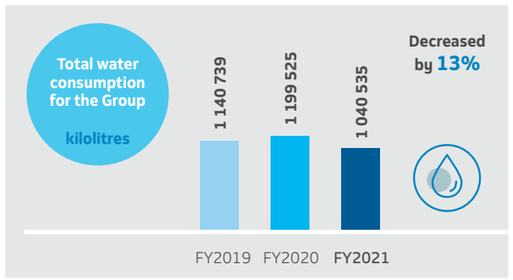


The decrease in Scope 1 emissions in FY2021 is due to the reduced refrigerant gas usage resulting from decommissioning sites and replacing R22 gas-operated equipment at some sites with non-ozone depleting gases.

Scope 2 emissions decreased by 4% in FY2021 due to the decrease in Eskom's Grid Emission Power Factor from 1.06 in FY2020 to 1.04 tonnes per MW.

Managing Telkom's water consumption

The Group uses water primarily for cooling, drinking, catering, hygiene and landscaping. Our key source of water is municipal supply. As part of ensuring efficient water usage for FY2022, Telkom is rolling out low-flow regulators on taps across high water-consuming sites and water harvesting.



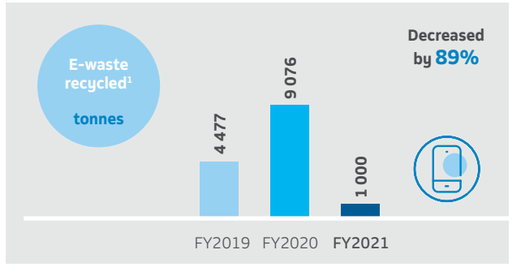
Water consumption decreased due to employees working from home during COVID-19.

Responsibly managing waste

Hazardous waste

The increased availability, affordability and consumption of electronic products lead to increased volumes of electronic and electrical waste (e-waste). This is the largest growing waste stream in South Africa, and is our most environmentally impactful waste stream, internally and within the value chain.

E-waste is toxic and harmful to the environment and human health if not properly managed. It is a source of income for waste collectors and handlers. We sell our cabling to a leading e-waste recycling organisation, which processes the cabling using environmentally and socially responsible techniques (no chemicals or burning). We sell copper recovered from the recycling process to local and international markets. This sensitive, labour-intensive process provides employment to an Eastern Cape rural community and some families rely solely on this project as a source of income.



[1] *The decrease was impacted by the lockdown which had the biggest impact to reverse logistics whereby there were little to no returns. Some employees were retrenched which led to less staff to complete the job.*

Key focus areas in FY2022

Telkom is well placed to embark on Utility Management programmes to transform its operations to meet global standards of sustainability and reliability. The objectives for FY2022 are to address the following five areas of utility management:

- Cost optimisation: Reduce operating costs across energy and water consuming activities through rigorous tracking, measurement and enhancement of operations (e.g. tariff optimisation, strategic account management, power factor correction)
- Utilities efficiency: Encompasses a sustainability and value-driven approach to reduce consumption
- Security of grid supply: Add and enhance backup storage capacity and develop operating philosophies for reliable operations
- Reduce dependency on the national grids: Add capacity for alternative energy and water supplies to reduce dependency on external providers such as Eskom and municipalities
- Set science-based targets over the next two years and evaluate potential Green Building certification

Image: Solar panels at Telkom head office, Centurion

4

Transparency and accountability

Corporate governance report

The Board is committed to continuously enhancing corporate governance to improve society's confidence in Telkom and drive long-term sustainability.

The Directors confirm that Telkom complies with the provisions of the Companies Act, 71 of 2008 (as amended) (the Companies Act) and the laws of establishment, specifically relating to its incorporation; and it operates within conformity with its memorandum of incorporation and all relevant constitutional documents.

Corporate governance report 81
The Social and Ethics Committee report 94
Remuneration report 95

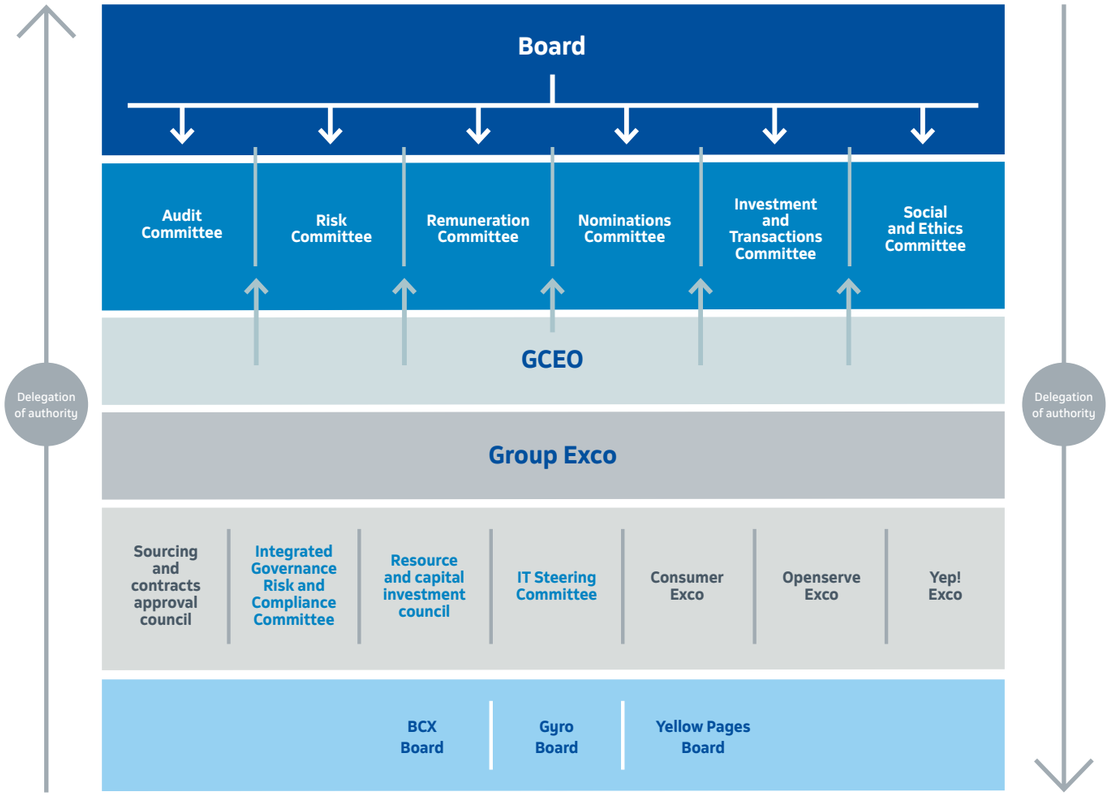
Group governance framework

The Group governance framework (framework) is continually embedded in the Group and its subsidiary Boards to ensure alignment and consistency. The provisions and guidelines set out in the framework assist Telkom to mitigate against known governance occurrences and possible reoccurrences. The implementation of the framework has brought new focus to corporate social responsibility and enhanced responsibility toward the Group's stakeholders. The Board is also increasing its focus on ESG matters, through the Social and Ethics Committee. The Social and Ethics and the Risk Committees will oversee the development of a sustainability strategy for the Group. Refer to enhancing our ESG disclosures on page 1.

The framework's content is subject to the statutory and regulatory environment within which the Group operates, being the JSE Listings Requirements, the Companies Act, the memorandum of incorporation and King IV. For the King IV application report, refer to www.telkom.co.za/ir/Governance/Governance.shtml.

The King IV governance enhancement areas largely included, among others, embedding an ethical culture, IT governance, ERM and supplier contract management.

The diagram alongside sets out the Group governance model and structures that support the framework.



Delegation of authority

We extensively reviewed the delegation of authority (DOA) in FY2020 and are embedding it throughout the Group. The subsidiary DOAs are aligned with the principles of the Group DOA and have been adopted by the respective subsidiary Boards. The implementation of the DOA has created an agile business with quicker decision-making processes and efficiencies that support the delivery of the strategic objectives. The DOA is aligned to the JSE Listings Requirements, Companies Act and the memorandum of incorporation.

The Board's Committees assist in the discharge of its duties and responsibilities. Each Committee's terms of reference were amended to align with the JSE Debt Listings Requirements and identified King IV enhancements. These were approved by the Board in FY2021. The amendments included, among others, a materiality threshold for personal financial interests or otherwise for Directors and the ESG frameworks adopted by the Board.

Group Exco is a management governance structure constituted at the discretion and guidance of the GCEO. It supports him in carrying out Board-delegated operational activities, and it feeds into the Board Committees.

The Board understands and accepts its responsibility as the custodian of corporate governance in Telkom. The governance structures provide for the delegation of the Board's authority, while enabling it to maintain effective monitoring and oversight. The Board, through the DOA, ensures effective coverage and legitimacy while delivering good performance. The Board is satisfied that the provisions and parameters set out in the DOA support a balance of power and authority and role clarity, while supporting an agile and perpetually evolving business environment.

Leadership

The Board is committed to practising good corporate governance principles through enhancing business activities to foster an ethical culture, good performance, legitimacy and effective control. In accordance with paragraph 3.84(d) of the JSE Listings Requirements. The Directors' curricula vitae do not include all Directorships and dormant entities as a specific requirement, but rather acceptable practice applied by Telkom considering the disclosure of public and JSE-listed entities only where substantive time will be required.

The roles of Chairperson and GCEO are separated, and the Chairperson is classified as independent.

Non-executive Directors

MS Moloko (56)

Chairperson

Appointed: 20/03/2018

Principal skills
Mergers and acquisitions, investment management and business leadership

Other Directorships
Guardrisk Holdings Group Ltd, Momentum Metropolitan Ltd, Nelson Mandela Foundation, Prudential Investment Managers, Stor-Age REIT, Thesele Group (Pty) Ltd

SL Botha (56)

Appointed: 10/12/2012

Retired: 25/09/2020

Principal skills
Business leadership, mergers and acquisitions, integrated reporting, remuneration, strategy and marketing

Other Directorships
Capitec Bank Ltd, Capitec Holdings Ltd, Curro Holdings Ltd, Famous Brands Ltd

N Kapila (67)

Appointed: 16/02/2011

Principal skills
Telecommunications, legal, regulatory and governance

Other Directorships
International Telecommunication Union (Switzerland)

KT Kweyama (56)

Appointed: 10/12/2012

Retired: 31/12/2020

Principal skills
Commercial expertise, integrated reporting, business leadership, human capital management and governance

Other Directorships
Discovery Drilling SA Ltd, Steinhoff International Ltd

PCS Luthuli (48)

Appointed: 25/05/2018

Principal skills
Auditing and accounting, investments and business leadership

Other Directorships
Luthuli & Luthuli Investments (Pty) Ltd, Mpact Ltd, Mpande Property Fund Manager (Pty) Ltd

DD Mokgatle (65)

Appointed: 20/03/2018

Deceased: 09/01/2021

Principal skills
Legal business leadership and governance

Other Directorships
Bidcorp Ltd, Bushveld Minerals Ltd, Italtile Ltd, Kumba Iron Ore Ltd, Lafarge Industries, Peotona Group Holdings, Ponahalo Group, Presidential Advisory Committee, Total South Africa Ltd

KW Mzondeki (53)[1]

Appointed: 09/11/2012

Principal skills
Auditing and accounting, corporate finance, ESG mergers and acquisitions, strategy and integrated reporting

Other Directorships
Balwin Properties, Nampak Ltd, Thungela Resources

F Petersen-Cook (45)[2]

Appointed: 10/12/2012

Principal skills
Corporate finance, actuarial, risk management, ESG investment management and governance

Other Directorships
Absa Financial Services, Bankmed, Steinhoff Africa Retail Ltd

KA Rayner (64)[3]

Appointed: 15/07/2019

Principal skills
Corporate finance, accounting, auditing, mergers and acquisitions

Other Directorships
Aftristrat Investment Holdings Ltd, Appropriate Process Technologies (Pty) Ltd, Nexus Intertrade (Pty) Ltd, Sibanye Stillwater Ltd

AN Samuels (55)[4]

Appointed: 01/01/2021

Resigned: 01/07/2021

Principal skills
Telecommunications and business leadership

Other Directorships
None

SP Sibisi (66)

Appointed: 01/04/2019

Principal skills
ICT, start-up ventures, business-to-business and intelligence skills

Other Directorships
Liberty Holdings Ltd

H Singh (60)[5]

Appointed: 25/09/2020

Principal skills
New business development, large-scale IT developments and IT innovation

Other Directorships
Adcorp Holdings, 4Sight Holdings, Payments Association of SA

RG Tomlinson (58)[6]

Appointed: 03/12/2014

Principal skills
Business leadership, strategy and remuneration

Other Directorships
None

LL Von Zeuner (60)[7]

Appointed: 10/12/2012

Principal skills
Finance, mergers and acquisitions, risk, ESG and commercial expertise

Other Directorships
FirstRand Ltd, FirstRand Bank Ltd, Tongaat Hullet Ltd, Transnet SOC Ltd,

Profiles of the two new Non-executive Directors, Olufunke (Funke) Ighodaro and Ethel Matenge-Sebesho are set out on page 133.

Group Exco team

SN Maseko (52)

GCEO: Executive Director

Appointed: 01/04/2013

Principal skills
Business strategy and execution, telecommunications, business leadership, regulatory and policy, corporate governance

Other Directorships
BCX, Gyro, Trudon (Pty) Ltd

DJ Reyneke (59)[8]

GCFO: Executive Director

Appointed: 07/12/2020

Principal skills
Business strategy, accounting, corporate finance, auditing, financial management, telecommunications, regulatory and policy, corporate governance

Other Directorships
BCX, Gyro, Capricorn Group Ltd, Trudon (Pty) Ltd

TBL Molefe (52)

Former GCFO

Appointed: 01/07/2018

Resigned: 04/12/2020

Principal skills
Auditing, accounting, financial strategy, financial management, risk management

Other Directorships
BCX, Curro Holdings Ltd, Gyro, Trudon (Pty) Ltd

AC Beukes (50)

CEO: Openserve and Group Chief Information Officer

Appointed: 13/12/2018

Principal skills
Telecommunications, IT, sales, marketing, procurement, technology and business leadership

PJ Bogoshi (55)

CEO: BCX

Appointed: 01/06/2018

Principal skills
ICT specialist, strategy, sales and business leadership

NM Lekota (50)

Chief HR Officer

Appointed: 01/03/2017

Principal skills
HR strategy architecture and business leadership

LTS Maloba (47)

CEO: Gyro

Appointed: 13/11/2017

Principal skills
Business leadership, business strategy and real estate investment management

L Siyo (43)

CEO: Telkom SMB/Yep!

Appointed: 01/05/2018

Principal skills
Business leadership, sales and marketing, strategy, financial management, digital transformation and e-commerce

S Taukobong (51)

CEO: Telkom Consumer

Appointed: 01/06/2018

Principal skills
Marketing, customer operations, mergers and acquisitions and business leadership

- Audit Committee
- Investment and Transactions Committee
- Nominations Committee
- Remuneration Committee
- Risk Committee
- Social and Ethics Committee

1 *Retired as a Member of Investment and Transactions Committee and appointed as Chairperson of Social and Ethics Committee on 05 February 2021.*
2 *Appointed to Nominations Committee on 05 February 2021.*
3 *Appointed to Investment and Transactions Committee on 05 February 2021.*
4 *Appointed to the Board with effect from 01 January 2021 and to the Investment and Transactions and Social and Ethics Committees on 05 February 2021, resigned from Board and both Committees on 01 July 2021.*
5 *Appointed to the Board and Audit and Risk Committees with effect from 25 September 2020.*
6 *Retired as an Audit Committee Member on 25 September 2020 and appointed as Chairperson of Remuneration Committee and Member of Nominations Committee on the same date.*
7 *Retired as a Member of Social and Ethics Committee and appointed as a Member of Remuneration Committee on 25 September 2020.*
8 *Appointed as acting GCFO and GCFO with effect from 07 December 2020 and 08 February 2021 respectively.*

Board diversity

The Board-approved diversity policy considers the value diversity brings to the robust deliberations and strategic oversight of the Board diversity does not have specific targets. The Nominations Committee reviews Board diversity for adequacy as part of its annual Board and Committee composition activities and makes recommendations where necessary.

Female representation reduced significantly due to the retirement of Santie Botha, Khanyisile Kweyama, and the resignation of Tsholofelo Molefe, and the passing of Dolly Mokgatle. The Board appointed Herman Singh and Alphonzo Samuels as Non-executive Directors to enable succession planning activities and to address the skills gap identified through the annual skills assessment in FY2020. These included ICT, digital transformation and business and market disruption skills. The appointment of Dirk Reyneke as GCFO, on 07 December 2020 in the place of Tsholofelo Molefe also affected Board diversity. This appointment was duly considered by the Board as it considered Executive succession.

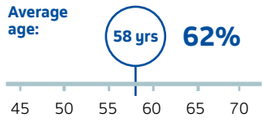
The Board is composed of 10 Independent Non-executive Directors, one Non-Executive Director and two Executive Directors.

The Board, through the Nominations Committee, remains committed to promoting and enhancing female representation through the appointment of Olufunke (Funke) Ighodaro and Ethel Matege-Sebesho. For further details, refer to the Notice of AGM on page 125, profiles of the two new Non-executive Directors are set out on page 133. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, qualifications, experience, age and race diversity relative to the Group's future business requirements.

Our key statistics as at 31 March 2021 are set out below.

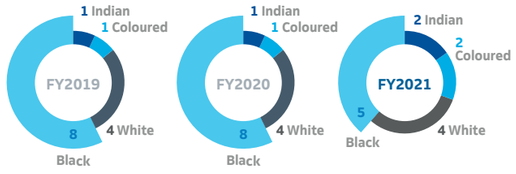
Independence

Diversity of age

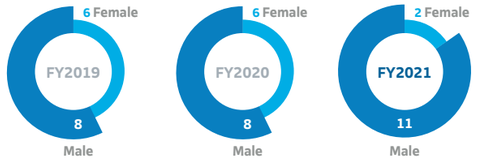


Younger than 60 years: 8

Race

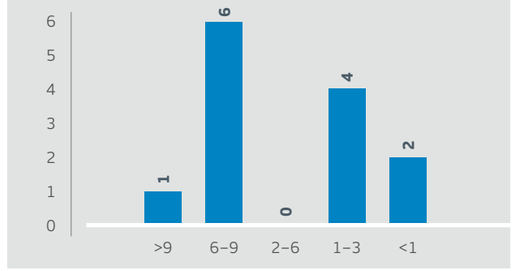


Gender

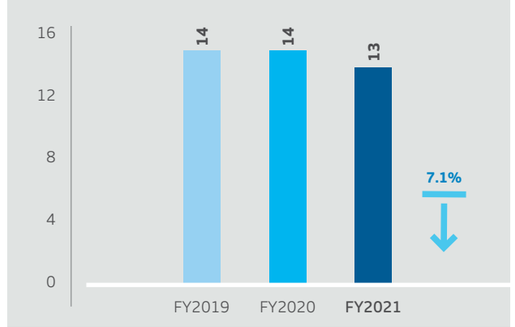


Succession planning and diversity of tenure

Tenure of Board (years)



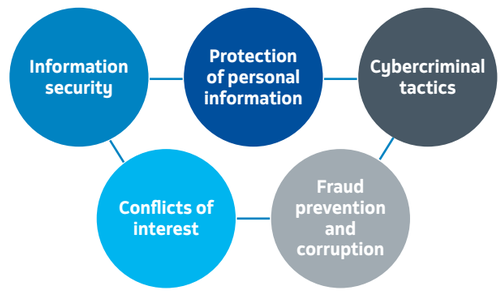
Board size



Skills and experience

The Board has the advantage of long-serving Members who have thorough knowledge of Telkom's strategic direction and the evolution thereof. However, the Nominations Committee, with the support of the Group Company Secretariat, continuously reviews the composition of the Board and its Committees to ensure all technical and behavioural skills gaps are identified and addressed. Telkom has rolled out online training initiatives to the Board and its Committees with special focus on ethics, fraud and anti-corruption, Protection of Personal Information Act, 4 of 2013 (POPIA) compliance and information security.

The Board-approved training plan for FY2021 was aimed at embedding governance outcomes as part of Telkom's ways of working. The Board training plan was postponed to FY2022 due to COVID-19 challenges and competing business imperatives. The Board was trained on the reviewed JSE Debt Listings Requirements in FY2021, and the Risk Committee was trained on Directors and officers' liability insurance cover. The Nominations Committee approved a cloud-based solution training plan for FY2022 reflected in the diagram below:



Independence and tenure

The Board has a balance of long-tenured and newly appointed Directors. This balance contributes to Board stability and the disruptive views of Directors which ensure the Group's Board is relevant and adaptable to its regulatory and competitive landscape.

In accordance with the memorandum of incorporation, the following Non-executive Directors are serving their respective third three-year term and will be subjected to an independence assessment during FY2022 to be eligible for re-election at the FY2022 annual general meeting (AGM):

- Kholeka Mzondeki
- Fagmeedah Petersen-Cook
- Louis Von Zeuner

Director independence valuation

The Board conducted an independence review in FY2021 on Navin Kapila, who was re-elected at the previous AGM. Another review will be conducted in FY2022 as he has been on the Board for 10 years. The Board conducts an independence assessment in two parts, on independence in appearance and independence of character and judgement. The results of the assessments determine the Directors' eligibility to stand for re-election at the upcoming AGM. The outcome of the independence assessment confirmed that Navin Kapila remains independent in character and judgement.

Specific governance processes

Board and Committee evaluations

For FY2021, an internal Board and Committee evaluation process was conducted as per provisions of the Board charter and its Committee terms of reference. Its focus included the consideration of comments and concerns raised by the Members during the FY2020 evaluation process, and how the challenges were addressed which were not material in nature. The Board and its Committees are satisfied that the evaluation process is improving its performance and effectiveness.

Conflicts of interest management

The Group Company Secretariat actively manages the conflicts of interest process at the start of each year, where mandatory annual declarations are updated by all Directors and prescribed officers.

All Directors and prescribed officers disclosed any actual, potential or perceived conflict of interest to the governance structures on which they serve, in accordance with the JSE Listings Requirements and the Companies Act, during the year, and as and when their respective interests change.

The Board, Group Exco and the subsidiary Boards commit to the Group ethics handbook which includes the conflict of interest section and the Board and Executive management attest to the annual ethics leadership pledge. The FY2021 annual ethics pledge was centered around maintaining integrity within Telkom leadership, and setting the correct tone from the top. In accordance with the JSE Debt Listings Requirements, the Company maintains a conflict of interests register for its Directors.

The conflict of interests register for the Board and the Group ethics handbook, are available at www.telkom.co.za/about_us/humancapital/values/group-ethics-handbook.shtml.

AGM

Considering COVID-19 regulations and restrictions promulgated during FY2020, the AGM on 20 September 2020 was held virtually. The Chairperson embarked on an investor roadshow in August 2020 to engage investors and shareholders on issues relating to the 2019 investor roadshow, and on the proposed AGM resolutions. All matters raised in the 2019 roadshow were adequately addressed and subsequently closed.

The Ordinary and Special Resolutions received favourable votes at the AGM, except the Special Resolution dealing with the general authority for Directors to issue shares for cash. It achieved 73.1% votes in favour, not meeting the required 75%. This can be attributed to the domestic investment community's policy decision to approve general authority for Directors to issue shares for cash at a threshold of 5%, unless a specific transaction is identified upfront.

A general meeting of shareholders was not necessary, as the Board did not need to exercise this general authority resolution. For further details, refer to the notice of the AGM on page 125.

Key governance actions

Changes to JSE Listings Requirements

The JSE announced its amendments to the Debt Listings Requirements with effect from 30 September 2020. Most of the amendments mirror the approach and objective of the Equity Listings Requirements in advancing investor protection mechanisms through increased transparency, with additional disclosure and mandatory corporate governance requirements. The Board, through the Audit and Nominations Committees', complied with the new provisions. The Board appointed Andre Pillay, in his capacity as Group Executive: Treasury, as the Group Debt Officer with effect from 01 November 2020. The Board is satisfied with the competence, qualification and experience of the Debt Officer.

In accordance with paragraph 3.84(k) of the JSE Equity Listings Requirements, the GCEO and GCFO attestation statement was introduced in December 2019 and was effective for issuers with a year-end on or after 31 December 2020. For more details on the Directors' responsibility for financial controls, refer to page 2 of the annual financial statements.

The Board's focus areas

The roles and responsibilities of Directors are outlined in the JSE Listings Requirements, the Companies Act and the Board charter. In terms of the common law duty, a Director must exercise his or her powers and perform his or her functions in good faith, for a proper purpose, in the best interest of the Company and with a degree of care, skill and diligence. The Board is satisfied that its fiduciary duty and responsibilities as recorded in its charter were duly fulfilled.

Some strategic matters that the Board considered were:

Strategy	The Board convened two strategy sessions in September 2020 and February 2021: - The first session considered the impact of COVID-19 and the resultant economic developments on Telkom's strategy. The session highlighted the need to accelerate the components relating to broadband access and digital services - The second session reviewed the progress on the execution of key strategic objectives and the implementation plans for the next planning cycle The strategy is discussed on page 39.
Regulatory matters	The Board engaged on the Spectrum Policy Directive, and the options for consideration. Refer to the world we operate in on page 16, and strategic risks on page 27.
Customer centricity	As customer service is central to the operations of the Group, the Board focused on improving service delivery and customer experience. Refer to strategic risks on page 27 and page 30.
Risk	The Board focused on adverse regulatory matters and unstable market and economic conditions. Refer to the world we operate in on page 16. It approved the amended share dealing policy to address the changes in the JSE Listings Requirements. The Board also focused on climate-related risks and opportunities and climate change was identified as a new material theme. Refer to enhancing ESG disclosure on page 1, material themes on page 33 and natural capital on page 77.
Succession planning	The Board considered Non-executive Director succession planning, and appointed two Directors, refer to page 85. The Board considered the succession of Executive management and appointed Dirk Reyneke as GCFO on 07 December 2020.

Board Committees and their focus

The Board delegated some of its activities to duly constituted Committees to assist it in discharging its duties. The Board has six Committees, each guided by its own terms of reference. The Board Committees are satisfied that they have fulfilled their roles and responsibilities in terms of the approved terms of reference.

The Committees' terms of reference are reviewed annually, or as and when required, and have been aligned to best practice principles in terms of King IV and the JSE Listings Requirements. The Nominations Committee, in consultation with the Remuneration Committee, manages succession planning to ensure the balance of independence is maintained, and that successors are appointed to the Board in a manner that promotes technical and behavioural knowledge transfer to ensure continuity.

Through the Group Company Secretariat, all new Directors and incoming Members to the Board Committees were inducted to assist with onboarding processes, and to enable them to duly fulfil their responsibilities in the various governance structures.

The current Board charter and each Committee's terms of reference are available at www.telkom.co.za/ir/Governance/Governance.shtml.

Audit Committee

Members

- KA Rayner (Chairperson)
- PCS Luthuli
- KW Mzondeki
- H Singh*
- RG Tomlinson**
- LL Von Zeuner

* Appointed on 25 September 2020.
** Retired on 25 September 2020.

The Audit Committee is a statutory Board Committee per provisions of the Companies Act. It is mandated in terms of the DOA, and is charged with the independent role of accountability. The Committee has, among others, the responsibilities of internal and financial control, internal audit, external audit, risk management, combined assurance, financial statements and integrated report, communication with shareholders, King IV compliance, and legal and regulatory matters related to accounting activities. The Committee monitors Telkom's progress on improving its ESG disclosures, as discussed on page 115. In accordance with paragraph 3.84(g) of the JSE Listings Requirements the Committee has ensured that appropriate financial reporting procedures exist and are working, which included consideration of all entities forming part of the consolidated group financial statements and that it has access to all financial information of Telkom to allow the Company to effectively prepare and report on the financial statements.

The Committee considered and/or approved the following key matters, among others:

- Recommended to Board for approval the Integrated Report
- The FY2021 interim half-year plan including the review focus areas and proposed approach
- Actuarial assumptions
- Update on International Financial Reporting Standards
- Approved and recommended to Board for approval Stock Exchange News Service (SENS), results booklet and press release
- Monitored compliance with King IV disclosures
- Recommended to Board for approval condensed consolidated audited annual financial statements and long form company and consolidated audited annual financial statements
- Recommended to Board short-form announcement
- Proposed amendments to the FY2021 internal audit plan
- Integrated material themes for the FY2021 integrated report
- Discussed the tenure and re-appointment of the joint external audit firms and respective engagement partners
- Confirmed that the Committee is satisfied with the Audit Committee's views on the adequacy and effectiveness of the Acting Chief Audit Executive and GCFO

For more details on the Committee's activities, refer to its report in the annual financial statements on page 5. Also refer to the financial capital report on page 43.

Risk Committee

Members

- LL Von Zeuner (Chairperson)
- DD Mokgatle*
- F Petersen-Cook
- H Singh**
- KA Rayner

* Deceased on 09 January 2021.
** Appointed on 25 September 2020.

The Risk Committee assists the Board in ensuring Telkom has an effective risk management process that identifies and monitors the management of the Group's key risks in an integrated and timely manner. It oversees the governance of risks, including climate-related risks and opportunities, through the Group's ERM framework and its system of internal controls. It increased its focus on managing technology and information-related activities.

The Committee considered the following key matters, among others:

- Reviewed the information security incident that occurred within the Group and received feedback on how it was successfully countered
- Reviewed the state of information security policy and processes
- Received updates on the Group COVID-19 status and interventions
- Reviewed the changes in the Group risk profile

Refer to page 25 for ERM and compliance and page 65 for technology and information governance.

Remuneration Committee

Members

- RG Tomlinson (Chairperson)*
- SL Botha (former Chairperson)**
- MS Moloko
- KW Mzondeki
- LL Von Zeuner***

* Appointed as Chairperson on 25 September 2020.
** Retired on 25 September 2020.
*** Appointed on 25 September 2020.

The Remuneration Committee sets the Group's remuneration policy on behalf of the Board. It oversees remuneration for Executive Directors and senior Executives; monitors the execution of the remuneration policy for the Group, including Non-executive Directors; and makes recommendations to the Board.

Remuneration Committee continued

The Committee considered the following key matters, among others:

- FY2021 and FY2022 Group short-term incentive (STI) plans and FY2021 payments
- Talent share awards (TSAs) for top talent and critical skills specialists
- FY2020 share vesting in accordance with the long-term incentive plan (LTIP) and employee share ownership plan (ESOP) rules

Refer to the remuneration report on page 95.

Nominations Committee

Members

- MS Moloko (Chairperson)
- SL Botha*
- KT Kweyama**
- F Petersen-Cook***
- RG Tomlinson****

* Retired on 25 September 2020.
** Retired on 31 December 2020.
*** Appointed on 05 February 2021.
**** Appointed on 25 September 2020.

The Nominations Committee is responsible for reviewing and making recommendations to the Board on most governance-related matters, particularly Board and Committee composition. This includes all aspects of diversity. The Committee mandate was updated to include the process conducted to ascertain the fit and proper testing of the Directors to be appointed in addition to the JSE Listings Requirements Schedule 13 process.

The Committee works closely with the Remuneration Committee on succession planning for Executive Directors and critical roles.

The Committee considered the following key matters, among others:

- Appointed Non-executive Directors to address skills gaps identified and recommended the appointment of the new GCFO, refer to page 85
- Board and Committee evaluation report, refer to page 86
- Recommended changes to the share dealing policy to align it to the DOA and JSE Listings Requirements, refer to page 92
- Reconfiguration of the Board and its Committees to address the skills gaps and Board diversity
- Reviewed the King IV compliance status, refer to page 113

Investment and Transactions Committee

Members

- F Petersen-Cook (Chairperson)
- N Kapila
- SN Maseko
- KW Mzondeki*
- KA Rayner**
- AN Samuels***
- SP Sibisi
- RG Tomlinson

* Retired on 05 February 2021.
** Appointed on 05 February 2021.
*** Appointed on 05 February 2021 and resigned on 01 July 2021.

The Investment and Transactions Committee deals with any significant investment or transaction relating to the acquisition of another business or legal entity, including any equity injection or possible merger or acquisition approved by the Board. It ensures that approved transactions' post-merger integration plans are adequate. It monitors the performance of investments against the original investment criteria and pre-investment assumptions through a formal post-acquisition review.

The Committee considered the following key matters, among others:

- The Group's strategic and value unlock rationale, refer to page 11
- Update on the capex deployment for temporarily assigned spectrum

Social and Ethics Committee

Members

- KW Mzondeki (Chairperson)*
- KT Kweyama (former Chairperson)**
- N Kapila
- PCS Luthuli
- DD Mokgatle***
- AN Samuels****
- SP Sibisi
- LL Von Zeuner*****

* Appointed on 05 February 2021.
** Retired on 31 December 2020.
*** Deceased on 09 January 2021.
**** Appointed on 05 February 2021 and resigned on 01 July 2021.
***** Retired on 25 September 2020.

The Social and Ethics Committee is a statutory Board Committee per provisions of the Companies Act. Its activities emphasise the environment and social, governance and ethics-related matters.

The Committee considered the following key matters, among others:

- The annual ethics leadership commitment statement for FY2021
- Management's response to COVID-19 and the impact on Telkom employees
- Monitoring the impact of corporate social responsibility matters
- Monitoring the impact of the FutureMakers strategic objectives
- Reviewing the B-BBEE scorecard and the impact of the loss of facilitator status under ownership, as well as the changes to the BEE legislation and the impact on the ICT sector codes, refer to page 75
- Feedback on the S189 process, refer to page 71
- Monitoring the safety, health, security and environment matters
- Improving Telkom's ESG reporting, refer to pages 1 and 94

Refer to the Social and Ethics Committee report on page 94.

Board and Committee meeting attendance

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee	Investment and Transactions Committee	Social and Ethics Committee	Risk Committee
Independent Non-executive Directors							
MS Moloko	11/11	–	5/5	6/6	–	–	–
SL Botha	5/5[1]	–	2/2[1]	3/3[1]	–	–	–
N Kapila	11/11	–	–	–	7/7	4/4[9]	–
KT Kweyama	8/9[3]	–	–	4/4[13]	–	3/3[9&13]	–
PCS Luthuli	11/11	7/7[9]	–	–	–	4/4[9]	–
DD Mokgatle	8/9[8]	–	–	1/1[8]	–	2/3[3,8&9]	2/2[8]
KW Mzondeki	10/11[3]	7/7[9]	5/5	–	6/6[5]	2/2[5&9]	–
F Petersen-Cook	11/11	–	–	1/1[7]	7/7	–	3/3
KA Rayner	10/11[3]	7/7[9]	–	–	1/1[12]	–	3/3
AN Samuels	2/2[15]	–	–	–	1/1[15]	1/1[15]	–
SP Sibisi	11/11	–	–	–	7/7	3/4[3&9]	2/2[11]
H Singh	6/6[2]	1/2[2&3]	–	–	–	–	2/2[2]
RG Tomlinson	11/11	5/5[4&9]	5/5[4]	3/3[4]	7/7	–	–
LL Von Zeuner	10/11[3]	7/7 [9]	3/3[6]		–	2/2[9&10]	3/3
Executive Directors							
SN Maseko	11/11	7/7	6/6	6/6	7/7	4/4	3/3
TBL Molefe	8/8[16]	6/6[16]	3/4[16]	–	5/5[16]	3/3[16]	2/2[16]
DJ Reyneke	3/3[14]	1/1[14]	3/3[14]	–	2/2[14]	1/1[14]	1/1

1 *Santie Botha retired from the Board on 25 September 2020.*
2 *Herman Singh appointed 25 September 2020.*
3 *Apology.*
4 *Rex Tomlinson retired as an Audit Committee Member on 25 September 2020 and appointed as Chairperson of Remuneration Committee and Member of Nominations Committee, respectively.*
5 *Kholeka Mzondeki retired as a Member of Investment and Transactions Committee and appointed as Chairperson of Social and Ethics Committee on 05 February 2021.*
6 *Louis Von Zeuner appointed as Remuneration Committee Member on 25 September 2020.*
7 *Fagmeedah Petersen-Cook appointed as a Member of Nominations Committee on 05 February 2021.*
8 *Deceased on 09 January 2021.*
9 *Members of Audit and Social and Ethics Committees who attended a joint Audit Committee and Social and Ethics Committee meeting on 20 July 2020.*
10 *Louis Von Zeuner retired as a Member of Social and Ethics Committee on 25 September 2020.*
11 *Appointed as a Member of Risk Committee on 25 September 2020, and appointed as a Member of Remuneration Committee on 05 February 2021.*
12 *Keith Rayner appointed as a Member of Investment and Transactions Committee on 05 February 2021.*
13 *Khanyisile Kweyama retired from the Board on 31 December 2020.*
14 *Dirk Reyneke appointed 07 December 2020.*
15 *Alphonzo Samuels appointed 01 January 2021 and resigned on 01 July 2021.*
16 *Tsholo Molefe resigned on 04 December 2020.*

Group Company Secretary

The Group Company Secretary remained Ayanda Ceba. Her role includes engaging and supporting the Board and its Committees on a regular basis and providing advice regarding their fiduciary duties, JSE Listings Requirements, disclosure obligations, good governance practices and ethical conduct. There are arrangements in place for accessing professional corporate governance services and the Board is satisfied that these arrangements are adequate and effective through the office of the Group Company Secretary.

The Group Company Secretary maintains an arm's-length relationship with the Directors and oversees governance in all subsidiaries aligned to the Group governance framework and the operating model. The Group Company Secretary was evaluated by the Board through the Nominations Committee in FY2021. She will be evaluated by the Board during FY2022 through an independent service provider, and the evaluation will cover the individual performance and the effectiveness of the Group Company Secretariat function. The Board remains satisfied with the adequacy and effectiveness of the performance of the Group Company Secretary in assisting the Board to discharge its duties and believes she is competently qualified for the role.

Combined assurance

Telkom's combined assurance approach incorporates and seeks to optimise all assurance-related activities across the Group and the various assurance providers, in line with the combined assurance framework. The framework outlines the minimum requirements for achieving the combined assurance mandate. The three lines model is aimed at improving and monitoring the Group's governance, risk management and internal controls.

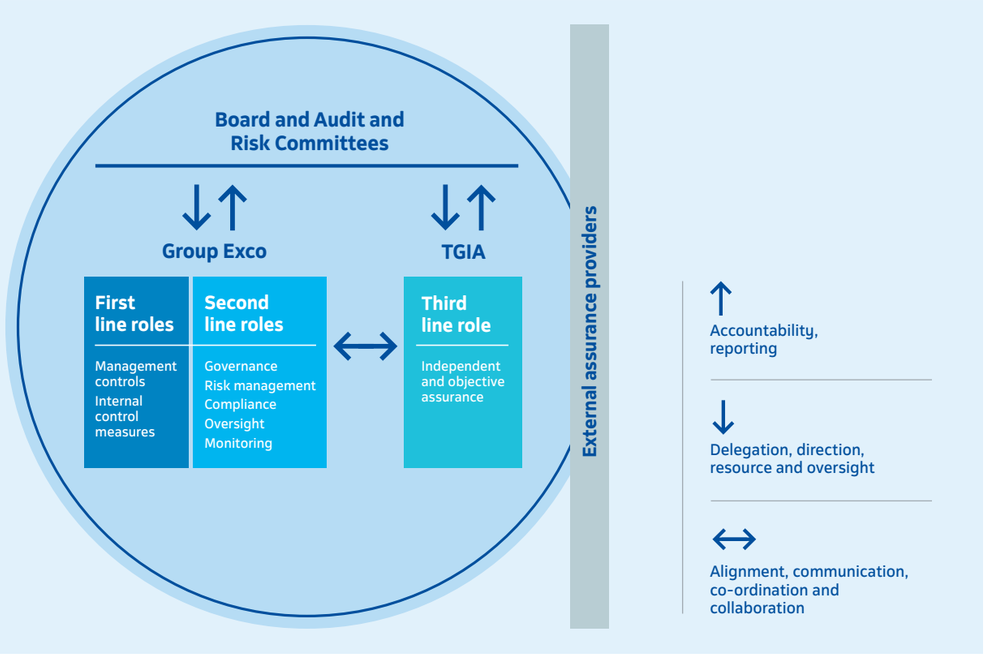
The combined assurance model aims to integrate and align all assurance services and functions so that these holistically enable an effective control environment, support the integrity of information used for decision-making, and support the integrity of Telkom's external reports and underlying statements.

The Board, through the Audit Committee (supported by the Risk Committee), oversees the implementation of the combined assurance model and its effectiveness. It oversees that the scope of combined assurance is informed by the key principal risks and opportunities that materially affect the Group's ability to create value. The lines of assurance (consisting of Telkom's subsidiaries, business units, functional areas, internal and external assurance providers) are collectively responsible for implementing and reporting on the combined assurance mandate through a co-ordinated approach to ensure its effectiveness. Our regulators (for example, ICASA and the Competition Commission) may institute reviews to gain assurance that Telkom complies with regulation and applicable laws.

Telkom Group Internal Audit (TGIA), in collaboration with Telkom ERM, is responsible for leading the co-ordination and future advancement of the Group's combined assurance efforts across the lines of assurance. It aligns its assurance activities with that of other assurance providers, including external auditors, to ensure that Telkom's significant risks are adequately addressed. The Audit Committee has reviewed the effectiveness of these combined assurance activities and is satisfied.

During FY2021, an independent assessment over the maturity of Telkom's combined assurance arrangements and activities was performed on behalf of TGIA. Telkom's overall maturity assessment was assessed as being adequate based on existing processes to apply the related King IV practices, with recommendations for improvement. Telkom views this as an important step to further strengthen collaboration between the three lines of assurance and further enhance corporate governance, aligned with the future intent and direction of the Board.

The combined assurance framework is outlined in the diagram below.



Internal audit

TGIA provides independent and objective assurance and consulting services to enhance value and improve Telkom's operations. TGIA uses a systematic approach to assess and improve the effectiveness of governance, risk management and internal control processes within Telkom and its subsidiaries.

TGIA provides assurance to the Group's stakeholders by:

- Assessing and making appropriate recommendations to improve Telkom's governance processes
- Evaluating the effectiveness of and contributing to the improvement of risk management processes
- Assessing the adequacy and effectiveness of Telkom's internal controls

The Acting Chief Audit Executive functionally reports to the Audit Committee Chairperson, and administratively to the GCFO. The Acting Chief Audit Executive attends Audit and Risk Committee meetings and is a standard invitee to Group Exco meetings or other Committee meetings comprising mostly senior Executives. This structure promotes the independence of internal audit and the accomplishment of its responsibilities.

TGIA subscribes to a risk-based audit methodology in developing its annual audit plan which aligns to the Group's strategic risks, considering any opportunities and challenges in the respective operating environments. It provides support to all the subsidiaries and business units in achieving their strategic objectives. TGIA also collaborates with other assurance providers to continually enhance its combined assurance efforts.

The Audit Committee approves the audit plan annually. TGIA revises the plan on a quarterly basis to remain relevant and align with key business priorities and a changing business and risk environment. All changes are tabled with the Audit Committee for approval.

In FY2021, TGIA successfully executed its plan for the year, despite the challenges arising from COVID-19. In planning the internal audit for FY2022, TGIA considered the Group's strategic risks (page 27) and global and industry emerging risks. TGIA continues to establish innovative and efficient ways of executing its audit plan, considering tools and technology as appropriate.

TGIA conducts ongoing internal quality assessments. TGIA is subjected to an external quality assurance review at least once every five years. TGIA achieved a "generally conforms" rating to the International Professional Practices Framework of the Institute of Internal Auditors based on its external quality review in FY2017. The next external review will be performed during FY2022.

Maintaining our business integrity

Building an ethical culture

Telkom has a zero-tolerance policy regarding unethical behaviour, fraud and corruption. The GCEO designated the Group Company Secretary as the Group Ethics Officer with effect from 15 March 2021. The Group Ethics Officer will focus on continuous ethics awareness initiatives, embedding a Group-wide ethical culture and through conducting an ethics and fraud survey, monitor the ethical behaviour of employees.

The Board remains committed to building a Group that maintains the integrity of the business while supporting management to enhance the assurance functions and promote an ethical culture. The Group Company Secretariat and BCX risk and Group Forensics teams developed a joint integrated ethics rollout online plan for the Group.

The established Combined Assurance Awareness Forum is a mechanism to ensure that the Group has a convergence point for the Cloud-based Ethics and Fraud training programmes, which were launched in October 2020. The online training consisted of four modules on:

- My role in ethics
- Conflicts of interest
- Gifts and entertainment
- Prevention of fraud and corruption

The modules were based on the Group ethics handbook and were designed to help promote and encourage ethical behaviour and decision-making in Telkom. This was endorsed by the GCEO and the respective subsidiaries' and business units' CEOs.

The Group ethics strategy is being enhanced to align with operational requirements and best practice. The strategy will consider outcomes from ethical dilemmas reported internally and externally. An updated Group ethics plan will be developed based on the Board-approved combined assurance framework for implementation in an integrated manner. The Group ethics handbook is being embedded into the Group culture, and it is underpinned by our values (page 6).

> The Supplier Code of Conduct was reviewed during FY2021 to strengthen the guidelines in relation to potential, perceived and actual conflict of interest risks. This code forms part of the pack for the supply chain documents which hold mandatory compliance for all registered suppliers and an annual commitment for all existing suppliers is also conducted.

Share dealing policy

Telkom's share dealing policy was reviewed due to the amendment in the JSE Listings Requirements. The policy is included in the Group ethics handbook but remains a standalone policy due to its critical role in promoting transparent disclosure requirements. This policy is informed mainly by the Financial Markets Act, 19 of 2012 and the JSE Listings Requirements.

All Directors and employees are required to adhere to the policy's provisions. Trading in the Company's securities is not permitted during prohibited periods, which comprise price sensitive periods and closed periods (which comprise financial and cautionary closed periods).

In FY2020, the policy was aligned with the new JSE Listings Requirement which states that in the event that Telkom securities are used as security, guarantee, collateral or otherwise, such transactions would require disclosure in the Company's annual financial statements and on SENS.

Zero tolerance for fraud and irregular conduct

Telkom Group Forensics (TGF) is responsible for the Group's fraud risk management. TGF uses risk-based approaches to prevent, detect and respond to fraud, corruption, irregularities and theft. Telkom has zero tolerance towards fraud and irregular conduct. As such, allegations of fraud and irregular conduct are investigated without regard to any employee's relationship with the business, stature, position or length of service.

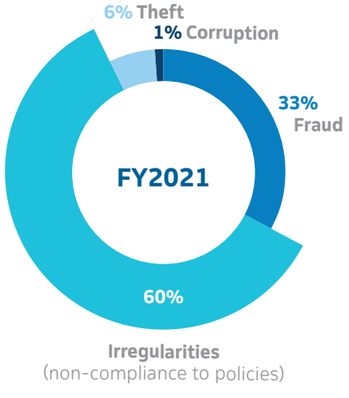
TGF executes fraud risk management activities as per the annual fraud risk management plan. Most of the planned activities relate to proactive forensics. TGF, working with other assurance providers, conducted various Group and business-unit-specific initiatives during FY2021 to help prevent, detect and deter fraud. These included various virtual, targeted and tailor-made fraud awareness campaigns, online ethics and fraud training and a roundtable discussion involving employees on the impact of fraud and corruption in South Africa. Among others, the initiatives to prevent and detect fraud included regular fraud risk assessments, proactive fraud detection reviews and the use of fraud data analytics. We regularly engage management on prevalent cases to create awareness, foster learning and to obtain feedback on the implementation of forensic recommendations.

During FY2021, TGF initiated a project to increase the whistle-blower touchpoints from two to six. In addition to the original two (email and telephone), we have added reporting through a software application, intranet, website and WhatsApp. These new touchpoints will make it easier for internal and external stakeholders to report allegations of fraud and irregular conduct.

The Telkom hotline and other reporting channels are independently managed and operate 24 hours a day. Complainants can choose to report anonymously and are updated on the progress of the investigation or outcome if they elect that option. There was an overall 2% decline on reports to the Telkom hotline due to reduced economic activity in the first half of the year due to COVID-19. Since then, reports have increased, but not to the pre-COVID-19 level.

1 467 reports were made mainly for security, network protection services and TGF. Some of these reports were converted into cases that were investigated. The outcomes of substantiated forensic investigation led to identification of fraud vulnerable areas and improvement of internal controls, corrective actions against employees and other stakeholders, recovery of fraud loss, opening of criminal cases and provision of litigation support during civil proceedings. The graph below shows the percentage split of various fraud schemes that were reported and investigated.

Reported and investigated cases



The outcomes and insights obtained from these investigations were shared with other assurance providers and governance structures and were also used to influence and guide fraud prevention and fraud initiatives. The following corrective actions stemmed from forensic investigations:

- Eight employees or third-party employees were dismissed
- Eight employees received various types of warnings
- Five employees resigned or took a VSP during the investigation or disciplinary hearing process
- Two service provider contracts were terminated
- Two service providers received warnings

As at 31 March 2021, three employees were on suspension, and a further 12 employees and one service provider were due to be disciplined based on the outcomes of forensic investigations. Criminal acts were reported to the South African Police Service, and the cases are in various stages of the criminal justice system. Where Telkom suffered fraud losses, appropriate remedies were used to recover losses from responsible parties.

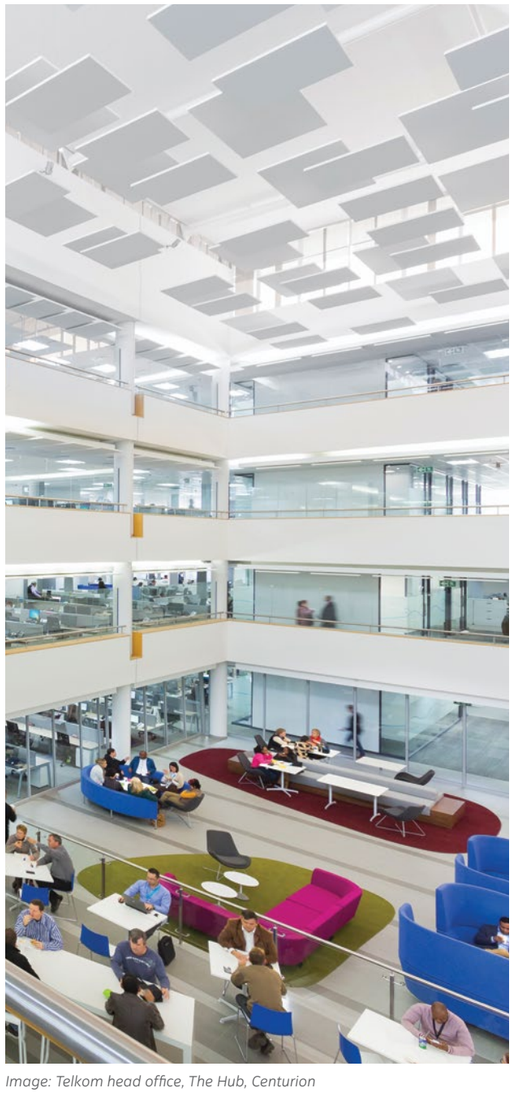


Image: Telkom head office, The Hub, Centurion

The Social and Ethics Committee report

The unprecedented COVID-19 pandemic has devastated economies and societies globally. South Africa has not been exempted from the resultant socio-economic effects and deaths of citizens.

The Social and Ethics Committee (The Committee) is a statutory Committee in terms of section 72(4) of the Companies Act, read in tandem with Regulation 43 of the Companies Regulations, 2011. It fulfilled its duties assigned to it in terms of its approved terms of reference. The Committee monitors the Group's activities in relation to organisational ethics, responsible corporate citizenship, ESG, sustainable development and stakeholder relationships.

The Committee's membership and meeting attendance is detailed on pages 89 and 90 respectively. Members of Group Exco and other senior employees are standing invitees.

Some of the year's key focus areas are set out below, with cross-references to where more detailed information is included.

Organisational ethics

In support of King IV principle 1, which states that "the governing body should lead ethically and effectively", the Committee considered and recommended the annual ethics leadership commitment statement for FY2021 to the Board for approval. This sets the "tone from the top" and demonstrates ethical behaviour and leadership in a tangible manner.

The Committee approved the development of an integrated ethics and cloud-based fraud rollout training plan. The training plan's four modules were based on the Telkom Group ethics handbook and were designed to embed and enhance an ethical culture. The plan promoted and encouraged ethical behaviour and decision-making. Refer to page 92.

Good corporate citizenship

TGF reports assist the Committee in monitoring the execution of its mandate to reduce corruption and mitigate against potentially fraudulent activities. The focus was largely on proactive initiatives through fraud awareness and early fraud detection initiatives to address identified trends. These initiatives included increasing the whistle-blowing touchpoints to make it easier for internal and external stakeholders to report economic crimes. Refer to page 93.

Telkom Foundation's programmes during COVID-19 focused on pressing educational inequality challenges, for example, the need to reconfigure the schooling system towards new ways of learning through online initiatives. Refer to page 75. The Department of Basic Education and Telkom worked collaboratively towards addressing priority areas geared at the reconfiguration of schools into the future. The Digital Skills programme conducted a study developed in collaboration with the Department of Health to enhance online learning for learners and educators.

FutureMakers' strategic objectives included launching the Township Innovation Incubator to use social entrepreneurship to drive technology solutions in townships through innovation, prototyping and business case development for solving community problems. Refer to page 73.

As a result of losing government's facilitator status under ownership, the Group's B-BBEE certification status for Telkom moved to level 3, and BCX moved to level 2. Telkom continues to try and understand the regulatory landscape so that it can comply and effectively execute the regulatory requirements. Refer to page 75.

The Group conducted an HR survey in FY2021, which highlighted the psychological challenge of employees battling to find a balance between working from home and still caring for their families. In adapting to the "new normal" brought about by the COVID-19 disruption of the traditional work environment, the Group transitioned well to meet organisational and customer needs and demands. It developed a remote work framework aimed at assisting employees to transition to this new way of working to ensure organisational and customer objectives were managed, while gradually adopting a culture of self-directed teams and outcomes-based performance. Refer to page 68.

The Committee monitors mental and physical health and safety within the Group through its activities. Management reported a continuous positive trend in lost-time injury frequency rates and total recordable injury rates, and had zero contractor fatalities. It sadly registered an employee operational fatality in February 2021 after 804 days of zero employee fatalities. The health and safety division developed and implemented administrative controls for COVID-19, and further provided content for COVID-19 awareness in conjunction with the Group Emergency Management Team. Refer to page 71.

ESG

Telkom is on a journey to enhance its ESG disclosures as requested by key stakeholders (set out on page 1). The key focus areas this year included more enhanced disclosures against Telkom's key SDGs. These disclosures are summarised in the appendix on page 115.

In addition, Telkom adopted the TCFD framework. The Committee will be responsible for monitoring and oversight in relation to TCFD activities, while the Risk Committee will be responsible for monitoring and assessing TCFD-related risks. Telkom has included certain disclosures relating to governance, risk and strategy in this report and will develop related metrics and targets over a two-year period. Refer to the TCFD disclosures on risk (page 26), strategy (page 39) and governance (page 78).

In closing

The Committee remains committed to fulfilling its mandate as required in terms of the Companies Act and its Regulations, but also in ensuring that Telkom maintains its responsible corporate citizenry status. We acknowledge the contributions of the late Dolly Mokgatle to the Committee and express our condolences to her family.

Kholeka Mzondeki
Chairperson
Social and Ethics Committee

Remuneration report

Remuneration Committee Chairperson's report

On behalf of the Remuneration Committee (Remco), I am pleased to present the FY2021 remuneration report.

The COVID-19 pandemic has created uncertainty and challenges for doing business. The nature of the impact of the pandemic on the broader socio-economic landscape has presented challenges to business. Business has had to make significant changes to deal with the operational challenges and the impact on business performance. Telkom has proactively looked to address and embrace the challenges and uncertainty of doing business to ensure it emerges as a stronger business post the pandemic.

Remco ensures our reward policy, plans and practices incentivise the right behaviour to deliver positive outcomes aligned with shareholders' expectations in the short, medium and long term, and continues to ensure a financially sustainable business. The balance in this regard was tested as we sought to support the business over the pandemic. We ensure our remuneration policy and decisions are aligned to achieving the Group strategic business objectives, per our mandate.

> Our remuneration levels are set to attract and retain the required talent, and to sustain overall Group performance. Talent retention remains a significant business challenge, especially in the current uncertain environment. Leadership stability and retention of critical specialist skills are key if Telkom is to successfully navigate the uncertain macro-environment, and deliver on its sustainability and growth ambitions. The retention decisions taken this year will support and help ensure both leadership stability and a managed succession process.

In view of the retrenchments in Openserve, Telkom Consumer, BCX and Yep! (Yellow Pages), Remco supported the difficult decision taken to grant a 0% increase to all employees. Talent Share Awards* were issued to 82 employees as retention and no shares were allocated in terms of the approved LTIP scheme.

Remco responded to the impact of the COVID-19 pandemic to ensure that the Group Executives remained focused on investing for the future, seeking new revenue growth opportunities, while ensuring a strong focus on costs, capex expenditure and working capital management.

The Group embraced and adapted to the challenges and the impact of conducting business in a COVID-19 environment, including initiatives implemented with regard to remote work. Refer to the human capital report page 67.

** We awarded talent shares for retention.*

Remco believes the objectives outlined in the remuneration policy were met, and that all decisions complied with the policy.

After assessing remuneration factors including the number of Group-wide participants and with due cognisance of market conditions created by COVID-19, Remco approved the following policy and structure changes with respect to the STI for FY2021:

- The hurdle rate to qualify for the STI was decreased from 95% to 85%
- The STI pool was increased from 7.9% to 12% of actual PAT achieved
- Financial triggers and measures remained unchanged with the addition of FCF as an additional measure

AGM voting results in favour of the:	FY2018 %	FY2019 %	FY2020 %
Remuneration policy	95.84	97.19	79.57
Implementation report	73.62	98.80	79.69

Key abbreviations

EBITDA	earnings before interest, tax, depreciation and amortisation
ESOP	employee share ownership plan
FCF	free cash flow
GP	guaranteed package
HEPS	headline earnings per share
LTIP	long-term incentive plan
PAT	profit after tax
ROIC	return on invested capital
STI	short-term incentive
TSA	talent share awards
TSR	total shareholder return

The Chairperson of the Board and Remco engaged with shareholders on the resolutions. In order to address the concerns raised by shareholders the following actions were taken:

Shareholders' concerns	Remco feedback and actions
Shareholders raised the lack of FCF as a KPI for both the STI and LTI, given Telkom's capex investment strategy. - Some shareholders believe FCF should also be included in the LTI, as it ensures discipline in terms of capex management. The telco industry is capital intensive, therefore management should be incentivised to manage capex and returns - The LTI currently includes TSR (50%), ROIC (25%) and HEPS (25%). Some shareholders believe the TSR weighting of 50% is too high and proposed that it be reduced and FCF be included as a fourth indicator. Although TSR is aligned to shareholder interests, some shareholders consider the weighting of 50% unfair to management, as it does not have control over the share price A shareholder enquired whether the Board would make an adjustment for COVID-19 for TSR, as management does not have control over all the factors influencing TSR.	FCF was introduced in the STI scheme. - Remco reviews share award performance conditions annually based on strategic deliverables and the operating environment for a particular financial year. FCF is not considered as an LTI performance condition, at this stage - Long-term investment commitment of strategic shareholders is critical for business sustainability, therefore 50% weighting is placed on TSR. Vesting performance conditions are reviewed annually by Remco and will consider shareholders' inputs. Telkom is not planning to make any adjustments in relation to previously set LTI performance vesting conditions.

FY2021 AGM

- As required by the Companies Act and recommended by King IV, the following resolutions will be tabled for shareholder voting at the AGM in August 2021 (page 127):
  - Advisory vote on the remuneration policy (page 127)
  - Advisory vote on the implementation report (page 127)

Should the remuneration policy or the implementation report or both be voted against by more than 25% of the voting rights exercised, an engagement process will be initiated with the dissenting shareholders. This will be done on behalf of the Board by the Chairperson, Remco Chairperson and Group Company Secretariat to:

- Ascertain the reasons for the dissenting vote
- Appropriately address legitimate and reasonable objections and concerns raised

After engagement with shareholders, the Remco will deliberate on the inputs received and agree on the most suitable way to address legitimate and reasonable objections and concerns raised. The voting results, concerns and steps taken will be disclosed in the FY2022 integrated report.

Remco objectives for FY2022

Remco is committed to ensure our remuneration policy, practices and decisions support achieving the Group strategic business objectives, and that they:

- Represent a fair and balanced remuneration mix between guaranteed/base pay, STI and LTI
- Are designed to retain key Executive leadership, top talent and critical skills specialists
- Reward superior performance

We will continue to review and align our policies to ensure all incentive structures adequately reflect market best practices, current trading conditions, business requirements and our responsibilities to shareholders and employees.

Key focus areas:

- Reviewing the FY2022 STI plan to support/facilitate the evolution of Telkom's operating model
- Monitoring the remote work journey based on the remote work framework (refer to human capital on page 67)
- Reviewing remuneration practices and introducing appropriate compensation and reward models to support the remote work journey
- Closely monitoring the succession plan for the Executive Directors and Group Executives
- Proactively reviewing Telkom's ability to retain key Executive leadership, top talent and critical skills specialists

Independent external advisors

Remco contracted PricewaterhouseCoopers Inc. (PwC) to share general market practice, which was enhanced by an analysis of the STI plans of the top 100 companies listed on the JSE. It included general guidance on the treatment of the STI in a COVID-19 environment. Remco also contracted the services of external service providers to review the complexities of Executive remuneration. Remco is satisfied with the independence and objective view of the service providers.

Closing remarks

We believe the remuneration policy achieved its stated objectives in FY2021. We will continue to comply with legislation and King IV requirements, while remaining conscious of disclosing sensitive information. In our view, this report complies with the King IV principle 14 disclosure requirements.

Thank you to our shareholders for their continued feedback and support. I look forward to our future interactions. To my fellow Remco colleagues, thank you for your valuable counsel and contribution during the year.

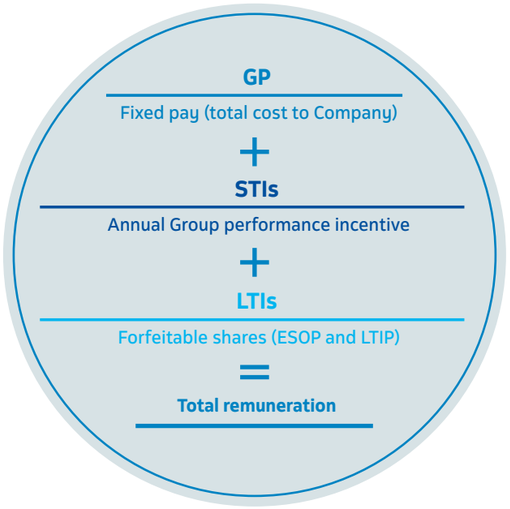
Rex Tomlinson
Chairperson
Remuneration Committee

The remuneration report relates to FY2021. It does not include subsequent events after year-end. The remuneration report is divided into two sections:

Section 1: Our remuneration philosophy, policy and framework for FY2021

Section 2: Implementation report and remuneration disclosure of Executive Directors, Non-executive Directors and other prescribed officers for FY2021

Our remuneration philosophy, policy and framework



Remuneration philosophy and policy

The Group remuneration strategy is designed to attract, motivate and retain high-calibre talent, and supports the delivery of our strategy in a sustainable manner without encouraging undue risks.

It is increasingly challenging to retain experienced Executive leadership, and to attract the necessary talent required for the new and growing areas of our business. Meeting these challenges requires a competitive and attractive remuneration offering.

To ensure we remunerate all employees competitively, we use market and industry benchmarks. These benchmarks determine appropriate market-related offerings, and higher than minimum prescribed wages.

Telkom recognises “equal pay for work of equal economic value” principles and strives to remunerate employees doing substantially the same work, within the same range under the Labour Relations Act, 66 of 1995.

Telkom recognises that there could be differences which are attributed to the following:

- Individual’s seniority or length of service
- Individual’s qualifications, ability, competence, critical skills or potential above required levels of performance for the job
- Individual’s performance (all employees are equally subject to Telkom’s performance management system)
- Demotion due to restructuring without a concomitant reduction in remuneration
- Individual’s lack of relevant experience for a job level
- Any other non-discriminatory differentiator

Fair and responsible remuneration

Telkom applies the principles of fair remuneration based on job complexities and relative job worth, including similar performance outcomes. Our remuneration policy follows the same fundamental principles across all employee levels. Remuneration must be externally competitive and internally equitable.

We continuously review our practices to ensure that remuneration levels are appropriate across functional areas of the business and that employees are remunerated fairly. Where any anomalies are identified, these are addressed as part of our annual remuneration review process.

We believe fair and responsible remuneration can be defined as follows:

Fair

- Rational, easy to understand and not subject to emotions
- Free from discrimination, favouritism and self-interest
- Linked to individual and Group performance
- Purposeful to address unfair discrimination

Responsible

- Independent with oversight (approved within the DOA)
- Pay decisions must be equitable
- Sustainable (link to value creation) and output driven

In ensuring fair and responsible remuneration, Telkom focuses on the important issues of employment equity, gender equity and pay differentials. As we continuously review our practices at all levels of remuneration, we ensure that any pay differential based on race or gender is adequately addressed.

The gender wage gap across all grading/complexity levels in Telkom ranges between 0%-3%. The gender gap is within acceptable tolerance levels. A key component that may impact the gender wage gap is gender composition. The gender wage gap was calculated on the actual value of what a woman would earn if she occupied the same position as a man across all levels (job complexity/grade levels).

The Telkom race wage gap ranges between 0%-4%. The race wage gap is calculated on the actual value of what a black employee would earn in comparison to a white employee if they occupied the same position as a white employee across all levels (job complexity/grade levels). The Company has made a concerted effort over a number of years to deal with inequalities, taking into consideration the principle of equal pay for equal work.

Remuneration objectives and principles

The remuneration policy is designed to attract talent in a competitive labour market and enable Telkom to achieve the following objectives:

- Promote sustainable value creation through transparent alignment with the Group strategy
- Ensure proper risk management processes, and that remuneration is aligned with both short and long-term performance
- Ensure all employees are remunerated competitively relative to industry benchmarks, provided with appropriate incentives to encourage performance and rewarded for their individual contributions to the Group’s success
- Ensure that remuneration is affordable and reasonable in terms of sustainable value creation for shareholders

Our remuneration and reward policies and practices are based on the following principles:

- Motivate and reinforce superior performance
- Encourage the development of organisational, team and individual performance
- Develop future required competencies and skills
- Employees should share in the success of the Group
- Aim to get the appropriate remuneration mix to ensure the Group achieves its strategic financial and operational objectives in the short and long term
- Is fair and non-discriminatory

Remuneration structure and risk management

Our remuneration structure aligns with the Group strategy and the agreed risk appetite, which seek to reward success fairly, responsibly and transparently, while avoiding overpaying. Remuneration risk is reviewed to align remuneration decisions with strategic business objectives. Remco ensures that:

- The remuneration policy is transparent
- Remuneration incentive plans are reviewed annually
- Executives are not involved in any remuneration policy decisions which impact their individual remuneration directly
- The remuneration policy includes malus and clawback policy provisions which apply to all STI amounts paid and vesting of share awards (LTI)

Remco annually reviews the Group’s financial results to determine STI payments before any payments are made to Executives and other employees. Performance conditions for shares to vest as per the rules of the scheme are reviewed prior to vestings being approved. The Remco has full discretion to adjust the final payment or vesting downwards if it believes circumstances warrant it.

Malus and clawback

Remco has the discretion to use either malus or clawback as it sees appropriate. In the case of malus, the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested, or vesting may be delayed. In the case of clawback, Remco may recover incentive payments that were paid for up to three years after the relevant payment date or recover the vesting value of shares vested for up to three years after the relevant vesting date since introduction thereof.

Malus and clawback will be triggered in the following events:

- If there was misconduct or material misstatement of performance, material miscalculation of performance condition outcomes and/or gross misconduct by a participating employee, or where the actions of an employee resulted in reputational damage to the business
- If the business suffers a material downturn in financial performance due to irregularities or a material failure of risk management
- If awards were based on material misstatements of the Group’s financial results, or information arises which would have caused benefits to lapse or would have resulted in Remco rewarding differently had the information been known at the time
- If the business suffered a material financial loss as a result of actions or circumstances attributable directly to an employee or which could have been avoided by the reasonable actions of an employee
- If the Board or Remco, in their discretion, deem it necessary to apply malus or clawback

GPs

Fixed GPs comprise a basic pensionable salary, retirement provision and flexible benefits, which include a non-pensionable allowance and a motor allowance where applicable.

Salary is paid monthly. Fixed pay is reviewed annually, and any increases are typically effective from 01 April each year.

GPs are influenced by the scope of the role and the knowledge, skills and experience required of the position. The packages reflect the market median, which is determined through external market research.

Fringe benefits
- Funeral benefit
- Telephone rebate
- Motor car insurance (M6 to M0)

Annual salary reviews

Remco approves annual salary mandates for management and bargaining unit employees. Several factors are considered including affordability, business results, individual performance, market competitiveness and economic indicators such as inflation, cost of living and labour market movements, to ensure fair and equal remuneration.

Bargaining unit employees' salary increases are subject to substantive negotiations and agreements concluded between Telkom and organised labour.

Management employees are eligible for performance-related increases. Individual and Group performance play an integral role.

Non-performing management employees do not qualify for a salary increase.

Short-term variable incentives

14th cheque and Performance Pays for bargaining unit employees (A-M6)

Bargaining unit employees are eligible for quarterly **Performance Pays** payments linked to Company, business unit and individual performance. Net revenue serves as a trigger and the hurdle rate is 95%.

No STI or 14th cheque is payable to employees who do not meet individual performance outputs.

Bargaining unit employees are eligible for **14th cheques** subject to the achievement of Group financial targets and individuals meeting their individual KPIs as outlined in their performance contracts.

STI for management employees (M5-M0)

The STI plan is aligned with shareholder expectations. A single STI structure is applied across the Group. Payment occurs annually in June after Remco approval.

Remco approves the STI pool based on Group achievements. The STI pool is allocated to the respective business units by the GCEO based on business unit achievement and overall performance.

For FY2021, the PAT hurdle rate is 85%. The STI pool is set at 12% of PAT achieved, as approved by Remco.

Long-term variable incentives

The share incentive plan is designed to align management and shareholders' interests and grow shareholder value. The objectives are to motivate long-term sustainable performance and retain business-critical and top talented employees.

Forfeitable shares: A free transfer of shares is awarded to employees, under the condition of forfeiture in the case of termination of service before the vesting/release date, and achieving performance vesting conditions.

Employees are eligible for annual share awards subject to Remco approval.
- 90% vesting achievement threshold equates to 50% vesting
- No possibility to overperform against the targets, which are set at 100%

ESOP: Middle management and bargaining unit employees, A to M4/S4
- Three-year vesting conditions

LTIP: Senior leadership, M3 to M0 employees
- Five-year vesting conditions from award date:
  - Year 3: 50%
  - Year 4: 30%
  - Year 5: 20%
- 15% of GP shareholding acquisition requirements

TSA
- TSAs to retain top talent and critical skills specialists
- Three-year vesting conditions

Linked to Telkom and individual performance

No shares are awarded to employees who do not meet individual performance outputs.

No shares will vest if performance conditions are not met.

Performance management

A performance culture and systems are critical strategic enablers that translate business vision into objectives and metrics aimed at achieving high performance with sustainable business results. The business strategy is cascaded through a balanced scorecard approach. Goals are set at Executive management level and filtered down to subsequent levels. As objectives are filtered, they are adapted and translated to suit employees' specific roles. Cascading objectives allow managers and teams to align their activities with the Group's strategic objectives.

We focus on defining KPIs for the GCEO, GCFO and business unit CEOs in line with the five areas of our scorecard:

1. **Financials:** Achieving the business plan targets
2. **Customers:** Overall customer satisfaction
3. **People management:** How people are managed
4. **Operational management:** Operational measures to sustain the business
5. **Strategic:** Key strategic milestones

The balanced scorecard aids in ensuring that there is alignment between the day-to-day operational work of all employees and the business strategy, while measuring and monitoring progress towards the strategic targets.

Telkom introduced a clear performance management cadence throughout the Group (called Drumbeat) to adapt and thrive in the changed world of work. An effective Drumbeat establishes a performance rhythm across Telkom that requires a change in the behaviour and mindset of both managers and employees. It creates an up and down fluid flow of engagement focused on real-time feedback and solution generation. The aim is to have more frequent performance discussions and real-on-time feedback to address potential performance challenges.

We created our performance cadence and drumbeat through:

- A common focus on key business results with aligned and cascaded objective plans
- Weekly check-in sessions with feedback on leading indicators
- Interlinked process – weekly check-ins feeding into monthly and quarterly progress reviews
- All engagements being proactive and specific
- Shared focus on problem resolution
- Coaching approach aimed at creating growth opportunities for individual employees

The Group implemented a "cloud-based" performance management system, which enables and drives our balanced scorecard and continuous performance management approach. The system is well embedded across the business at all levels.

Linking total remuneration to performance

Our remuneration outcomes are determined by on-target performance with three performance drivers:

- Group performance, focusing on Group financial and non-financial targets
- Business unit targets, focusing on business unit financial and non-financial targets
- Individual performance focus on individual KPIs

These drivers aim to achieve a high-performance culture with sustainable business results with a clear line of sight in linking Group, business unit and individual performance.

Individual performance

Guaranteed package

Individual performance
- **Financials:** Achieving the business plan targets
- **Customers:** Overall customer satisfaction
- **People management:** How people are managed
- **Operational management of the business:** Operational measures to sustain the business
- **Strategic:** Key strategic milestones

Weightings might differ between different levels of employees.

Short-term incentives

Group target: FY2021 STI
- Group EBITDA before STI
- Group PAT before STI
- Group revenue
- FCF

→ 25%

Business unit targets
- Business unit financials
- Execution of key strategy milestones, including operational measures
- Customer experience
- People management

→ 30%; → 20%

Weightings might differ between business units.

Long-term incentives

Group target

Performance vesting conditions for 01 June 2020

LTIP: 20% of the 2015 award
- TSR → 20%
- HEPS → 30%
- ROIC → 10%
- FCF → 10%
- Customer loyalty → 15%
- Customer experience → 15%

LTIP: 30% of the 2016 award
- TSR → 50%
- HEPS → 25%
- ROIC → 25%

LTIP: 50% of the 2017 award
ESOP: 100% of the 2017 award
- TSR → 50%
- HEPS → 25%
- ROIC → 25%

LTIP: 100% of the 2017 TSA award
- TSR → 100%

Executive Directors' key performance areas

GCEO

The GCEO is rewarded based on the delivery of the strategic and operational objectives in line with shareholder expectations and business strategy. The remuneration strategy for the GCEO is designed to align remuneration with long-term shareholder growth and sustainable profitability. The reward should demonstrate the critical and pivotal role he plays in the achievement of the Group's strategic objectives and operational goals.

The following key performance areas were contracted with the GCEO:

Category and weighting	Key metrics	Measures
Financial (40%)	- Defend revenues: Develop financial recovery plan in response to COVID-19 - Increase market share - Accelerate new revenue streams to offset decline in traditional revenue - Increase shareholder returns	- % decline in revenue - % clawback of loss revenue - % growth in gross operating revenues, EBITDA, PAT and HEPS - FCF - TSR
Executing key strategic milestones (25%)	Respond to COVID-19: - Digitisation of value chains - Transform operating model to embed agile working practices - Develop a framework for remote work and determine the viable degree of remote work realisation that can be adopted	- Adherence to government regulations - Enhance digital platforms' ability to provide employees access to digital platforms and network connectivity to increase productivity - Approval of framework and acceptance rate of remote work journey
Customer experience (20%)	- Telkom reputation: The emotional bond that ensures access to customers, product preference, advocacy, licence to operate and attract top talent	- Achievement of target
Group combined assurance framework and people (leadership and employees) (15%)	- Implement Group insurance framework - Responsible corporate citizenship - Culture transformation - Inclusive and diverse culture - Talent management/succession plans for Executive management - Identify top talent and critical skills - People development	- Compliance with insurance framework - Social and relationship capital initiatives - Annual culture survey – implement meaningful interventions to support culture transformation - Employee engagement - Identified successors for each Group Exco position - Retention of top talent/critical skills specialists - Quality of succession pipeline

GCFO

Weighting	Category	Key metrics	Measures
40%	**Financial**	- A strong balance sheet - Increase TSR	- Maintain a healthy balance sheet geared towards supporting the business strategy - Net debt to EBITDA in line with Board-approved plan and market guidance - Achieve TSR target
		- EBITDA improvement	- Sustainable growth in gross operating revenues, EBITDA, PAT and HEPS (achieve targets)
		- FCF	- Maintain positive FCF - Achieve FCF target in line with Board-approved plan and market guidance
25%	**Executing key strategic milestones**	- Disciplined capital allocation framework	- Optimal capital prioritisation criteria - Capital efficiency ratio in line with Board-approved plan and market guidance - Optimise net working capital through cash release initiatives of between R700 million to R1 billion
		- Deliver merger and acquisition value-creating strategic opportunities	- Execute value-accretive transaction/s - Enhance Telkom's investment case to the market
25%	**Operational**	- Group finance	- Orange index/customer retention index - Composite score improvement - % increase in customer base
		- Investor relations/stakeholder management	- Create an effective investor climate - Evidenced external profile visibility
		- Treasury and tax	- Prudent and optimal tax management structure
		- Effective legal services	- Peer reviews, litigation success rate and achievement of targets for ad hoc/strategic projects
		- Execution of the Telkom Retirement Fund (TRF) investment strategy	- Returns in line with benchmark
		- Governance, internal audit and risk management	- Ensure that effective systems of internal control are operated throughout the Group's controlled entities - Compliance with Group assurance framework
10%	**People**	- Talent management and succession planning	- Develop finance team and ensure high employee engagement through diversity and inclusion - Number of successors identified up to M3 level – aligned with talent management framework
		- Performance management	- All employees have individual performance plans

Benchmarking

For the Remco to set appropriate remuneration levels and GPs for Directors and senior Executives, remuneration is benchmarked by independent remuneration consultants, data is provided in national Executive remuneration surveys, and information is disclosed in the integrated reports of industry-specific and JSE-listed companies. Companies with similar market capitalisation and size are used in the benchmarking process.

Remco ensures an appropriate peer group review is conducted to retain the integrity and appropriateness of the benchmark data. Executive pay is benchmarked annually.

Executive Directors' and senior management's remuneration is benchmarked against Executive remuneration surveys provided by Remuneration Consulting, Korn Ferry and 21st Pay Solutions. PwC remuneration surveys are used for lower-level employees.

Total remuneration, GPs, STIs and LTIs are set against a market median for targeted performance.

GPs

GPs are aligned throughout the Group with no significant disparities. Benefits and service conditions are similar within the Group.

Employees are not entitled to annual GP increases. Annual increases are subject to industry market conditions, employee performance, internal equity, strategic investments and the Group's overall financial position, financial performance and affordability. GPs are reviewed against individual performance, set against a market median and determined on a total cost-to-company basis.

Remuneration adjustments outside the annual remuneration review process may be considered in exceptional circumstances and will be subject to approval by the GCEO and recommended by business unit CEOs and Chief Officers.

Executive and management employees

GPs for management levels are reviewed annually as part of the Group's overall remuneration review process and are assessed against individual performance. The average GP increase was 0% (FY2020: 6%) for Group Exco and Executive and management employees.

Bargaining unit employees

Telkom follows a balanced approach in granting annual salary increases for bargaining unit employees with due consideration of the consumer price index, market movements and affordability. The current substantive agreement ended on 31 March 2020. Substantive negotiations with organised labour commenced on 16 March 2021. The Company and the alliance concluded a one-year substantive wage collective agreement for the period 01 April 2021 ending on 31 March 2022. Refer to the human capital report, page 67.

The average GP increase was 0% (FY2020: 6%) for bargaining unit employees.

STIs

The STI scheme rewards management employees who meet and exceed annual performance targets if the Group meets its financial threshold targets. The level of achievement determines payment against each weighted Group performance measure. The STI plan is designed and aligned with shareholder expectations.

FY2021 plan

The FY2021 plan was approved with the following clearly defined principles. The Remco annually recommends the STI plan's rules, targets and measurements to the Board for approval, subject to the final audited actual Group performance.

Triggers

EBITDA and PAT must be achieved on a Group level to trigger any STI payment for the Group.

If the Group meets its targets, the final STI payment/amount available at the end of the financial year will be allocated to business units based on the discretion of the GCEO and the business unit's performance.

Allocation

The STI pool will be determined by achieving the following targets, and each allocation has a 25% weighting:

- Group EBITDA before STI
- Group PAT before STI
- Group revenue
- FCF

STI payout

- STI Pool is set at 12% of Group PAT before STI

The STI payout mechanism is based on the actual achievement of financial targets.

Target	Achievement (%)	Payout of STI pool (%)
Less than hurdle rate	<85	0
Hurdle rate	85	85
Target	100	100
Stretch	110	110
Maximum cap	120	120

Eligible management employees participate in the STI plan. Employees who perform at least at a "3" performance qualify for payment. This payment is calculated based on the individual GP value, subject to the Group meeting its financial performance targets. An individual must be in the employment of the Group on payment date to qualify for the STI payment.

Eligible bargaining unit employees participate in Performance Pays and 14th cheque payment. Employees who perform at or above a score of "3" performance rating each year, will receive a 14th cheque. This is calculated based on the individual GP value, subject to the Group meeting its financial performance targets. An individual must be in the employment of the Group on payment date to qualify for the 14th cheque payment.

STI payment awarded for FY2021

In accordance with the approved Group STI plan, STIs were allocated to business units based on their actual achievement and divisional performance. Individual performance is recognised in the respective business units based on the achievement of individual performance contracts. The FY2021 Group STI targets and achievements are shown below.

Performance criteria	Weighting %	Baseline FY2020 Rm	Actual achievement Rm	Target achievement
Group EBITDA before STI	25	9 144	11 703	✓
Group PAT before STI	25	1 230	2 428	✓
Revenue	25	43 043	43 222	✓
FCF	25	1 709	2 024	✓

Group STI pool payment for FY2021: R407.9 million (after tax).

LTIP

The plan is designed to align management's and shareholders' interests and grow shareholder value. The objectives are to motivate long-term sustainable performance and retain business-critical and top talented employees.

Termination of employment

The following conditions will apply when an employee's employment is terminated:

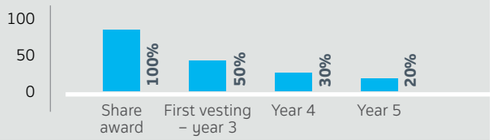
- **Resignation, dismissal and/or abscondment:** If a participant ceases to be employed by the Group before the vesting date, through resignation, dismissal or abscondment, they shall cease to be entitled to any rights associated with the award. The forfeitable shares that are the subject of the award shall be forfeited
- **Death, redundancy, medical disability and retirement:** If a participant ceases to be employed by the Group before the vesting date for these reasons, a portion of the award shall vest on the date of cessation of employment. The portion that vests shall be pro-rated to reflect the number of full months that have lapsed at the date of cessation of employment relative to the total months of the performance period (with any remaining balance not vesting being forfeited). The performance condition shall not apply to the vesting of the awards

Vesting of awards

The performance conditions are measured after three years, and the number of shares to vest is based on the extent to which the performance conditions are met.

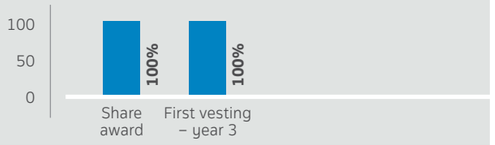
Vesting period: LTIP (%)

LTIP (M0 – M3) – vesting period



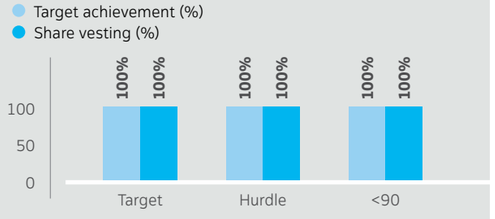
Vesting period: ESOP (%)

ESOP (M4 – A) – vesting period

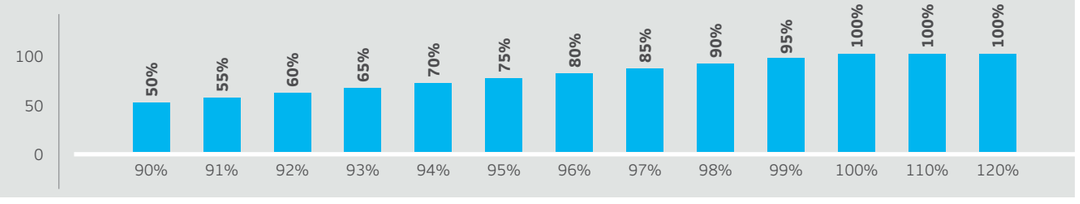


The following graph indicates the percentage target achievement to determine the number of shares to vest.

Share vesting percentage based on actual target achievement



Vesting percentage based on actual achievement percentage



TSAs

Telkom's talent management aims to identify, develop, refresh and retain highly talented and diverse individuals to ensure a continuous supply of candidates and successors in leadership and critical positions. Telkom aims to reposition itself as a leading professional community with a talented and skilled workforce, which will provide a competitive edge.

The purpose of the additional TSAs is to provide a reward mechanism that motivates and retains key critical and core talented individuals to meet business requirements. Talent shares are awarded for top talent and critical skills specialists based on the talent mapping process and business requirements. TSAs vested in FY2021 for 29 employees.

Vesting conditions of the TSAs are as follows:

- Vesting is based on achieving the TSR over the three-year vesting period
- The employee must remain in the service of the Group for the full three-year vesting period
- In accepting the shares, the employee further agrees to a restraint period of six months. It is required that the employee signs a restraint of trade agreement. On resignation, the employee forfeits all shares

Summary of Telkom Group 2020 vesting (shares awarded in 2015, 2016 and 2017)

The following shares vested on 01 July 2020 at a price of R31.35 cents per share:

Award date	Scheme	% of performance conditions achieved	Potential vesting %	Actual vesting %	Total number of shares vested	Total shares forfeited	Total shares awarded on Award Date
2015	LTIP	97.58	20	17	81 919	14 425	96 344
2016	LTIP	99.42	30	28	191 750	30 919	222 669
2017	LTIP	94.34	50	35	234 806	100 582	335 388
2017	TSA	100.00	100	100	1 301 576	–	1 301 576
2017	ESOP	94.34	100	70	1 069 835	454 737	1 524 572
Total					**2 879 886**	**600 663**	**3 480 549**

LTIP: 20% vesting of the 2015 share award – achievement

Category	Performance condition	Weight	Target – rand value FY2016	FY2017	FY2018	FY2019	FY2020	% Achievement
Financial (70%)	TSR	20%	Risk free + 4% (R21.88)	Risk free + 4% (R24.0)	Risk free + 4% (R26.67)	Risk free + 4% (R29.63)	Risk free + 4% (R33.29)	20.00%
	Overall achievement		R57.57	R75.03	R52.94	R72.92	R20.53	
	Achievement %		263.00%	312.00%	198.50%	246.10%	61.67%	
	HEPS	30%	333 cps	526 cps	616 cps	536.5 cps	400 cps	29.84%
	Overall achievement		330	729.8	598	591.8	208.1	
	Achievement %		100.00%	138.00%	97.08%	110.31%	52.03%	
	FCF	10%	R2 958 m	R4 021 m	R996 m	R764 m	R292 m	10.00%
	Overall achievement		R2 212 m	(R862) m	R501 m	R32 m	R1 709 m	
	Achievement %		74.70%	0.00%	50.00%	0.00%	585.27%	
	ROIC	10%	9.80%	12.10%	14.90%	9.00%	10.50%	9.81%
	Overall achievement		9.60%	14.50%	10.60%	11.20%	8.10%	
	Achievement %		97.96%	119.83%	71.14%	124.44%	77.14%	
Operational (30%)	Customer First	15%	61.7	63.4	65.79	67.99	68.10	13.13%
	Orange Index		Actual: 55.5	Actual: 56.7	Actual: 63.72	Actual: 55.29	Actual: 54.65	
			Achievement: 89.95%	Achievement: 89.43%	Achievement: 96.85%	Achievement: 81.32%	Achievement: 80.25%	
	Overall achievement		87.56%					
	Customer experience	15%	Composite score: 1	Composite score: 1	Composite score: 1	Composite score: 1	Composite score: 1	14.79%
	TSA 100 Index		Threshold: 0.90	Threshold: 0.90	Threshold: 0.90	Threshold: 0.90	Threshold: 0.90	
			Composite score: 0.99	Composite score: 0.96	Composite score: 0.87	Composite score: 0.97	Composite score: 1.14	
	-Assurance index		Actual: 0.93	Actual: 0.87	Actual: 0.81	Actual:1.01	Actual:1.19	
	-Fulfilment index		Actual: 1.05	Actual: 1.05	Actual: 0.93	Actual:0.92	Actual:1.09	
	Overall achievement		98.60%					
Total vesting								97.58%

LTIP: 30% vesting of the 2016 share award – achievement

Category	Performance condition	Weight	Target – rand value FY2017	FY2018	FY2019	FY2020	% Achievement
Financial (100%)	TSR	50%	Risk free + 4% (R24.0)	Risk free + 4% (R26.67)	Risk free + 4% (R29.63)	Risk free + 4% (R33.29)	50.00%
	Overall achievement		R75.03	R52.94	R72.92	R20.53	
	Achievement %		312.63%	198.50%	246.10%	61.67%	
	HEPS	25%	526 cps	616 cps	536.5 cps	400 cps	24.88%
	Overall achievement		729.8	598	591.8	208.1	
	Achievement %		138.75%	97.08%	110.31%	52.03%	
	ROIC	25%	12.10%	14.90%	9.00%	10.50%	24.54%
	Overall achievement		14.50%	10.60%	11.20%	8.10%	
	Achievement %		119.83%	71.14%	124.44%	77.14%	
Total vesting							99.42%

LTIP 50% vesting and ESOP: 100% vesting of the 2017 – achievement

Category	Performance condition	Weight	Target – rand value FY2018	FY2019	FY2020	% Achievement
Financial (100%)	TSR	50%	Risk free + 4% (R26.67)	Risk free + 4% (R29.63)	Risk free + 4% (R33.29)	50.00%
	Overall achievement		R52.94	R72.92	R20.53	
	Achievement %		198.50%	246.10%	61.67%	
	HEPS	25%	616 cps	536.5 cps	400 cps	21.62%
	Overall achievement		598	591.8	208.1	
	Achievement %		97.08%	110.31%	52.03%	
	ROIC	25%	14.90%	9.00%	10.50%	22.73%
	Overall achievement		10.60%	11.20%	8.10%	
	Achievement %		71.14%	124.44%	77.14%	
Total vesting						94.34%

TSA: 100% vesting of the 2017 TSA – achievement

Category	Performance condition	Weight	Target – rand value FY2018	FY2019	FY2020	% Achievement
Financial (100%)	TSR	100%	Risk free + 4% (R26.67)	Risk free + 4% (R29.63)	Risk free + 4% (R33.29)	100.0%
	Overall achievement		R52.94	R72.92	R20.53	
	Achievement %		199%	246%	62%	

FY2021 share award

No forfeitable shares were allocated to LTIP and ESOP participants for the FY2021 share award.

Based on the share allocation policy, in terms of the TSA scheme, 3 762 402 forfeitable shares were awarded to Group Exco Members, who were in the Group's service on the award date, 01 July 2020. The number of shares was based on the share price of R19.78 which is the volume-weighted average share price from 01 April 2020 to 11 June 2020.

In addition, based on the share allocation policy, in terms of the TSA scheme, 5 517 778 forfeitable shares were awarded to 82 top talent and critical skills employees across the Group who were in the Group's service on the award date, 06 July 2020. The number of shares awarded was based on the share price of R19.78 which was the volume-weighted average share price from 01 April 2020 to 11 June 2020.

Vesting conditions of the TSAs are as follows:

- Vesting is based on achieving the TSR over the three-year vesting period
- The employee must remain in the service of the Group for the full three-year vesting period
- In accepting the shares, the employee further agrees to a restraint period of six months. It is required that the employee signs a restraint of trade agreement. On resignation, the employee forfeits all shares

The following performance vesting conditions will apply:

- TSR
- The employee must remain in the Group's service for the full three years
- Vesting period of three years

Performance condition	FY2021	FY2022	FY2023
Total shareholder return (TSR)[1]	Risk free + 4%	Risk free + 4%	Risk free + 4%

[1] *TSR combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.*

- Employees are required to accept or reject any awards
- In accepting the shares, employees are required to agree to a restraint period of six months, should the employee resign at any stage and for whatever reason. Upon resignation, the employee will be required to sign a restraint of trade agreement
- A malus and clawback clause is included in the share award letters for gross misconduct or negligence on the part of any employee, including cases of fraud, misrepresentation and/or material errors discovered after the departure of the employee for any reason or if the employee resigns during a formal disciplinary enquiry/hearing

Total number of shares issued up to 31 March 2021

Year awarded	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Date awarded	November 2013	April 2015	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020
Total number of shares available	26 039 195	23 614 292	21 033 323	22 577 505	19 548 838	17 130 452	14 101 274	12 790 232
Total number of shares awarded: Telkom	(6 559 290)	(4 685 734)	(4 733 159)	(4 886 209)	(5 266 158)	(4 690 718)	(3 507 227)	(9 280 180)
Gyro					(178 645)	(222 356)	(129 830)	–
BCX				(881 075)	–	(127 008)	(1 404 181)	–
Trudon								–
Sub Total	19 479 905	18 928 558	16 300 164	16 810 221	14 104 035	12 090 370	9 060 036	3 510 052
Total number of forfeited shares: Telkom	4 134 387	2 104 765	2 567 215	2 203 036	1 585 343	956 275	708 855	982 000
Gyro					140 513	81 011	21 438	–
BCX				535 581		72 550	251 887	–
Trudon								–
Shares purchased: Telkom			3 710 126		1 300 561	901 068	1 688 016	8 000 000
Gyro							–	
BCX							1 060 000	
Trudon								
Remaining shares available	23 614 292	21 033 323	22 577 505	19 548 838	17 130 452	14 101 274	12 790 232	12 492 052

Telkom repurchased 8 million shares from the market through Rossal No 65 (Pty) Ltd at an average price of R35.51 per share, for the purposes of the employee share plan.

Employment contracts

GCEO

Sipho Maseko was appointed on 01 April 2013. He is a full-time employee with a three-month notice of termination period. He may be required to work notice, be placed on garden leave or, if not required to work, full notice may be paid in lieu of notice period on duty. Remco completed detailed succession planning for senior Executive management, including for the GCEO.

There are no other obligations in Executive employment contracts that could give rise to payments on termination of employment or office. Refer to page 84 for the GCEO's other Directorships.

External Directorships

Executive Directors can hold one external Directorship in any Company following Board approval. All compensation earned from external Directorships will accrue to Telkom. The Board may decline Executive Directors' external Directorships as it sees fit. Refer to page 84 for external Directorships. The treatment/approval thereof varies according to the applicant level.

Other prescribed officers

All prescribed officers are employed on a full-time employment contract. Employment contracts require three months' notice of termination by the employee or by Telkom. Employees may be required to work notice, be placed on garden leave or, if not required to work, full notice may be paid in lieu of notice period on duty.

Employees must be in service on payment date to qualify for STI payments, subject to individual and Group performance. No STI is payable in cases of dismissals. Pro rata payments only apply to new appointees for the number of months in service during the financial year. Employees must be in service on the vesting date of shares to qualify for any vesting.

There are no other obligations in Executive employment contracts which could give rise to payments on termination of employment or office.

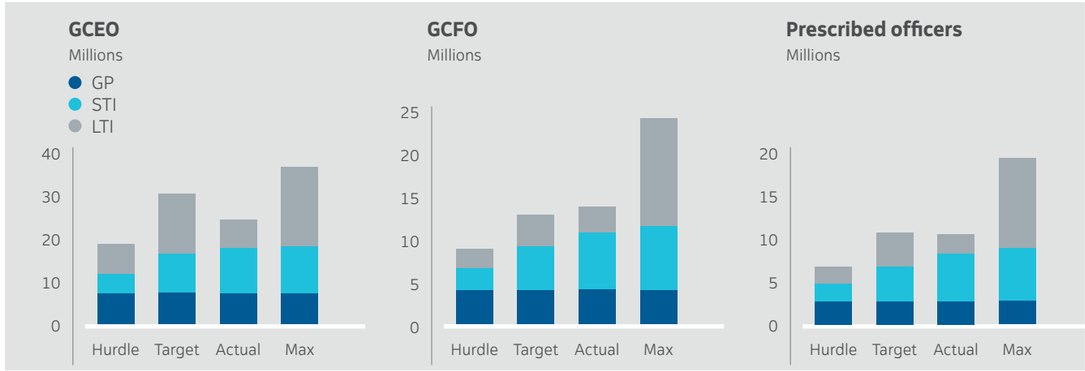
The retirement age for Executive Directors is 65 years. A standard restraint of trade clause is incorporated into the employment contract for a maximum of three months without reward.

Implementation report

The implementation report highlights the outcomes of the implementation of the approved remuneration policy. It includes remuneration disclosure of Executive Directors, Non-executive Directors and other prescribed officers for the year.

Potential consequences on the total remuneration

The potential consequences of the remuneration policy on the total remuneration for Executive Directors and prescribed officers is illustrated below in hurdle rate, on-target earnings and maximum cap. Actual remuneration in FY2021 is also included.



The aggregate remuneration, benefits paid and STIs approved in respect of FY2021

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares) 01 June 2020	Dividend paid on unvested shares	Leave payments	Retention#	Total FY2021	Pension TRF contribution of basic pensionable salary*
SN Maseko	8 830 449	10 216 240	11 997	296	6 019 357	365 418	–	10 000 000	35 443 755	989 010
DJ Reyneke	908 539	4 000 000	1 849	46	–	–	–	–	4 910 434	102 756
TBL Molefe	5 600 000	–	6 998	296	2 588 538	108 871	113 077	–	8 417 780	422 240
	15 338 988	14 216 240	20 844	637	8 607 895	474 289	113 077	10 000 000	48 771 970	1 514 006

* *Employees have the flexibility to determine Company pension contributions.*
\# *A retention amount was paid to the GCEO and the balance of R10 million will be payable this financial year.*

Former GCFO, Tsholofelo Molefe submitted her resignation/termination as employee and Director of the Company on 04 December 2020. Telkom accepted her resignation and her last day of duty was 31 March 2021 as per the employment contract. No settlement agreement was reached between the parties and she therefore did not qualify for any settlement payments. However, she forfeited all unvested shares as well her STI payment for FY2021.

The aggregate remuneration, benefits paid and STIs approved in respect of FY2020

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares)	Dividend paid on unvested shares	Total FY2020	Pension TRF contribution of basic pensionable salary*
SN Maseko	8 830 449	–	11 997	296	10 531 129	2 443 176	21 817 046	989 010
TBL Molefe	4 712 456	–	–	296	–	717 335	5 430 087	355 319
	13 542 905	–	11 997	592	10 531 129	3 160 511	27 247 132	1 344 329

* *Employees have the flexibility to determine Company pension contributions.*

Prescribed officers' remuneration

The aggregate remuneration, benefits paid and STIs approved for FY2021 are set out in the following table.

FY2021 emoluments per prescribed officer

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares)	Total FY2021	Pension TRF contribution of basic pensionable salary*
NM Lekota	3 766 273	4 500 000	–	295.56	1 960 436	10 227 005	395 459
AC Beukes	4 809 998	5 130 000	11 997	295.56	66 619	10 018 908	437 708
S Taukobong	6 300 000	6 936 300	11 997	295.56	–	13 248 592	573 300
PJ Bogoshi	5 123 000	5 322 797	–	295.56	–	10 446 093	499 493
LM Siyo	4 000 000	4 092 000	11 997	295.56	–	8 104 292	232 000
LTS Maloba	4 000 000	4 208 000	11 997	295.56	–	8 220 292	338 000
	27 999 270	**30 189 097**	**47 986**	**1 773**	**2 027 055**	**60 265 182**	**2 475 959**

** Employees have the flexibility to determine Company pension contributions.*

FY2020 emoluments per prescribed officer

	GP	STI	Motor car insurance	Funeral benefit	Severance pay	Leave payments	LTI (vested shares)	Total FY2020	Pension TRF contribution of basic pensionable salary*
AN Samuels	5 407 500	–	11 997	296	6 135 433	409 429	7 510 337	19 474 991	407 726
DJ Fredericks	3 510 819	–	6 998	172	5 671 324	417 689	16 468 616	26 075 619	374 253
NM Lekota	3 766 273	–	–	296	–	–	–	3 766 569	395 459
AC Beukes	4 240 000	–	11 997	296	–	–	205 528	4 457 820	385 840
S Taukobong	6 300 000	–	11 997	296	–	–	–	6 312 292	573 300
PJ Bogoshi	5 123 000	–	–	296	–	–	–	5 123 296	499 493
CJ Moganwa	3 750 000	–	–	222	–	19 231	–	3 769 452	372 000
LM Siyo	3 891 111	–	11 997	246	–	–	–	3 903 354	204 489
LTS Maloba	3 915 963	–	8 997	296	–	–	–	3 925 256	330 899
	39 904 667	**–**	**63 981**	**2 414**	**11 806 757**	**846 349**	**24 184 481**	**76 808 649**	**3 543 458**

** Employees have the flexibility to determine Company pension contributions.*

Executives' and prescribed officers' emoluments are set out in the annual financial statements in note 39, which is available online at https://www.telkom.co.za/ir/financial/financial-results-2021.shtml

Executive management

	GP	STI	Motor car insurance	Funeral benefit	LTI (vested shares)	Dividend paid on unvested shares	Acting Allowance	Leave payments	Total FY2021	Total FY2020	Pension TRF contribution of basic pensionable salary*
Executive management team	109 444 305	59 100 154	385 038	10 127	28 602 812	36 070	245 014	481 795	**198 305 315**	141 358 718	9 304 363
Number of employees									**41**	41	

Beneficial shareholding

Directors' shareholding as at 31 March 2021

	Beneficial		Non-beneficial	
Directors' and prescribed officers' interests	**Direct**	**Indirect**	**Direct**	**Indirect**
Executive Directors				
SN Maseko	**52 520**	–	–	–
DJ Reyneke	–	–	–	–
TBL Molefe	–	–	–	–
Total	**52 520**	–	–	–
Non-executive Directors				
KW Mzondeki	**748**	–	–	–
AN Samuels	**102 094**			
Total	**102 842**	–	–	–

The beneficial interest of Sipho Maseko remained the same from 52 520 to 52 520 due to no changes. The beneficial interest of Tsholofelo Molefe decreased from 9 716 to 0 due to her selling her shares. Other than these changes, there was no change to Directors' shareholding between 31 March 2021 and the approval date of this report.

Directors' shareholding as at 31 March 2020

	Beneficial		Non-beneficial	
Directors' and prescribed officers' interests	**Direct**	**Indirect**	**Direct**	**Indirect**
Executive Directors				
SN Maseko	52 520	–	–	–
DJ Reyneke				
TBL Molefe	9 716	–	–	–
Total	62 236	–	–	–
Non-executive Directors				
KW Mzondeki	748	–	–	–
Total	**748**	–	–	–

Share awards (LTIP)

	Year of the award (June)	Shares awarded	Share award price R	Face value of award	Vested shares	Vesting date	Vesting price R	Value of vested shares R	Shares forfeited	Closing number
SN Maseko										
Forfeitable share plan (FSP)	2013	163 866	23.80	3 900 011	81 933	06/06/2016	59.63	4 885 665	–	–
					36 870	05/06/2017	78.76	2 903 881	12 290	
					–	01/06/2018	52.39	–	32 773	
Additional share award (ASA)	2013	54 622	23.80	1 300 004	54 622	06/06/2016	59.63	3 257 110	–	–
FSP	2014	138 352	76.11	10 529 971	51 882	05/06/2017	78.76	4 086 226	17 294	–
					26 979	01/06/2018	52.39	1 413 430	14 527	
					13 835	03/06/2019	93.72	1 296 616	13 835	
FSP	2015	150 428	74.20	11 161 758	41 368	01/06/2018	52.39	2 167 270	33 846	–
					–	03/06/2019	93.72	–	45 129	
					25 573	01/07/2020	31.35	801 714	4 512	
TSA	2015	50 143	74.20	3 720 611	25 072	06/06/2016	59.63	1 495 043	–	–
					25 071	05/06/2017	78.76	1 974 592	–	
FSP	2016	197 066	56.64	11 161 818	98 533	03/06/2019	93.72	9 234 513	–	39 413
					56 164	01/07/2020	31.35	1 760 741	2 956	
TSA	2016	65 689	56.64	3 720 625	32 845	05/06/2017	78.76	2 586 872	–	–
					32 844	01/06/2018	52.39	1 720 697	–	
FSP	2017	161 366	74.83	12 075 018	56 479	01/07/2020	31.35	1 770 617	24 204	80 683
TSA	2017	53 789		4 025 031	53 789	01/07/2020	31.35	1 686 285	–	–
FSP	2018	220 912	56.30	12 437 346	–	–	–	–	–	220 912
FSP	2019	196 596	80.85	15 894 787	–	–	–	–	–	196 596
Total		**1 452 829**		**89 926 977**	**713 859**	**–**	**–**	**43 041 272**	**201 366**	**537 604**

	Year of the award (June)	Shares awarded	Share award price R	Face value of award	Vested shares	Vesting date	Vesting price R	Value of vested shares R	Shares forfeited	Closing number
TBL Molefe										
FSP	2017	40 943	74.83	3 063 765	14 331	01/07/2020	31.35	449 277	26 612	–
TSA	2017	68 238	74.83	5 106 250	68 238	01/07/2020	31.35	2 139 261	–	–
FSP	2018	56 051	56.30	3 155 671	–	–	–	–	56 051	–
FSP	2019	58 286	80.85	4 712 423	–	–	–	–	58 286	–
TSA	2020	566 229	19.78	11 200 010	–	–	–	–	566 229	–
Total		**789 747**		**27 238 118**	**82 569**			**2 588 538**	**707 178**	**–**
DJ Reyneke										
FSP	2014	28 415	76.11	2 162 666	10 656	05/06/2017	78.76	839 267	3 552	–
					5 541	01/06/2018	52.39	290 293	2 984	
					2 842	03/06/2019	93.72	266 352	2 840	
FSP	2015	44 353	74.20	3 290 993	12 197	01/06/2018	52.39	639 001	9 980	–
					–	03/06/2019	93.72	–	13 306	
					7 540	01/07/2020	31.35	236 379	1 330	
FSP	2016	21 276	57.03	1 213 370	10 638	03/06/2019	93.72	996 993		4 255
					6 064	01/07/2020	31.35	190 106	319	
FSP	2017	17 693	74.83	1 323 967	6 193	01/07/2020	31.35	194 151	2 654	8 846
FSP	2018	24 221	56.30	1 363 642	–	–	–	–	–	24 221
FSP	2019	14 900	80.85	1 204 665	–	–	–	–	–	14 900
TSA	2020	345 893	32.38	11 200 015	–	–	–	–	–	345 893
Total		496 751		21 759 318	61 671			3 652 542	36 965	398 115
NM Lekota										
FSP	2017	33 997	74.83	2 543 996	10 521	03/12/2020	31.48	331 201	–	4 208
					5 998	03/12/2020	31.48	188 817	315	
FSP	2018	46 542	56.30	2 620 315	11 900	03/12/2020	31.48	374 612	5 099	16 998
TSA	2019	46 583	80.85	3 766 236	33 997	01/07/2020	31.35	1 065 806	–	–
FSP	2020	380 816	19.78	7 532 540	–	–	–	–	–	46 542
FSP		562 977		20 207 107	–	–	–	–	–	46 583
TSA	2020	380 816	19.78	7 532 540	–	–	–	–	–	380 816
Total		**562 977**		**20 207 107**	**62 416**			**1 960 436**	**5 414**	**495 147**
PJ Bogoshi										
FSP	2018	62 611	56.30	3 524 999	–	–	–	–	–	62 611
FSP	2019	63 364	80.85	5 122 979	–	–	–	–	–	63 364
TSA	2020	517 998	19.78	10 246 000	–	–	–	–	–	517 998
Total		**643 973**		**18 893 979**	**–**			**–**	**–**	**643 973**
S Taukobong										
FSP	2018	79 930	56.30	4 500 059	–	–	–	–	–	79 930
TSA	2018	106 573	56.30	6 000 060	–	–	–	–	–	106 573
FSP	2019	53 899	80.85	4 357 734	–	–	–	–	–	53 899
TSA	2020	637 007	19.78	12 599 998	–	–	–	–	–	637 007
Total		**877 409**		**27 457 852**	**–**			**–**	**–**	**877 409**
AC Beukes										
FSP	2014	21 926	76.11	1 668 788	8 222	05/06/2017	78.76	647 565	2 741	–
					4 276	01/06/2018	52.39	224 020	2 302	
					2 193	03/06/2019	93.72	205 528	2 192	
FSP	2015	12 500	74.20	927 500	3 438	01/06/2018	52.39	180 117	2 812	–
					–	03/06/2019	93.72	–	3 750	
					2 125	01/07/2020	31.35	66 619	375	
FSP	2018	24 636	56.30	1 387 007	–	–	–	–	–	24 636
TSA	2018	20 819	56.30	1 172 110	–	–	–	–	–	20 819
FSP	2019	36 275	80.85	2 932 834	–	–	–	–	–	36 275
TSA	2020	505 561	19.78	9 999 997	–	–	–	–	–	505 561
Total		**621 717**		**18 088 235**	**20 254**			**1 323 848**	**14 172**	**587 291**

	Year of the award (June)	Shares awarded	Share award price R	Face value of award	Vested shares	Vesting date	Vesting price R	Value of vested shares R	Shares forfeited	Closing number
LTS Maloba										
FSP	2018	22 085	56.30	1 243 386	–	–	–	–	–	22 085
FSP	2019	46 356	80.85	3 747 883	–	–	–	–	–	46 356
TSA	2020	404 449	19.78	8 000 001	–	–	–	–	–	404 449
Total		**472 890**		**12 991 269**	**–**	**–**		**–**	**–**	**472 890**
LM Siyo										
FSP	2019	37 106	80.85	3 000 020	–	–	–	–	–	37 106
TSA	2020	404 449	19.78	8 000 001	–	–	–	–	–	404 449
Total		**441 555**		**11 000 021**	**–**			**–**	**–**	**441 555**

Non-executive Directors' fees

The Group benefits from Non-executive Directors who attend meetings and actively contribute to the success of our business. Therefore, Non-executive Directors receive an annual retainer plus meeting attendance fees. They do not receive STIs or LTIs. Telkom's memorandum of incorporation states that shareholders must approve these fees at the AGM. The current fees were approved at the AGM on 10 September 2020.

Non-executive Directors' fees (rand per annum)	FY2021	FY2020
Annual retainer		
Chairperson of the Board	**1 591 299**	1 446 635
Non-executive Director of the Board	**424 000**	424 000
International Board Member	**584 908**	584 908
Fee per meeting		
Audit Committee Chairperson	**384 250**	384 250
Audit Committee Member	**201 400**	201 400
Remuneration Committee Chairperson	**231 080**	231 080
Remuneration Committee Member	**138 788**	138 788
Nominations Committee Chairperson	**153 699**	153 699
Nominations Committee Member	**104 091**	104 091
Investment and Transactions Committee Chairperson	**224 317**	213 132
Investment and Transactions Committee Member	**138 860**	138 860
Risk Committee Chairperson	**224 932**	224 932
Risk Committee Member	**134 832**	134 832
Social and Ethics Committee Chairperson	**231 080**	231 080
Social and Ethics Committee Member	**138 860**	138 860

Committee	Scheduled meetings		Fee per meeting R	Fee per special meeting R
Board	5	Annual retainer		Chairperson: 27 030 Board Members: 20 246
Audit	4	Chairperson	**76 850**	
		Member	**40 280**	
Remuneration	4	Chairperson	**57 770**	
		Member	**34 697**	
Nominations	3	Chairperson	**51 233**	
		Member	**34 697**	
Investment and Transactions	4	Chairperson	**56 079**	
		Member	**34 715**	
Risk	4	Chairperson	**56 233**	
		Member	**33 708**	
Social and Ethics	4	Chairperson	**57 770**	
		Member	**34 715**	

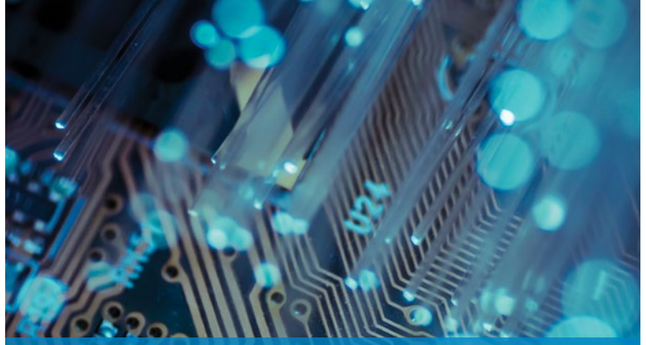
Board

The Non-executive Directors did not receive an annual increase, however the Chairperson of the Board and Investment and Transaction Committee Chairperson fee was adjusted according to the market 50th percentile.

All fees are paid in proportion to the period in which office is held. Directors' emoluments are set out in the annual financial statements in note 39 , which is available online at https://www.telkom.co.za/ir/financial/financial-results-2021.shtml.

5

Appendices



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The basis of preparing our report

This report covers the financial year 01 April 2020 to 31 March 2021 and includes significant subsequent events up to the date of approval of the report.

Considerations in preparing this report

This report is prepared for our providers of financial capital and other stakeholders. It communicates Telkom's progress towards achieving the United Nations Global Compact regarding human rights, labour, the environment, and our anti-corruption efforts.

We used the IIRC's <IR> Framework in compiling this report. As a listed Company, we adhere to the JSE Listings Requirements and we are a constituent of the FTSE/JSE Responsible Investment Index. Our definitions of sustainability KPIs have been aligned to the Global Reporting Initiative Standards' definitions of those KPIs.

The report complies with all of the JSE Listings Requirements, and specifically the corporate governance requirements contained in paragraph 3.84 of the JSE Listings Requirements. Telkom's material risks are also detailed in the enterprise and risk management report which is available online at www.telkom.co.za/ir in compliance with the new governance requirements contained in paragraph 8.63(s) of the JSE Listings Requirements.

Our report focuses on material themes that substantively impact our ability to create value for our stakeholders over time. Refer to page 15 for our materiality determination process, and page 33 for our material themes. This report shows the connection between our material themes, strategy, governance, performance and prospects. It addresses our divisions and our subsidiaries (business units), unless otherwise stated.

We report according to the six capitals to provide a balanced view of our value creation.

We considered the disclosure guidelines of King IV while preparing our report. We applied and explained the 16 relevant principles and demonstrated how we achieved governance outcomes. A King IV application report, which sets out the principles and summarised application, is available on our website at www.telkom.co.za/ir/Governance/Governance.shtml.

King IV principle disclosures are indicated with this icon throughout the report.

Combined assurance

We follow a combined assurance approach (page 91), which integrates our internal audit function, TGIA, other independent assurers and risk management activities across the Group. TGIA assessed the completeness and accuracy of a sample of strategic, non-financial KPIs presented in this report. We are in the process of enhancing our combined assurance framework to be applied across all combined assurance functions.

PwC and SizweNtsalubaGobodo Grant Thornton Inc. are the joint independent external auditors. They provided assurance over our consolidated annual financial statements and expressed an unmodified opinion (refer to page 9 of the consolidated annual financial statements) which is available online at www.telkom.co.za/ir.

IBIS ESG Assurance provided assurance over certain non-financial indicators in the report. Assured non-financial indicators are indicated with this icon. For the FY2021 assurance certificate, please refer to www.telkom.co.za/ir.

This report was reviewed and approved by the Group Exco, Audit Committee, Social and Ethics Committee and the Board, and the Board takes ultimate responsibility. Refer to the Board's approval statement on page 1.

Reporting suite

Our reporting suite as outlined below can be found at www.telkom.co.za/ir.

Reporting suite

Our reporting suite as outlined below can be found at www.telkom.co.za/ir.

Report	Framework	Assurance provider
Integrated report, including the notice of AGM	- IIRC <IR> Framework - King IV - Companies Act - JSE Listings Requirements	- Management - Audit Committee - Board - IBIS ESG Assurance - Internal audit - Social and Ethics Committee
Consolidated annual financial statements	- IFRS - Companies Act - JSE Listings Requirements	- Management - Audit Committee - Board - External auditors
Assurance statement	- AA1000AS Standard	- IBIS ESG Assurance
King IV application report	- King IV	- Management - Internal audit - Audit Committee - Board
Annual results presentation	- No framework	- Management - Audit Committee - Board
B-BBEE certificate	- Amended B-BBEE ICT sector codes	- BEE online

Feedback

We recognise that integrated reporting and stakeholder information requirements continue to evolve. We welcome feedback to improve our integrated report. Comments and feedback can be sent to our investor relations team at telkomir@telkom.co.za.

Forward-looking statements

Many of the statements in this document, and verbal statements that may be made by Telkom or by officers, Directors or employees acting on Telkom's behalf, constitute or are based on forward-looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives, capexes, projected costs and anticipated cost savings and financing plans, as well as projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can generally be identified by the use of terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to", "forecast", "guidance" or similar phrases. However, the absence of such words does not necessarily mean that a statement is not forward looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in the strategic risks section of this report, page 27.

Telkom cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, so that they conform either to the actual results or to changes in our expectations.

Any forward-looking financial information disclosed in this report has not been reviewed or audited or otherwise reported on by our external joint auditors. The FY2020 comparatives of the results announcement are restated for the adoption of IFRS 15 and change in the presentation of cash flows.

Pro forma information

Certain financial information presented in the results announcement that was released on 24 May 2021 and in the integrated report constitutes pro forma financial information. This is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present Telkom's financial position, changes in equity and results of operations or cash flows. The pro forma financial information is the responsibility of Telkom's Board.

The pro forma financial information contained in the results announcement that was released on 24 May 2021 was reviewed by the Group's joint independent external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 relating to the results announcement is available for inspection at https://www.telkom.co.za/ir/financial/financial-results-2021.shtml.

The financial information presented in the results announcement was prepared excluding the impact of the VSP, VERP and S189 costs, and the pro forma adjustments and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated financial statements for the years ended 31 March 2020 and 31 March 2021. This pro forma financial information was presented to eliminate the impact of the pro forma adjustments from the consolidated financial results for the years ended 31 March 2020 and 31 March 2021 to achieve a comparable year-on-year analysis and show the underlying performance of the business.

Reported March 2020 and March 2021 refers to the March 2020 and March 2021 financial information, respectively, as included in the audited consolidated financial statements.

The joint independent auditors' report by PwC and SizweNtsalubaGobodo Grant Thornton Inc. does not report on all of the information contained in the integrated report. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the joint independent auditors' engagement, they should obtain a copy of the joint independent auditors' audit report together with the accompanying financial information from Telkom's website at: https://www.telkom.co.za/ir/financial/financial-results-2021.shtml.

The Directors of Telkom take full responsibility for the preparation of the integrated report including the pro forma financial information that was correctly extracted from the underlying audited financial statements.

Telkom's contribution to the United Nations SDGs

The following four SDGs and selected underlying targets present the most material opportunities for Telkom to enhance its positive impacts (SDG 4, SDG 8 and SDG 9) and decrease its negative impacts (SDG 12) in support of the SDGs. This table provides an overview of Telkom's contribution to the SDGs, which are detailed further in the report, indicated with various cross-references. For Telkom's approach to SDGs, refer to page 1.

Quality education

Subtargets	Our contribution	Telkom KPI
4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.	We can materially impact this target through Telkom Foundation and its partnerships. There are dedicated programmes in place which focus on the development of young learners. We can use these existing platforms to increase our positive impact.	Social and relationship capital (page 73) - Number of learners impacted - Number of teachers impacted - R'million invested in Telkom Foundation
4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	We have various internships, learnerships and other programmes to develop critical skills in the ICT sector.	Human capital (page 70) - Number of learnerships and internships - R'million invested in training and development Social and relationship capital (page 73) - Number of graduates - Number of learners

Decent work and economic growth

Subtargets	Our contribution	Telkom KPI
8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	Our products and services predominantly enable technology, which is a key driver for economic growth. Through investing in our networks and infrastructure, we increase our positive impact on this target.	No KPI information reported on, relating to this SDG subtarget for FY2021.
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.	Our ESD activities and investments hold opportunities to increase our positive impact on productive activities, entrepreneurship and growth of SMMEs as well as to support innovation.	Social and relationship capital (page 73) - Number of SMMEs impacted and/or supported - Number of jobs created (direct and indirect) - Number of entrepreneurs supported - R'million invested in programmes - R'million finance provided to SMEs - B-BBEE procurement spend
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	Telkom's positive impact regarding quality education (refer to SDG 4), skills development programmes, our remuneration policies, workforce breakdown and investment into ESD (refer to SDG 8.3) are material.	Human capital (page 67) - New employee hires (by gender) - Employee voluntary turnover - Employee diversity statistics - Number of differently abled learners Remuneration report (page 95) - Remuneration and benefit disclosure
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.	We directly employ a significant number of people FY2021: 12 039 (FY2020: 15 099) and support a greater number of indirect jobs by providing business to local organisations and through our ESD programmes.	Human capital (page 67) - New employee hires (by gender) - Employee turnover (by gender) - Employee diversity statistics - Remuneration and benefit disclosure
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	We provide network access to banks, ATMs and point of sale platforms. We also provide insurance and funeral cover through our mobile products. Through providing connectivity and infrastructure, Telkom offers the platform to enable other access to financial services.	No KPI information reported on, relating to this SDG subtarget for FY2021.

Industry, innovation and infrastructure

Subtargets	Our contribution	Telkom KPI
9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.	We have a material/positive impact on this target through: - Extending and upgrading infrastructure (in an environmentally sustainable way) - Connecting remote, less-included communities - Stimulating economic participation - Supporting Internet of Things-related innovation Telkom can further increase its positive impact through the provision of affordable products and services, supporting equitable access to connectivity for all.	Productive capital (page 47) - Number of customers/subscribers - R'million investment in infrastructure - Network reliability indicators - Network reach
9.3 Increase the access of small-scale industrial and other enterprises, in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	We contribute to this target through our ESD programmes (refer to SDG 8.3). We also provide a platform for technological advances to other industries through our products and services.	Social and relationship capital (page73) - Number of SMMEs impacted and/or supported - R'million finance provided to SMEs Productive capital (page 47) - Digital transformation as a KPI
9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities.	We increase our positive impact by leveraging Gyro and its infrastructure upgrades to increase resource-use efficiency and adopt clean and environmentally sound technologies. This includes the solar photovoltaic plants expansion (2020: solar photovoltaic plant at Telkom Park). Moving from copper to fibre cables further increases the use of more environmentally friendly technologies and products.	Natural capital (page 77) - Energy efficiency - Carbon footprint - Water consumption - Electricity usage from renewable resources Productive capital (page 47) - FTTH
9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	We have a material opportunity to increase our positive impact on research and innovation in the ICT space through partnerships and utilising our current platforms, for example, the Openserve CoE.	Human capital (page 67) - Number of research and development learners

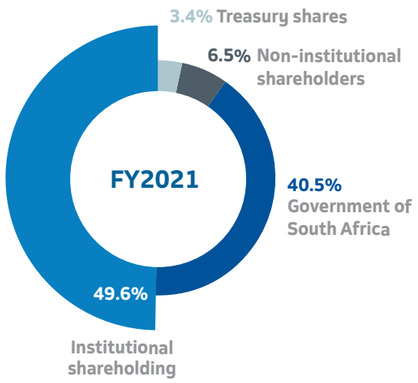
Responsible consumption and production

Subtargets	Our contribution	Telkom KPI
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Our business activities, products and services lead to high volumes of e-waste, i.e. batteries, copper cabling, phones, electronic equipment, etc. There are significant opportunities for Telkom to decrease its negative impact through, among others, the recycling of end-of-life products.	Natural capital (page 77) - Volumes of e-waste disposed
12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities.	We can materially impact this target with our procurement practices and terms and conditions.	No KPI information reported on, relating to this SDG subtarget for FY2021.

Share and debt holding information

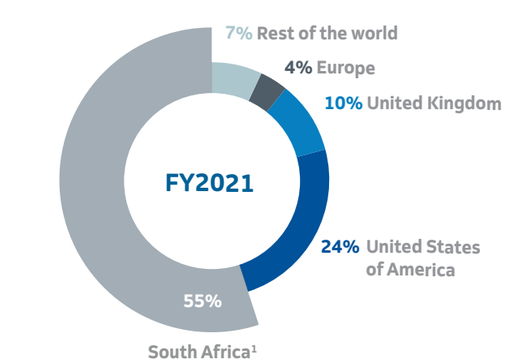
This section provides insight into our shares and debt holding for the year ended 31 March 2021.

Equity shareholding



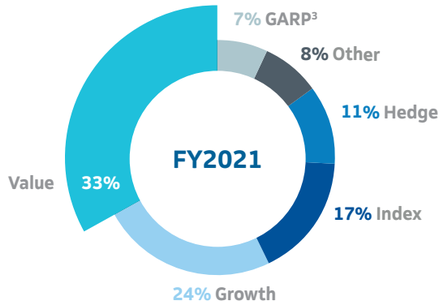
Institutional shareholding – free float

Institutional shareholding by geography



[1] *This excludes government.*

Institutional shareholding by investment style[2]



[2] *This excludes Public Investment Corporation Ltd as it has multiple investment styles.*
[3] *GARP refers to Growth at a Reasonable Price.*

Debt holding information as at 31 March 2021

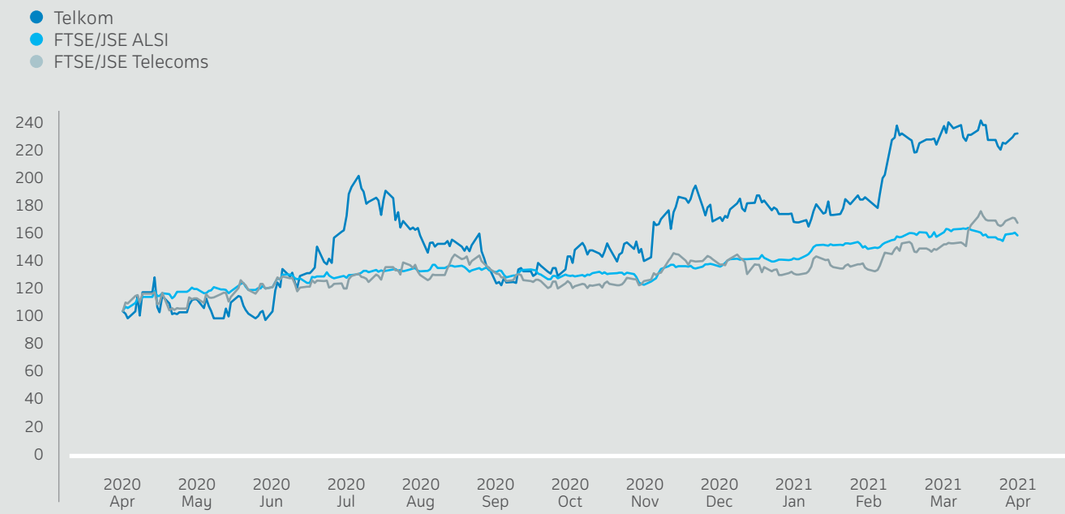
JSE bond code: BITEL

Telkom credit ratings	Moody's Investors Service	Standard & Poor's
Issuer rating		
Long-term global scale	Ba2	BB
Long-term national scale	Aa1.za	–
Outlook	Negative	Stable
Last review date	November 2020	May 2020

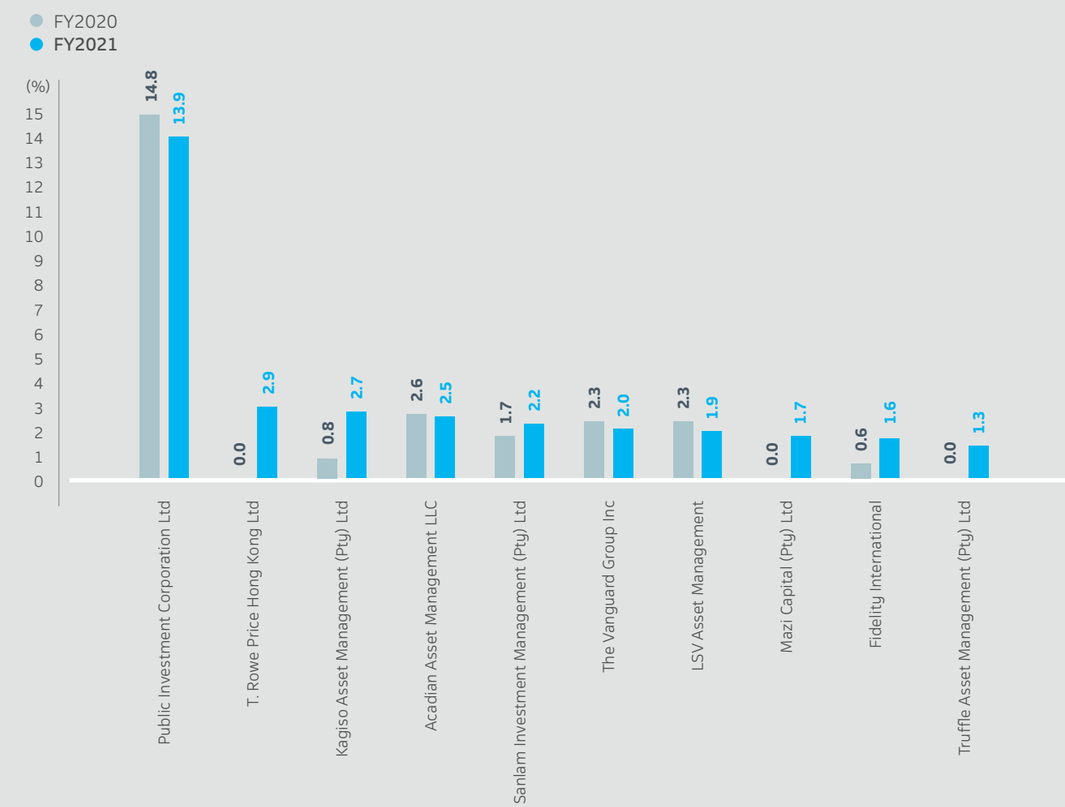
South African listed debt

Listed bonds	TL23	TL28
	TL24	TL29
	TL25	TL30
	TL26	TL31
	TL27	TL32
Commercial paper	–	–

Telkom's share price performance versus the FTSE/JSE Telecoms Index and the JSE All Share Index (rebased to 100)



Telkom's top 10 institutional shareholders as at 31 March



Summary financial reports

Consolidated summary statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

The summary financial reports on pages 119 to 124 should be read in conjunction with the annual financial statements for the year ended 31 March 2021, available online at www.telkom.co.za/ir.

	Notes	31 March 2021 Rm	Restated 31 March[1] 2020 Rm
Revenue	4	**43 222**	43 043
Operating revenue		**42 939**	42 764
Interest revenue		**283**	279
Other income		**619**	676
Insurance service result		**15**	41
Payments to other operators	5.1	**(3 878)**	(3 683)
Cost of handsets, equipment, software and directories	5.2	**(4 781)**	(5 625)
Sales commission, incentives and logistical costs	5.3	**(2 425)**	(2 006)
Employee expenses	5.4	**(9 312)**	(10 713)
Other expenses	5.5	**(2 197)**	(2 756)
Maintenance	5.6	**(3 971)**	(3 880)
Marketing		**(747)**	(671)
Impairment of receivables and contract assets	18	**(1 039)**	(1 140)
Service fees	5.7	**(3 316)**	(3 274)
Lease-related expenses		**(487)**	(478)
EBITDA		**11 703**	9 534
Depreciation of property, plant and equipment		**(4 918)**	(4 868)
Depreciation of right-of-use assets		**(947)**	(954)
Amortisation of intangible assets		**(805)**	(679)
Write-offs, impairments and losses of property, plant and equipment and intangible assets		**(200)**	(414)
Operating profit		**4 833**	2 619
Investment income		**188**	79
Income from associates		**1**	11
Net finance charges, hedging costs and fair value movements		**(1 527)**	(1 803)
Finance charges on lease liabilities		**(445)**	(368)
Net finance charges – other		**(804)**	(1 202)
Cost of hedging		**(153)**	(205)
Foreign exchange and fair value movements		**(125)**	(28)
Profit before taxation		**3 495**	906
Taxation	13.1	**(1 067)**	(366)
Profit for the year		**2 428**	540
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange (losses)/gains on translating foreign operations[2]		**(25)**	65
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial (losses)/gains	10	**(69)**	1 080
Income tax relating to other comprehensive income	13.2	**19**	(302)
Other comprehensive income for the year, net of taxation		**(75)**	843
Total comprehensive income for the year		**2 353**	1 383
Profit attributable to:			
Owners of Telkom		**2 422**	535
Non-controlling interests		**6**	5
Profit for the year		**2 428**	540
Total comprehensive income attributable to:			
Owners of Telkom		**2 347**	1 378
Non-controlling interests		**6**	5
Total comprehensive income for the year		**2 353**	1 383
Basic earnings per share (cents)	6	**489.9**	107.5
Diluted earnings per share (cents)	6	**484.0**	106.0

[1] *Restated. Refer to notes 3.3.1.1 and 3.5.*
[2] *This component of other comprehensive income does not attract any tax.*

Consolidated summary statement of financial position

at 31 March 2021

	Notes	31 March 2021 Rm	Restated 31 March[1] 2020 Rm	Restated 1 April[1] 2019 Rm
Assets				
Non-current assets		**47 901**	45 071	37 961
Property, plant and equipment		**36 271**	33 608	32 035
Right-of-use assets	8	**4 519**	4 502	–
Intangible assets		**4 605**	4 739	4 521
Other investments		**115**	62	78
Employee benefits	10	**1 317**	992	729
Other financial assets	9	**81**	192	133
Finance lease receivables		**270**	148	210
Deferred taxation	13.2	**723**	828	255
Current assets		**15 930**	16 315	14 783
Inventories	11	**1 026**	972	1 267
Income tax receivable		**91**	9	76
Finance lease receivables		**228**	106	108
Trade and other receivables	18.1	**7 227**	7 019	7 425
Contract assets	18.2	**1 747**	1 979	2 161
Other current assets	19	**459**	536	357
Other financial assets	9	**88**	759	388
Absa sinking fund investment	14.2	**–**	161	1 573
Investment in insurance cell captive		**61**	46	–
Cash and cash equivalents	12	**5 003**	4 728	1 428
Assets classified as held for sale		**–**	–	200
Total assets		**63 831**	61 386	52 944
Equity and liabilities				
Equity attributable to owners of the parent		**31 366**	29 390	29 527
Share capital		**5 050**	5 050	5 050
Share-based compensation reserve		**1 036**	835	512
Non-distributable reserves		**1 361**	1 642	1 621
Retained earnings		**23 919**	21 863	22 344
Non-controlling interests		**(25)**	(29)	195
Total equity		**31 341**	29 361	29 722
Non-current liabilities		**15 121**	14 767	6 740
Interest-bearing debt	15	**10 173**	10 105	4 840
Lease liabilities	8	**3 761**	3 708	–
Provisions	16	**619**	343	1 193
Other financial liabilities	9	**107**	62	79
Deferred revenue		**235**	396	466
Deferred taxation	13.2	**226**	153	162
Current liabilities		**17 369**	17 258	16 482
Trade and other payables[2]		**11 493**	8 339	6 536
Shareholders for dividend		**31**	31	29
Interest-bearing debt	15	**693**	1 900	5 401
Lease liabilities	8	**1 211**	1 067	–
Provisions	16	**1 613**	2 006	1 362
Deferred revenue		**1 696**	1 754	1 396
Income tax payable	13.3	**9**	1 240	1 335
Other financial liabilities	9	**622**	919	423
Credit facilities utilised	12	**1**	2	–
Total liabilities		**32 490**	32 025	23 222
Total equity and liabilities		**63 831**	61 386	52 944

[1] *Restated. Refer to notes 3.3.1.1 and 3.6.*
[2] *Trade and other payables increased mainly driven by the growth in the Mobile business.*

Consolidated summary statement of changes in equity

for the year ended 31 March 2021

	31 March 2021 Rm	Restated 31 March* 2020 Rm
Balance at 1 April (as previously reported)	**29 475**	29 768
Attributable to owners of Telkom	**29 504**	29 573
Non-controlling interests	**(29)**	195
Restatement of third-party service costs*	**(114)**	(46)
Restated balance at 1 April	**29 361**	29 722
Correction of prior period error in the current year*	**(44)**	–
Total comprehensive income for the year	**2 353**	1 383
Profit for the year	**2 428**	540
Other comprehensive income	**(75)**	843
Exchange (losses)/gains on translating foreign operations	**(25)**	65
Net defined benefit plan remeasurements	**(50)**	778
Dividend declared	**(256)**	(1 713)
Disposal of subsidiary	**–**	(9)
Acquisition of non-controlling interest	**–**	(160)
Increase in share-based compensation reserve	**203**	323
Escrow shares realised for settlement to employees	**12**	(14)
Increase in treasury shares	**(288)**	(159)
Increase in treasury shares from Yellow Pages	**–**	(12)
Balance at the end of the year	**31 341**	29 361
Attributable to owners of Telkom	**31 366**	29 390
Non-controlling interests	**(25)**	(29)

* *Refer to note 3.3.1.1.*

Consolidated summary statement of cash flows

for the year ended 31 March 2021

	Notes	31 March 2021 Rm	31 March 2020 Rm
Cash flows from operating activities		**10 834**	8 563
Cash receipts from customers		**43 790**	43 239
Cash paid to suppliers and employees		**(29 546)**	(30 483)
Cash generated from operations	23	**14 244**	12 756
Interest received		**332**	212
Finance charges paid		**(1 291)**	(1 374)
Taxation paid		**(2 194)**	(1 320)
Cash generated from operations before dividend paid		**11 091**	10 274
Dividend paid		**(257)**	(1 711)
Cash flows utilised for investing activities		**(8 056)**	(5 961)
Proceeds on disposal of property, plant and equipment and intangible assets		**6**	28
Additions to assets for capital expansion		**(8 172)**	(7 712)
Proceeds on disposal of SOX, BCX Nigeria and BCX Tanzania		**–**	244
Investments made by FutureMakers		**(54)**	(21)
Withdrawal from the Absa sinking fund investment		**164**	1 500
Cash flows from financing activities		**(2 502)**	696
Loans raised	15	**268**	8 660
Loans repaid	15	**(1 400)**	(6 950)
Other financing activities		**–**	(104)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		**(285)**	(172)
Acquisition of non-controlling interest in Yellow Pages		**–**	(160)
Repayment of lease liability		**(856)**	(780)
Repayment of derivatives		**(734)**	(176)
Proceeds from derivatives		**505**	378
Net increase in cash and cash equivalents		**276**	3 298
Net cash and cash equivalents at 1 April		**4 726**	1 428
Net cash and cash equivalents at the end of the year	12	**5 002**	4 726

Restatements and adjustments

Restatements

In FY2021, BCX identified that certain costs of third-party service expenses incurred on a customer contract had been incorrectly accounted for over the term of the customer contract since 2018.

The restatement impacted the Group income statement and resulted in other operating expenses being understated for the year ended 31 March 2020.

The 31 March 2020 comparative financial information was restated.

	Reported March 2020 Rm	Restatement Rm	Restated March 2020 Rm
Other operating expenses	2 688	68	2 756
EBITDA	9 602	(68)	9 534
Profit after tax	608	(68)	540
BEPS	121.1	(13.6)	107.5
HEPS	208.1	(13.6)	194.4

Pro forma financial information

Certain financial information presented in this results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The pro forma financial information is presented to assist the reader to analyse the underlying performance of Telkom.

The pro forma adjustments include the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in FY2021, and R1 186 million and the related tax impact of R332 million in FY2020. Unless otherwise stated, the pro forma consolidated income statement and all related key performance indicators (KPIs) and messages in this results announcement are based on this adjusted base.

The applicable criteria on which this pro forma financial information is reported and prepared for the year ended 31 March 2021 are set out below.

Pro forma adjustments

VSP, VERP and S189

The pro forma adjustments for the current financial year include the impact of the VSP, VERP and S189 costs of R270 million and related tax impact of R76 million.

Extract of the audited consolidated abridged statement of profit and loss	Reported March 2021 Rm	Pro forma adjustment Rm	Pro forma March 2021 Rm
Operating expenses	**21 069**	(270)	20 799
Employee expenses	**9 312**	(270)	9 042
EBITDA	**11 703**	270	11 973
Operating profit	**4 833**	270	5 103
Taxation	**1 067**	76	1 143
Profit for the year	**2 428**	194	2 622
BEPS (cents)	**489.9**		529.1
HEPS (cents)	**522.2**		561.5

March 2020

The pro forma adjustments for FY2020 include the impact of the VSP, VERP and S189 costs of R1 186 million and related tax impact of R332 million.

In the published results for the year ended 31 March 2020, pro forma financial information excluded the impact of VSP and VERP costs as well as an additional impairment provision of receivables of R626 million relating to COVID-19. The pro forma results were also presented on IAS 17 basis to achieve comparison with prior year. The pro forma financial information for the year ended 31 March 2020 has been restated to include the additional impairment of receivables provision of R626 million recognised in the prior year as the COVID-19 impact has become a norm. In addition, the financial information is reported on an IFRS 16 pro forma basis.

Extract of the audited consolidated abridged statement of profit and loss	Restated March 2020 Rm	Pro forma adjustment Rm	Pro forma March 2020* Rm
Operating expenses	22 912	(1 186)	21 726
Employee expenses	10 713	(1 186)	9 527
EBITDA	9 534	1 186	10 720
Operating profit	2 619	1 186	3 805
Taxation	366	332	698
Profit for the year	540	854	1 394
BEPS (cents)	107.5		279.0
HEPS (cents)	194.4		366.0

* *The pro forma financial information for the year ended 31 March 2020 has been restated and presented on a consistent basis with the pro forma financial information for the year ended 31 March 2021.*

Segment reporting

Segment reporting is provided in note 4 as part of the notes to the financial statements.

Results from operations

Group profit after tax increased 88.1%** to R2 622 million** (FY2020: R1 394 million**). This is mainly attributable to higher earnings before interest, taxation, depreciation and amortisation (EBITDA) due to resilient Group revenue as well as our continued efforts in containing costs. Our total expenses declined by 3.5% mainly driven by lower cost of handsets, equipment and directories expenses and employee expenses, as we realise benefits from our Restructuring programme. This was partially offset by an increase in the tax expense, mainly as a result of higher taxable income. Headline earnings per share (HEPS) increased 53.4%** to 561.5** cents per share.

The pro forma financial information for the year ended 31 March 2020 has been restated and presented on a consistent basis with the pro forma financial information for the year ended 31 March 2020.

** *Refer to pages 123 and 124 in the annual financial statements for the reconciliation of the reported figures to the pro forma adjusted figures.*

Telkom SA SOC Ltd
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/30)
(JSE Share Code: TKG)
(JSE Bond Code: BITEL)
ISIN: ZAE000044897)
("Telkom" or "the Company")

Notice of annual general meeting

Notice is hereby given to the shareholders of the Company ("shareholders") that the 29th annual general meeting of the shareholders ("AGM") will be held through electronic communication at 10:00 (South African time) on Wednesday, 25 August 2021.

The purpose of the AGM is to:

(a) present to the shareholders the audited consolidated annual financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2021, a complete set of which is set out on pages 119 to 124 of the integrated report to which this notice of AGM is attached and a copy of which is otherwise available on the Company's website: www.telkom.co.za;

(b) present to the shareholders a report of the Audit Committee on matters which are within the mandate of that Committee;

(c) present to the shareholders a report of the Social and Ethics Committee on matters which are within the mandate of that Committee;

(d) consider all and any matters of or relating to the Company which may lawfully be considered and dealt with at the AGM; and

(e) consider and, if deemed fit, pass, with or without modification, the Ordinary and Special Resolutions set out hereunder.

Important dates to note

Record date for receipt of notice of AGM
Friday, 16 July 2021

Notice of AGM distributed to shareholders on
Monday, 26 July 2021

Last day to trade to participate in and vote at the AGM
Tuesday, 17 August 2021

Record date to be recorded in the shareholders' register to participate in and vote at the AGM
Friday, 20 August 2021

Last day to lodge forms of proxy by 10:00
Monday, 23 August 2021

AGM held at 10:00
Wednesday, 25 August 2021

Results of AGM released on SENS on or about
Wednesday, 25 August 2021

Voting and proxies at the AGM

1. All shareholders are entitled to electronically attend and speak at the AGM or any cancellation, postponement or adjournment thereof. All holders of ordinary shares will be entitled to vote, using the electronic voting ("e-voting") facility, on each resolution proposed to be passed at the AGM or any cancellation, postponement or adjournment thereof.
2. A shareholder entitled to electronically attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a shareholder/s) to attend, participate in and vote at the AGM in place of that shareholder.
3. The attached form of proxy is to be completed only by those shareholders who:
   (a) hold shares in certificated form; and
   (b) are recorded on the sub-register in dematerialised electronic form with "own name" registration.
4. All other beneficial owners of shares who have dematerialised their shares through a central securities depositary participant ("CSDP") or broker, and wish to electronically attend the AGM, must instruct their CSDP or broker to provide them with the necessary letter of representation, or must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker. Those shareholders must NOT use the attached form of proxy.
5. In order to use the e-voting facility, shareholders must register, log on and cast their proxy e-votes by following the on-screen prompts, which have been detailed in the e-voting and webcast guidelines attached to this communication. Should shareholders not have access to online channels, please forward the completed form of proxy attached to the notice of AGM to the Company's transfer secretaries in South Africa, on or before 10:00 on Monday, 23 August 2021.
6. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to electronically attend, speak and vote in person at the AGM should that shareholder decide to do so. A summary of shareholders' rights in respect of proxy appointments as contained in section 58 of the Companies Act is set out at the end of this notice of AGM.
7. On a poll, every person entitled to vote shall have one vote for every ordinary share held. On a show of hands, each person entitled to vote shall have one vote, irrespective of the number of ordinary shares held.
8. All Ordinary Resolutions required to be passed at the AGM shall be passed by a majority of more than 50% of the voting rights exercised on each such resolution.
9. All Special Resolutions required to be passed at the AGM shall be passed by a majority of at least 75% of the voting rights exercised on each such resolution.

Electronic participation in the AGM

10. The AGM will be conducted entirely through electronic communication, in accordance with the provisions of the Companies Act, No 71 of 2008 ("the Companies Act"). and the Company's Memorandum of Incorporation. Shareholders who wish to participate in the AGM should connect to the AGM by using the link that will be provided by the Company's e-service provider. Please refer to the guide attached to this notice of AGM for more information.

Ordinary Resolutions:

Ordinary Resolution Numbers 1.1 to 1.3 – Election of Directors

Resolved that the following Directors, who were appointed post the last AGM shall retire from office at the AGM and, being eligible and having offered themselves for re-election, each by way of separate resolution, be re-elected as Directors of the Company, in accordance with the Company's Memorandum of Incorporation ("MOI"), with immediate effect:

1.1 Ms O Ighodaro
1.2 Ms EG Matenge-Sebesho
1.3 Mr H Singh

Explanatory notes in respect of Ordinary Resolution Numbers 1.1 to 1.3

Ordinary Resolution Numbers 1.1 to 1.3 are proposed for the election of Directors of the Company, who were appointed post the last AGM. The elections will be conducted by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy.

The Board of Directors recommends to the shareholders the election of the aforementioned Directors. The profiles of the Directors standing for election are set out on pages 83 and 133 of the integrated report.

Ordinary Resolution Numbers 1.4 to 1.7 – Re-election of Directors

Resolved that the following Directors shall retire from office at the AGM and, being eligible and having offered themselves for re-election, each by way of separate resolution, be re-elected as Directors of the Company, in accordance with the Company's MOI, with immediate effect:

1.4 Ms KW Mzondeki
1.5 Ms F Petersen-Cook
1.6 Dr SP Sibisi
1.7 Mr RG Tomlinson

Explanatory notes in respect of Ordinary Resolution Numbers 1.4 to 1.7

Ordinary Resolution Numbers 1.4 to 1.7 are proposed for the re-election of Directors of the Company. The re-elections will be conducted by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy.

The Board of Directors recommends to the shareholders the re-election of the aforementioned Directors. The profiles of the Directors standing for re-election are set out on page 83 of the integrated report.

Ordinary Resolution Number 2.1 – Re-election of Director who retires by tenure in terms of the Company's MOI

Resolved that the following Director, having served on the Board for a period in excess of 9 (nine) years, shall retire from office at the AGM and, having been subjected to an independence assessment and the Board having been satisfied of his independence, and being eligible, be re-elected as a Director of the Company, in accordance with the Company's MOI, with immediate effect:

2.1 Mr N Kapila

Explanatory notes in respect of Ordinary Resolution Number 2.1

Ordinary Resolution Number 2.1 is proposed for the re-election of a Director of the Company who has served in excess of 9 (nine) years. Clause 23.2.2. of the Company's MOI stipulates that "any Non-executive Director holding office for an aggregate period in excess of 9 years since his/her first election or appointment, shall retire from office at such Annual General Meeting (notwithstanding that he/she may have retired from office at the previous Annual General Meeting in terms of clause 23.2.1)."

Following an independence assessment of Mr N Kapila, and the outcome of such assessment having confirmed Mr N Kapila's independence, the Board of Directors recommends to the shareholders the re-election of the aforementioned Director.

The profile of the Director standing for re-election is set out on page 83 of the integrated report.

Ordinary Resolution Numbers 3.1 to 3.5 – Election of Audit Committee Members

Resolved that the following independent Non-executive Directors, each by way of separate resolution, be and are hereby elected as Members of the Company's Audit Committee from the conclusion of the AGM until the next AGM of the Company:

3.1 Mr KA Rayner
3.2 Mr PCS Luthuli
3.3 Ms KW Mzondeki
3.4 Mr H Singh
3.5 Mr LL Von Zeuner

Mr H Singh and Ms KW Mzondeki will be appointed, subject to their election and re-election as Directors pursuant to Ordinary Resolution Numbers 1.3 and 1.4, respectively.

The profiles of the Directors who are standing for election to the Audit Committee are set out on page 83 of the integrated report.

Explanatory notes in respect of Ordinary Resolution Numbers 3.1 to 3.5

In terms section 94 of "the Companies Act", the Audit Committee is a statutory Committee elected by the shareholders at each AGM. In terms of Regulation 43 of the Companies Regulations, at least one-third of the Members of a Company's Audit Committee at any time must have academic qualifications or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Company has established an Audit Committee which fulfils the functions of an Audit Committee as contemplated in the Companies Act and the persons nominated to be appointed to the Company's Audit Committee were nominated having considered the requirements of the Companies Act and Companies Regulations referred to herein.

Ordinary Resolution Numbers 4.1 and 4.2 – Reappointment of PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton as joint external auditors of the Company

Resolved that PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton, each by way of separate resolution, be reappointed as the joint independent registered auditors of the Company from the conclusion of this AGM until the next AGM of the Company.

4.1 PricewaterhouseCoopers as the independent external auditor, represented by Mr KJ Dikana as the individual designated auditor responsible for the audit.

4.2 SizweNtsalubaGobodo Grant Thornton as the independent external auditor, represented by Mr M Hafiz as the individual designated auditor responsible for the audit.

Explanatory notes in respect of Ordinary Resolution Numbers 4.1 and 4.2

In compliance with section 90 read with section 92(3) of the Companies Act, PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton are recommended by the Audit Committee to be reappointed as joint auditors for the financial year ending 31 March 2022 and until the next AGM of the Company.

Ordinary Resolution Numbers 5.1 to 5.2 – Non-binding advisory endorsement of the Telkom remuneration policy and implementation report for the payment of remuneration for the 2021 financial year

Resolved that the shareholders hereby endorse, each by way of a separate non-binding advisory vote, the following:

5.1 The Company's remuneration policy as set out in the remuneration report contained in the integrated report on page 97.

5.2 The implementation report as set out in the remuneration report contained in the integrated report on page 108.

Explanatory notes for the non-binding advisory endorsement of the remuneration policy and implementation report

In terms of Principle 14 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV) and the JSE Listings Requirements, the Company's remuneration policy and implementation report should be tabled for separate non-binding advisory votes at the AGM. The essence of this vote is to enable the shareholders to express their non-binding views on the remuneration policies adopted and implementation thereof.

These non-binding resolutions are of an advisory nature only and although the Board will consider the outcome of the votes when implementing its remuneration practices, failure to pass these resolutions will not legally preclude the Company from implementing the remuneration policy and practices as contained in the governance report. Shareholders who wish to raise any concerns or submit any comments to the Company on the remuneration policy or implementation report are requested to submit such to investor relations and the Group Company Secretary.

In the case that the Company receives 25% (twenty-five percent) or more votes against either the remuneration policy or implementation report, shareholder engagements will be arranged. Such engagements will be communicated in the voting results announcement.

Ordinary Resolution Number 6 – General authority for Directors to allot and issue and/or grant options over ordinary shares

Resolved that, subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, the authorised but unissued ordinary shares in the share capital of the Company be and are hereby placed under the control of the Directors of the Company who are authorised to allot and issue ordinary shares, issue and/or grant options over such ordinary shares at their discretion, subject to the following:

(a) This authority shall only be valid until the next AGM of the Company but shall not endure beyond 15 months from the date of this AGM.

(b) Ordinary shares issued in terms of this authority shall not exceed 10% of the number of ordinary shares in issue as at the date of passing this resolution.

(c) The number of ordinary shares to be issued in terms of this resolution shall not include any ordinary shares that may be issued by the Company to employees participating in the Telkom Employee Forfeitable Share Plan.

Explanatory notes in respect of Ordinary Resolution Number 6

In terms of clause 9.3 of the MOI, the shareholders may authorise the Directors to allot and issue unissued ordinary shares or grant options over them as the Directors may deem fit (with the effect that any pre-emptive rights that shareholders hold may be waived), subject to the provisions of the JSE Listings Requirements and the Companies Act. The Directors wish to be granted authority to allot and issue up to a maximum of 10% (ten percent) of the number of ordinary shares in issue as at the date of passing of this resolution in their discretion. The number of shares to be issued in terms of Ordinary Resolution Number 6 shall not include any ordinary shares that may be issued by the Company to participating employees in the Telkom SA SOC Ltd Employee Forfeitable Share Plan as any such issues will take place in terms of the rules of the Telkom SA SOC Ltd Employee Forfeitable Share Plan.

Special Resolutions:

Special Resolution Number 1 – General authority for Directors to issue ordinary shares for cash

Resolved that, subject to the passing of Ordinary Resolution Number 6, the provisions of the Companies Act and the JSE Listings Requirements, the Directors be and are hereby authorised by way of a general authority, to allot and issue ordinary shares in the share capital of the Company for cash, on such terms and conditions as they deem fit, subject to the following conditions:

- The general authority granted to the Directors shall be valid only until the Company's next AGM and shall not extend beyond 15 months from the date on which this resolution is passed.
- The ordinary shares must be issued to public shareholders, as defined in the JSE Listings Requirements, and not to related parties.
- The ordinary shares which are the subject of general issues for cash:
  - may not exceed 5%, of the Company's number of ordinary shares in issue as at the date of the notice of AGM, net of treasury shares (being 24 682 732 ordinary shares in issue);
  - any ordinary shares issued under this authority must be deducted from the number of ordinary shares set out above;
  - in the event of a sub-division or consolidation of issued ordinary shares during the period of this authority, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- The maximum discount at which ordinary shares may be issued is 10% of the weighted average traded price of such ordinary shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the ordinary shares. The JSE should be consulted for a ruling if the Company's ordinary shares have not traded in such 30-business day period.
- Should the Company and/or any subsidiary cumulatively issue 5% of the initial number of the Company's ordinary shares in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Explanatory notes in respect of Special Resolution Number 1

The Directors wish to be granted authority to allot and issue the ordinary shares of the Company that they would be authorised by Ordinary Resolution Number 6 to issue as they in their discretion deem fit, for cash from time to time, subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, in particular section 5.52 of the JSE Listings Requirements. The ordinary shares capable of being issued for cash under this authority effectively represent 5% of the number of ordinary shares in issue (net of treasury shares) as at the date of this notice of AGM, which is significantly lower than up to 30% as permitted in terms of the JSE Listings Requirements.

The Directors consider it beneficial to obtain the authority to enable the Company to take advantage of any business opportunity that may arise in future.

Special Resolution Number 2 – General authority to repurchase ordinary shares

Resolved that, pursuant to the MOI, the Company and any of its subsidiaries be and are hereby authorised by way of a general approval to purchase or repurchase, as the case may be, and from time to time, ordinary shares issued by the Company from any person, upon such terms and conditions and in such number as the Directors of the Company or subsidiary may determine, but in accordance with and subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, provided that:

- The general authority granted to the Directors shall be valid only until the Company's next AGM and shall not extend beyond 15 months from the date on which this resolution is passed;
- Any general repurchase by the Company or any subsidiary of its ordinary shares in issue shall not in aggregate in any one financial year exceed 10% of the Company's issued ordinary share capital at the time that the general authority was granted;
- No repurchase or purchase may be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date of such repurchase or purchase;
- The repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or any subsidiary and the counterparty (reported trades are prohibited);
- The Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;
- The repurchase of shares by the Company and/or any of its subsidiaries may not be effected during a prohibited period as defined in the JSE Listings Requirements unless the Company has in place a Repurchase programme where the dates and quantities of ordinary shares to be traded during the period are fixed, i.e. not subject to variation, and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third-party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the Repurchase programme submitted to the JSE;
- The Board of Directors resolves to authorise the repurchase, provided that the Company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Telkom Group;
- The general authority may be varied or revoked by special resolution of the shareholders prior to the next AGM of the Company; and
- Should the Company and/or any subsidiary cumulatively repurchase and/or purchase, as the case may be, 3% of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% in aggregate of the initial number of that class repurchased and/or purchased, as the case may be, thereafter in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Any decision by the Directors, after considering the effect of a repurchase, of up to 10% of the Company's issued ordinary shares, to use the general authority to repurchase shares of the Company, will be taken regarding the prevailing market conditions and other factors.

The Directors of Telkom SA SOC Ltd, after considering the effect of the maximum potential repurchase, are of the opinion that for a period of 12 months after the date of the notice of AGM:

- The Company and the Group will, in the ordinary course of business, be able to pay its debts;
- The assets of the Company and the Group will be in excess of its liabilities. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

The following additional information, which appears in Telkom SA SOC Ltd's integrated report, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- The major shareholders on page 118; and
- The share capital of the Company on page 117.

Directors' responsibility statement:

The Directors, whose names appear on page 1 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Special Resolution contains all required information.

Material changes:

There have been no material changes in the affairs or financial position of the Company since the end of the financial year ended 31 March 2021 and the date of this notice of AGM.

Explanatory notes in respect of Special Resolution Number 2

This Special Resolution is proposed to allow the Company and/or its subsidiaries by way of a general authority to repurchase and/or purchase shares issued by the Company.

The existing general authority for the Company and/or a subsidiary thereof to repurchase or purchase, as the case may be, shares in the Company, granted by shareholders at the previous AGM is due to expire at this AGM, unless renewed.

The Directors have no specific intention, at present, for the Company or its subsidiaries to repurchase any of the Company's shares but are of the opinion that it would be in the best interests of the Company to extend such general authority, and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the shares issued by the Company through the order book of the JSE, should an opportunity present itself where the market conditions and price justify such action.

Special Resolution Number 3 – Remuneration of Non-executive Directors

Resolved that the remuneration of the Non-executive Directors of the Company for their services as Directors of the Company be as set out below with effect from 25 August 2021:

Telkom SA SOC Ltd Board	Annual Retainer Fee Non-executive Director Amount	Annual Committee Retainer Fee (Non-executive Directors excluding Board Chairperson) Amount
Board		
Board Chairperson	2 060 000	–
International Board Member	735 000	
Board Member	470 000	
Audit Committee		
Chairperson		410 000
Member		215 000
Risk Committee		
Chairperson		250 000
Member		150 000
Social and Ethics Committee		
Chairperson		250 000
Member		150 000
Nominations Committee		
Chairperson*		–
Member		110 000
Remuneration Committee		
Chairperson		250 000
Member		150 000
Investments and Transactions Committee		
Chairperson		250 000
Member		150 000

* *The Nominations Committee Chairperson has an all-inclusive fee.*

Explanatory notes in respect of Special Resolution Number 3

In terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to Directors for their service as Directors in accordance with a Special R esolution approved by shareholders within the previous two years and if not prohibited in terms of a Company's MOI. The remuneration of Non-executive Directors for their services is determined from time to time by the Directors, considering the recommendations of the Remuneration Committee. Non-executive Directors shall also be paid travelling, subsistence and other expenses properly incurred by them in the execution of their duties, including attendance of meetings of Directors and of Committees authorised or ratified by Directors.

The Board of Directors has considered the remuneration paid to the Non-executive Directors for the year ending 31 March 2021. Following a benchmarking exercise, and in the best interest of the Company, the Board is of the view that the fees for the Non-executive Directors be paid as follows:

- The Chairperson shall receive an all-inclusive annual retainer fee and will not be remunerated for serving on any Committees.
- All Non-executive Directors will receive an all-inclusive annual retainer fee for attendance at Board meetings and an annual retainer fee based on the Committees that the Non-executive Director is a Chairperson or Member of. The all-inclusive annual fee structure will not be linked to the number of meetings held in a year, and no additional fees will apply for any convened special meetings. Therefore, the all-inclusive annual fee will be a buildup of Board retainer plus Committees where the Non-executive Director is a Member and/or Chairperson. New Non-executive Directors will receive a pro-rated fee based on this build up on joining, and those changing Committees will also be remunerated accordingly based on this build up.

Special Resolution Number 4 – General authority to provide financial assistance

Resolved that the Board of Directors be and is hereby authorised to cause the Company, subject to compliance with the requirements of the Company's MOI and the Companies Act, to provide direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act, including by way of a loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or entity that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any securities of the Company or a related or inter-related Company or entity, for such amounts and on such terms as the Board of Directors may determine in its discretion. This authority shall continue until the next AGM of the Company.

Explanatory notes in respect of Special Resolution Number 4

The Board of Directors wishes to have the ability to provide financial assistance (by way of loan, guarantee, the provision of security or otherwise), if necessary, to related or inter-related companies and entities. Furthermore, it may be necessary or desirous for Telkom to provide financial assistance to related or inter-related companies and entities to subscribe for options or securities or purchase securities of Telkom or another Company related or inter-related to it. However, under section 44 and/or 45 of the Companies Act, Telkom will require the Special Resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that Telkom's subsidiaries and other related or inter-related companies and entities have access to financing and/or financial backing from Telkom, it is necessary to obtain the approval of shareholders, as set out in Special Resolution Number 4.

By order of the Board

TELKOM SA SOC LTD

AC Ceba (FCG) (F.Inst.D)
Company Secretary
02 July 2021

Registered Office
Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
South Africa
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa
(Private Bag X9000, Saxonwold, 2132)

Online Shareholders' meeting guide 2021

Attending the AGM electronically

We will be conducting a virtual AGM, giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Board questions and submit your votes in real time. To access the platform, you will need to:

a) Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.

b) Visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

Meeting ID:
132-867-117

To login you must have your Username and password which you can request from supportza@lumiglobal.com

Using the AGM online facility:

Access

Once you have either downloaded the Lumi AGM app or entered web.lumiagm.com into your web browser, you'll be prompted to enter the Meeting ID.

You will then be required to enter your:

a) Username; and

b) Password.

You will be able to log into the site from 10:00 on 25 August 2021.

To register as a shareholder, select '**I have a login**' and enter your username and password.

If you are a visitor, select '**I am a guest**'

As a guest, you will be prompted to complete all the relevant fields including; title, first name, last name and email address.

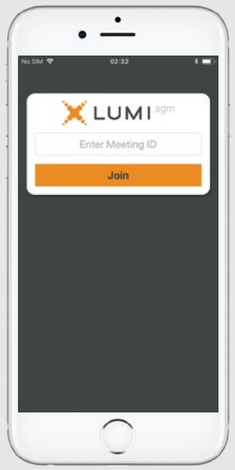
Please note, visitors will not be able to ask questions or vote at the meeting.

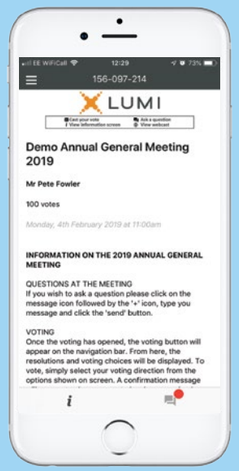
Navigation

When successfully authenticated, the info screen will be displayed. You can view Company information, ask questions and watch the webcast.

If you would like to watch the **webcast,** press the broadcast icon at the bottom of the screen.

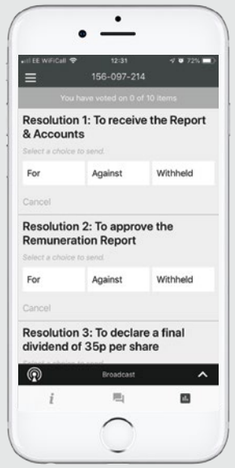
If viewing on a computer, the webcast will appear at the side automatically once the meeting has started.





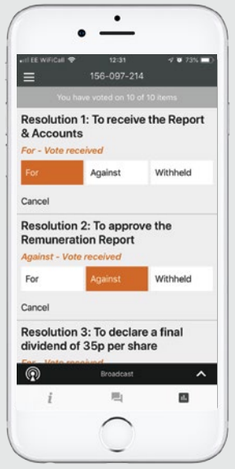
Voting

The Chairperson will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting choices will be displayed.



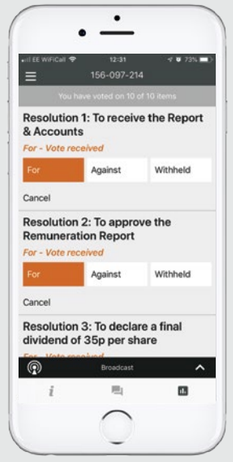
To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

To change your vote, simply select another direction. If you wish to cancel your vote, please press **Cancel**



Once the Chairperson has opened voting, voting can be performed at anytime during the meeting until the Chairperson closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast while the poll is open.



Questions

Any shareholder or appointed proxy attending the meeting is eligible to ask questions.

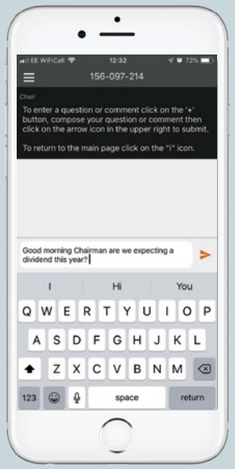
If you would like to ask a question, select the messaging icon

Messages can be submitted at any time during the Q&A session up until the Chairperson closes the session.

Type your message within the chat box at the bottom of the messaging screen.

Once you are happy with your message click the send button.

Questions sent via the Lumi AGM online platform will be moderated before being sent to the Chairperson. This is to avoid repetition and remove any inappropriate language.



Downloads

Links are present on the info screen. When you click on a link, the selected document will open in your browser.

Data usage for streaming the annual shareholders' meeting or downloading documents via the AGM platform varies depending on individual use, the specific device being used for streaming or download (Android, iPhone, etc) and the network connection (3G, 4G).

Annexure to the notice of annual general meeting

Olufunke (Funke) Ighodaro

Funke Ighodaro is a commercially astute and experienced business leader who has served on the boards of several private and publicly listed companies, bringing diverse and extensive leadership experience and expertise in a large number of business disciplines, but specifically in finance, business strategy, governance and risk management.

Funke holds a BSc (Honours) degree from Salford University, is a Fellow of the Institute of Chartered Accountants in England and Wales and accredited as a Chartered Accountant with SAICA. She is a former CFO of Tiger Brands Limited and Primedia Limited and an Executive Director of Barloworld Limited and of 9mobile (Nigeria's fourth largest Telco). She founded and led the private equity business of Kagiso Trust Investment Group and is currently a non-executive director of Massmart Holdings Limited, Old Mutual Limited and Old Mutual Life Assurance (South Africa Limited), Ascential Plc and Sabvest Capital Limited. She was formerly a non-executive director of Datatec Limited and Transaction Capital Limited.

Ethel Matege-Sebesho

Ethel Matenge-Sebesho is a highly professional and experienced board director with more than 40 years' experience leading organisations, specifically within the housing and banking industries. She was responsible for driving and establishing new markets to facilitate access to housing finance in the low to medium income market, for a number of African countries.

This involved engaging with mortgage lenders, Banking Regulators, short-term insurers and Insurance Regulators and reputable housing and infrastructure developers. She had succeeded in establishing business operations in Uganda, Rwanda, Kenya, Tanzania, Zambia, Ghana, Botswana, Namibia and Nigeria. The process of establishing business in all these countries has resulted in Ethel having extensive and useful contacts and networks abroad and in most African countries.

She has held various positions within Standard Chartered Bank Botswana Ltd and was responsible for the management of the Bank's personal banking and marketing activities, as well as the restructuring of the all the bank's departments and implementation of new processes.

In 1996 she was appointed by the Botswana Cabinet as a board member of the Botswana Housing Corporation. Ethel visited Oslo, Norway at the invitation of the largest Housing Association (OBOS), to benchmark their operations against those of Botswana to identify best practice. She attended the Asian Regional Conference of Women World Banking affiliates and visited banks in both India and Bangladesh to obtain input from their officials on how they run their banks and how they manage recovery rates on loans.

She currently sits on the FNB Advisory Board, Distell Group Holdings, Ashburton Investments and Finmark Trust. She was formerly a non-executive director of Firstrand Limited and Capevin Holdings.

TELKOM SA SOC LTD
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/30)
(JSE share code: TKG) ISIN: ZAE000044897)
("Telkom" or "the Company")

Form of proxy for the AGM

(For completion by certificated shareholders and own-name dematerialised shareholders. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, vote and speak at the AGM in its/his/her stead. Such proxy/ies need not be a shareholder/s of Telkom.)

For use at the AGM of shareholders to be held through electronic communication, on Wednesday, 25 August 2021 at 10:00.

A dematerialised shareholder who is not an "own-name" registered shareholder, must inform its/his/her central securities depository participant ("CSDP") or broker of its/his/her intention to attend the AGM and request its/his/her CSDP or broker to issue it/him/her with the necessary documentation to attend the AGM through electronic communication and vote or provide their CSDP or broker with its/his/her voting instructions should it/he/she not wish to attend the AGM through electronic communication. A dematerialised shareholder who is not an "own-name" registered shareholder should not use this form of proxy, but must contact its/his/her CSDP or broker as the Company will take no responsibility for shareholders who do not contact their CSDP or brokers timeously.

I/We _____ (name in BLOCK LETTERS)

Of _____ (address in BLOCK LETTERS)

_____

_____

_____

Being the holders of _____ ordinary shares in the capital of the Company,

do hereby appoint:

of _____

or failing him/her _____

of _____

or failing him/her, the Chairperson of the AGM as my/our proxy to represent me/us at the AGM to be held through electronic communication on Wednesday, 25 August 2021 at 10:00 or at any adjournment thereof, for purposes of considering and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment, as follows:

	Resolution	For	Against	Abstain
Ordinary Resolutions				
Ordinary Resolution Number 1.1:	Election of Ms O Ighodaro as a Director.			
Ordinary Resolution Number 1.2:	Election of Ms EG Matenge-Sebesho as a Director.			
Ordinary Resolution Number 1.3:	Election of Mr H Singh as a Director.			
Ordinary Resolution Number 1.4:	Re-election of Ms KW Mzondeki as a Director.			
Ordinary Resolution Number 1.5:	Re-election of Ms F Petersen-Cook as a Director.			
Ordinary Resolution Number 1.6:	Re-election of Dr SP Sibisi as a Director.			
Ordinary Resolution Number 1.7:	Re-election of Mr RG Tomlinson as a Director.			
Ordinary Resolution Number 2.1:	Re-election of Mr N Kapila as a Director.			
Ordinary Resolution Number 3.1:	Election of Mr KA Rayner as a Member of the Audit Committee.			
Ordinary Resolution Number 3.2:	Election of Mr PCS Luthuli as a Member of the Audit Committee.			
Ordinary Resolution Number 3.3:	Election of Ms KW Mzondeki as a Member of the Audit Committee, subject to her re-election as a Director pursuant to Ordinary Resolution Number 1.4.			
Ordinary Resolution Number 3.4:	Election of Mr H Singh as a Member of the Audit Committee, subject to his re-election as a Director pursuant to Ordinary Resolution Number 1.3.			
Ordinary Resolution Number 3.5:	Election of Mr LL Von Zeuner as a Member of the Audit Committee.			
Ordinary Resolution Number 4.1:	Reappointment of PricewaterhouseCoopers as joint auditors of the Company.			
Ordinary Resolution Number 4.2:	Reappointment of SizweNtsalubaGobodo Grant Thornton as joint auditors of the Company.			
Ordinary Resolution Number 5.1:	Non-binding advisory endorsement of the remuneration policy.			
Ordinary Resolution Number 5.2:	Non-binding advisory endorsement of the implementation report.			
Ordinary Resolution Number 6:	General authority for Directors to allot and issue and/or grant options over ordinary shares.			
Special Resolutions				
Special Resolution Number 1:	General authority to issue ordinary shares for cash.			
Special Resolution Number 2:	General authority to repurchase ordinary shares.			
Special Resolution Number 3:	Remuneration of Non-executive Directors.			
Special Resolution Number 4:	General authority to provide financial assistance.			

and generally, to act as my/our proxy at the said AGM.

(Please indicate with an "x", in the applicable spaces, how you wish your votes to be cast). Unless otherwise directed, the proxy will vote as he/she deems fit.

Signed at this day of 2021

Signature of shareholder

assisted by (where applicable)

Notes to proxy

1. A certificated shareholder and an "own name" registered dematerialised shareholder may insert the name of a proxy or the names of proxies of the certificated shareholder's / "own name" registered dematerialised shareholder's choice in the space provided, with or without deleting the Chairperson of the AGM. The person whose name stands first on the form of proxy and who is present at the AGM shall be entitled to act as proxy to the exclusion of the persons whose names follow.
2. Instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable in the appropriate box provided. Failure to comply with this shall be deemed to authorise the Chairperson of the AGM, if the Chairperson is the authorised proxy, to vote in favour of the resolutions at the AGM or the appointed proxy to vote or to abstain from voting at the AGM, as he/she deems fit in respect of all the appointer's votes exercisable thereat, or the appointed proxy to vote or to abstain from voting at the AGM, as he/she deems fit in respect of all the appointer's votes exercisable by that proxy.
3. The total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the person entitled to vote granting the proxy is entitled.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the Chairperson of the AGM.
5. The transfer secretaries at the AGM may reject or accept any form of proxy that is completed and/or received, other than in compliance with these notes.
6. Any alterations or corrections to this form of proxy shall be initialed by the signatory(ies).
7. The completion and lodging of this form of proxy shall not preclude the relevant person entitled to vote from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such person wish to do so.
8. Where there are joint holders of shares:
   a. any one holder may sign this form of proxy; and
   b. the vote of the senior shareholder (for that purpose, seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
9. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
10. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

Summary of applicable rights established in section 58 of the Companies Act, 2008, as amended (the "Companies Act")

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a Company is entitled to appoint any individual, including an individual who is not a shareholder of that Company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation of a Company provides otherwise –
   - 3.1. a shareholder of the relevant Company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
   - 3.2. a copy of the instrument appointing a proxy must be delivered to the relevant Company or to any other person on behalf of the relevant Company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy –
   - 4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant Company; and
   - 4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant Company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –
   - 5.1. stated in the revocation instrument, if any; or
   - 5.2. upon which the revocation instrument is delivered to the proxy and the relevant Company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant Company's memorandum of incorporation to be delivered by such Company to the shareholder must be delivered by such Company to –
   - 6.1. the shareholder; or
   - 6.2. the proxy or proxies if the shareholder has in writing directed the relevant Company to do so and has paid any reasonable fee charged by the Company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant Company or the instrument appointing the proxy provide otherwise.
8. If a Company issues an invitation to shareholders to appoint one or more persons named by such Company as a proxy, or supplies a form of instrument for appointing a proxy –
   - 8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   - 8.2. the Company must not require that the proxy appointment be made irrevocable; and
   - 8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

It is requested that forms of proxy be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) to be received by no later than 10:00 on Monday, 23 August 2021. If forms of proxy are not received by the transfer secretaries by the relevant time, they will nevertheless be entitled to be lodged immediately prior to the commencement of the AGM in accordance with the instructions therein, with the transfer secretaries at the AGM (and are requested to be so lodged at least by 09:30, which is 30 minutes prior to the time appointed for commencement of the AGM).

By order of the Board

TELKOM SA SOC LTD

Sello Moloko
Chairperson of the AGM
02 July 2021

Registered Office
Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
South Africa
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa
(Private Bag X9000, Saxonwold, 2132)

Acronyms

4G	fourth generation
5G	fifth generation
AGM	annual general meeting
ARPU	average revenue per user
ASA	additional share award
B-BBEE	broad-based black economic empowerment
BEPS	basic earnings per share
capex	capital expenditure
CAPS	Curriculum Assessment Policy Statements
CoE	Centre of Excellence
Companies Act	Companies Act, 71 of 2008 (as amended)
DOA	delegation of authority
EBITDA	earnings before interest, tax, depreciation and amortisation
ERM	enterprise risk management
ESD	enterprise and supplier development
ESG	environmental, social and governance
ESOP	employee share ownership plan
Exco	Group Executive Committee
FCF	free cash flow
FSP	forfeitable share plan
FTTH	fibre to the home
FY	financial year
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GDP	gross domestic product
GP	guaranteed package
GRI Standards	Global Reporting Initiative Standards
HEPS	headline earnings per share
HR	human resources
IAS	International Accounting Standard
ICASA	Independent Communications Authority of South Africa
ICT	information and communications technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IFT	Independent Field Technician
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
ISO	International Organization for Standardization
ISP	internet service provider
IT	information technology
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
KPI	key performance indicator
LED	light-emitting diode
LTE	long-term evolution
LTIP	long-term incentive plan
NICD	National Institute for Communicable Diseases
NQF	National Qualifications Framework
OHS Act	Occupational Health and Safety Act, 85 of 1993
opex	operating expenditure
OTT	over-the-top
PAT	profit after tax
POPIA	Protection of Personal Information Act, 4 of 2013
PPE	personal protective equipment
PwC	PricewaterhouseCoopers Inc.
Remco	Remuneration Committee
RICA	Regulation of Interception of Communications and Provision of Communication-Related Information Act, 70 of 2002
ROIC	return on invested capital
S189	section 189
SD-WAN	software-defined wide area network
SDGs	The United Nations Sustainable Development Goals
SENS	Stock Exchange News Service
SHE	safety, health and environment
SMB	Telkom Small and Medium Business
SME	small and medium-sized enterprise
SMME	small, medium and micro-sized enterprise
STEM	science, technology, English and mathematics
STI	short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TGF	Telkom Group Forensics
TGIA	Telkom Group Internal Audit
TRF	Telkom Retirement Fund
TSA	Talent Share Award
TSR	total shareholder return
VAS	value added services
VERP	voluntary early retirement package
VSP	voluntary severance package
WOAN	wireless open-access network
WTC	WeThinkCode

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