

Telkom SA SOC Ltd

Integrated Report

for the year ended
31 March 2023

Seamlessly connecting
our customers to a better life

Telkom

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Seamlessly
connecting our
customers to
a better life

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A TELKOM SNAPSHOT

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This summary describes Telkom's purpose, vision and values, and provides an overview of our performance. It provides insight into the Group's operating structure and explains each business unit's customer market segmentation, products and services, and differentiators.

LEADERSHIP REFLECTIONS ON FY2023

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The messages from our Chairperson, Group Chief Executive Officer (GCEO) and Group Chief Financial Officer (GCFO) outline how good governance supports our value-creation ambitions. They also illustrate the progress on our strategy and how it translated into our FY2023 performance.

VALUE CREATION

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This chapter provides an overview of our business model and explains the Group's material matters. It illustrates the rapidly changing, complex and challenging environment in which we operate and the key risks that require mitigation. In addition, it demonstrates how we consider our material stakeholders in our value-creation process. The strategy section sets out how the Group captures new opportunities, mitigates risks to grow the business, and ultimately supports our purpose and vision.

FY2023 PERFORMANCE

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This section focuses on the financial year's integrated performance, structured around our productive, intellectual, human, social and relationship, and natural capitals.

TRANSPARENCY AND ACCOUNTABILITY

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The governance chapter describes how we approach decision making, our governance processes and structures, and the rules and regulations we adhere to. It provides insight into the leadership teams and includes a summary of our remuneration report.

The full [remuneration report](#) is available online.

APPENDICES

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The appendices include more information about how we prepared this report, our contributions to the United Nations Sustainable Development Goals (SDGs) and Telkom's share and debt holding information. It also includes a summary of our [annual financial statements](#) and the notice of our [annual general meeting](#) (AGM) available online.

REPORT BOUNDARY AND APPROVAL

We aim to provide our stakeholders with transparent, relevant and integrated information to enable them to make more informed decisions about Telkom.

This integrated report (the report) covers the financial year 01 April 2022 to 31 March 2023 (FY2023 or the year) and includes significant subsequent events up to the report's approval date. In this report, "short-term" refers to the next financial year (ending 31 March 2024), "medium-term" to the period to 31 March 2026 and "long-term" to beyond April 2026.

Refer to [page 123](#) for more information on how we prepared the report.

The reporting boundary covers Telkom SA SOC Ltd, which represents Telkom Group (Telkom or the Group), which comprises Telkom Company and its subsidiaries. Telkom Company comprises the Corporate Centre and a division, namely Telkom Consumer. Telkom Group's operating subsidiaries are Openserve, BCX, Swiftnet and Gyro. These divisions and subsidiaries form Telkom's business units.

Telkom's operating model



Board approval

The Board of Directors (the Board) acknowledges its responsibility for the integrity of Telkom's integrated report. The Board confirms that it collectively reviewed the report's contents and leveraged the assurance obtained from its internal and external assurance providers, including assessments on risk and internal controls.

The Board is confident that the report addresses all material matters and concludes that the information herein is materially presented according to the International Integrated Reporting Framework (<IR> Framework, 2021)¹. The Board approved the report on 11 July 2023.



Chairperson

Sello Moloko
(up to 31 March 2023)

Mvuleni Geoffrey Qhena
(from 01 April 2023)

Group Chief Executive Officer
Serame Taukobong

Group Chief Financial Officer
Dirk Reyneke

Board Members

Naidene Ford-Hoon
Olufunke Ighodaro
Brian Kennedy
Prudence Lebina
Sibusiso Luthuli
Ethel Matenge-Sebesho
Mteto Nyati
Keith Rayner
Ipeleng Selele
Sibusiso Sibisi
Herman Singh
Louis Von Zeuner
Sung Yoon

¹ Previously known as the International Integrated Reporting Council's Integrated Reporting Framework, 2021.

Our approach to environmental, social and governance (ESG) disclosures

Sustainability reporting combines economic performance, social responsibility and environmental care. Telkom subscribes to several frameworks and the Group's ESG Strategy is well aligned with our obligations. The Group acknowledges that it creates, protects and enables socio-economic value throughout the business. Refer to the ESG Strategy on [page 49](#) for more information.

Our ESG-related policies show our commitment to management of the environment, employees, social matters, human rights and anti-corruption, and are available [online](#).

The Group adopted the various sustainability frameworks and participated in the indices as set out here.



The United Nations SDGs

Telkom supports four primary SDGs with selected targets. We demonstrate our contribution throughout this report, with a detailed summary on [page 125](#).



Task Force on Climate-related Financial Disclosures

We formally support the Task Force on Climate-related Financial Disclosures (TCFD). Refer to the summary on [page 91](#).



Global Reporting Initiative Standards

Telkom aligned its definitions of sustainable key performance indicators (KPIs) to the Global Reporting Initiative Standards' relevant definitions, which facilitates comparability.¹



CDP

Telkom continues to participate in the CDP. We achieved a B score in 2022. The 2023 score will be concluded after December 2023. Refer online for the [CDP report](#).



MSCI

At the date of approval of this report, we were rated BBB in the MSCI ESG Index.



S&P Global – Corporate Sustainability Assessment

Telkom took part for the first time this year and scored 34/100. We aim to improve this score going forward.



FTSE4Good

FTSE4Good ESG Index Series

Telkom was rated 3.9 for overall ESG score for 2022. Telkom was deleted from the FTSE All-World Index in September 2022 due to changes in market capitalisation.



The dti

We are a Level 1 broad-based black economic empowerment (B-BBEE) contributor for BCX and the rest of the Telkom Group.



EY Excellence in Integrated Reporting Awards

In 2022, Telkom's FY2021 integrated report ranked "Excellent" in the annual awards for the sixth consecutive year. The 2023 rankings will be released after July 2023.

¹ In alignment with the revised GRI Universal Standards effective 01 January 2023.

A TELKOM SNAPSHOT

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Overview of our business

Telkom is a leading information and communications technology (ICT) services provider in South Africa. We offer end-to-end ICT solutions, including high-speed fibre, mobile and data services, information technology (IT) services, property management and masts and towers solutions.

The South African Government owns 40.5% of Telkom¹. Institutional shareholders² hold 44.6% of our shares, while non-institutional shareholders³ hold 9.4%. The remaining 5.5% are treasury shares⁴.

¹ The Department of Communications and Digital Technologies is the shareholder representative of the South African Government.

² Institutional shareholders comprises various companies, the majority of which are based in South Africa, the USA, the UK and Europe. Refer to [page 129](#).

³ Non-institutional shareholders comprises private and individual investors not in the company sector.

⁴ The treasury shares belong to Telkom and have not been issued to the public.

Telkom's purpose, vision and values



Purpose **Seamlessly connecting our customers to a better life**



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



Our values and culture

A high-performance, values-driven culture is one of Telkom's keys to future success. Telkom is committed to ethically conducting business based on our core values and acceptable principles.

Our values form the foundation of our Group Ethics Handbook.

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 our business units provide.

Products and services provided by Telkom's five business units

Connectivity: Through ducted and aerial copper, fibre, satellite, mobile and wireless transmission.

Infrastructure: Property, masts and towers solutions to Telkom and third-party clients, data centres and fibre.

State-of-the-art next-generation network: Networks that employ the latest and high-speed broadband technology.

Digital transformation: Providing medium and large enterprises with digital transformation solutions to enhance their businesses, including several cloud solutions and consulting services.

Converged ICT solutions: Providing end-to-end business ICT services and products, including cloud, voice connectivity, fixed data and wireless networks, enterprise applications, analytics, and other IT services.

Digital presence and e-commerce: The e-commerce platform supports integrated business solutions for small and medium business customers.

Openserve	Telkom Consumer	BCX	Gyro	Swiftnet
•	•	•		
•		•	•	•
•	•			
		•		
		•		
	•	•		

Telkom's business units

Openserve

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



Althon Beukes (CEO)

Customer/market segmentation	Products and services	Differentiators
<p>Our open-access model allows us to provide broadband voice, enterprise, optical and carrier solutions to wholesale customers across the following segments:</p> <ul style="list-style-type: none"> - 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 satellites - Interconnect provides national and international operators with voice connectivity 	<ul style="list-style-type: none"> - Broadband solutions - Enterprise solutions - Optical and carrier solutions - Global solutions - Interconnect solutions - Voice services 	<ul style="list-style-type: none"> - The state-of-the-art next-generation network spans across core, transport and access, with layer zero restoration capabilities, making the network a unique wholesale market differentiator - Largest managed wholesale open-access infrastructure connectivity provider in South Africa, with national and regional fibre routes enabling the deployment of fibre-based access, enterprise and backhaul technologies - The leading high-speed fixed broadband connectivity provider in South Africa - Digital experience centre providing a unified channel that transforms operations to focus on a differentiated customer experience - Extensive experience and skills capacity across network communication and connectivity services and digital enablement

Refer to [page 55](#) for Openserve's performance.

Telkom Consumer

Telkom Consumer spearheads high-speed broadband via reliable, stable, high-quality converged communications and effective cost optimisation.



Lunga Siyo (CEO)

Customer/market segmentation	Products and services	Differentiators
<p>Telkom Consumer is driving forward in the following segments:</p> <ul style="list-style-type: none"> - Connecting homes with high-speed broadband through fibre - Providing affordable mobile voice and broadband services - Growing non-connectivity revenue relating to digital and financial services revenue - Catering for small and medium-sized businesses covering a plethora of services and industries <p>Services powered and provided by:</p> <ul style="list-style-type: none"> - A state-of-the-art mobile network - An ISP and content platform 	<ul style="list-style-type: none"> - Broadband (mobile, fixed, nomadic) - Voice - Non-connectivity and financial services 	<ul style="list-style-type: none"> - Data-centric mobile network - Latest technology adoption for fixed and mobile, enabling content, gaming, etc.

Refer to [page 58](#) for Telkom Consumer's performance



BCX

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



Jonas Bogoshi (CEO)

Customer/ market segmentation	Products and services	Differentiators
<p>Our customer segments comprise:</p> <ul style="list-style-type: none"> - Financial services - Healthcare - Mining and industrial - Retail - Public sector 	<p>Our diversified technology product portfolio provides a wide range of solutions, namely:</p> <ul style="list-style-type: none"> - Converged communications solutions, including voice, data networks, internet and wireless connectivity - Digital platform solutions, including enterprise applications and customised industry-specific offerings - Cloud platform solutions, including private cloud, public cloud and infrastructure, field services management and cybersecurity 	<ul style="list-style-type: none"> - Provides end-to-end ICT solutions and advisory services - Market leader with a strong presence in connectivity, end devices, applications and other IT services markets - Largest Tier 4* data centre footprint - Industry-specific expertise - Strategic vendor relationships - Customised applications <p><small>* Tier 4: Multiple active power and cooling distribution paths, redundant components, fault tolerant, 99.99% availability.</small></p>

Refer to [page 62](#) for BCX's performance.

Swiftnet

Swiftnet comprises masts and towers.



Lesiba Maloba (CEO)

Customer/ market segmentation	Products and services	Differentiators
<p>Our customer segments include:</p> <ul style="list-style-type: none"> - Mobile network operators (MNOs) - Wireless ISPs - Broadband providers - Public sector 	<p>Masts and towers with multi-tenant leases on existing and new towers.</p> <p>Our solutions include:</p> <ul style="list-style-type: none"> - Towers - Build-to-suit tower solutions - Small cell offering - In-building coverage solutions - Power-as-a-service solutions - Equipment shelters 	<ul style="list-style-type: none"> - First independent South African tower company established from a tele-communications operator - Established offering of in-building solutions and towers with shareable active equipment - A tower company with spectrum licence - Significant portion of the portfolio is located close to secure high-performance fibre infrastructure - Nationwide rural presence available to service the underserved areas

Refer to [page 66](#) for Swiftnet's performance.

Gyro

Gyro manages Telkom's property portfolio that is used for operations.



Lesiba Maloba (CEO)

Customer/ market segmentation	Products and services	Differentiators
<p>Our property segments comprise:</p> <ul style="list-style-type: none"> - Equipment buildings used for operational purposes within Telkom Group - Data Centres - Property development opportunities (including residential apartments, student accommodation and mixed use properties) 	<p>Property services with real estate management and tower management services, include the management pertaining to:</p> <ul style="list-style-type: none"> - Masts and towers - Property development - Property management and space user demand - Facilities management - Physical security and business protection services - Programme Management Office 	<ul style="list-style-type: none"> - 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 68](#) for Gyro's performance.

Integrated performance snapshot

Financial capital

The financial capital available to maintain and grow our business.
For more information on financial capital, refer to [page 20](#).



43 138

Revenue
R'million

FY2022: 42 756
FY2021: 43 222



(2 722)³

Free cash flow (FCF)
R'million

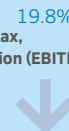
FY2022: (2 080)
FY2021: 2 063



9 552²

Earnings before interest, tax, depreciation and amortisation (EBITDA)
R'million

FY2022: 11 908
FY2021: 11 973



71.0²

Basic earnings per share (BEPS)
Cents per share

FY2022: 536.6
FY2021: 529.1



134.6¹

Headline earnings per share (HEPS)
Cents per share

FY2022: 575.3
FY2021: 561.5



7 401

Capital Expenditure (capex)
R'million

FY2022: 7 484
FY2021: 8 448



Productive capital

Our 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 provide satellite services to Africa. Masts and towers transmit our radio spectrum* and support the delivery of mobile voice and data services. Data centres provide hosting, disaster recovery services and cloud services to business customers. For more information on productive capital, refer to [page 55](#).



47.4

Active fibre connectivity rate
%

FY2022: 46.3
FY2021: 51.1



18 262

Active mobile subscribers
Thousand

FY2022: 16 936
FY2021: 15 326



11 634

Mobile broadband subscribers
Thousand

FY2022: 10 651
FY2021: 10 255



Intellectual capital

The intangible assets associated with our brand, our legal licences to operate, our collective expertise and processes, and the strategies, policies, procedures, standards and codes that govern how we do business.

For more information on intellectual capital, refer to [page 70](#).

In FY2023, the focal areas for IT were:

- Improved customer satisfaction
- Effective billing
- Data-driven insight
- System and cyber resilience
- Order to cash transformation
- Customer experience
- Operational efficiency
- Governance and risk management

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

¹ Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million and related tax impact of R288 million.

² Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million (with R288 million related tax impact) and impairment of R13 017 million (with R3 477 million related tax impact).

³ Non-defined IFRS measure.

Human capital

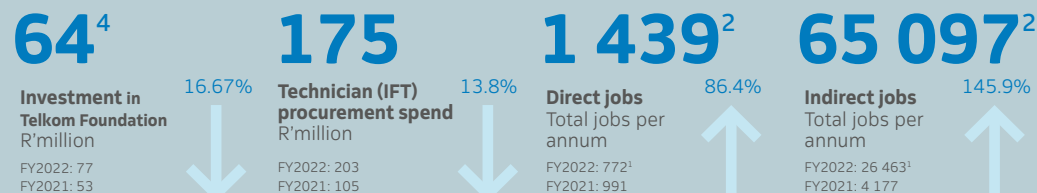
Contributors to human capital include our employees with skills, competencies, experience, motivation to innovate and be productive, and health and wellbeing. For more information on human capital, refer to [page 75](#).



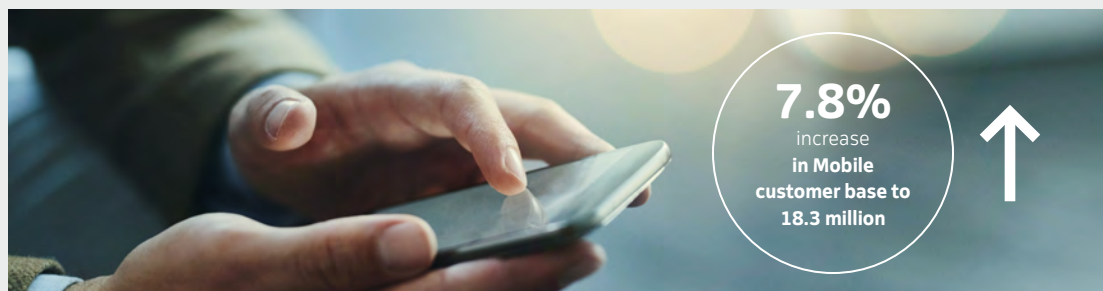
Social and relationship capital

Social and relationship capital reflects our contribution to South African society. For more information on social and relationship capital, refer to [page 82](#).

FutureMakers Independent Field

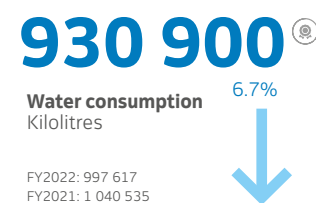


Total jobs on the FutureMakers Programme



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 electronic and electrical waste (e-waste) and carbon emissions. For more information on natural capital, refer to [page 87](#).



¹ Telkom includes Openserve, Gyro, Swiftnet, Telkom Consumer, Corporate Centre and Yep!. Refer to Human capital on [page 75](#) and the full breakdown of TIFR and LTIFR refer [page 81](#).

² The increase in indirect jobs is due to including all income opportunities created on platforms we invested in. Refer to Social and relationship capital on [page 82](#), and the full breakdown of direct and indirect jobs on [page 83](#).

³ During the internal data assurance exercise for the current reporting period, it was found that the electricity consumption for FY2022 was overstated by 262 GWh due to a formula error in the calculation. Therefore, FY2022 has been restated at 738 255 933 kWh with a resultant adjustment to Scope 2 emissions, also restated at 797 316 tCO₂e.

⁴ Includes a R26.0 million (2022: R36.4 million) invested in education, R20.3 million (2022: R25.3 million) in digital skills, R7.3 million (2022: R7.8 million) in social development programmes and administration costs of R10.4 million (2022: R7.3 million).

External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

LEADERSHIP REFLECTIONS ON FY2023

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In my last report as Chairperson of Telkom

I reflect on, among other things:



The impact the state of our economy and increased loadshedding, has on Telkom's performance and outlook



How we are focusing on our competitive advantages and continuing to improve our customers' experience



The progress made in our Value Unlock Programme as well as on our ESG Strategy



Our approach to succession planning and Board renewal



The Board's focus areas are further unpacked on [pages 101](#) and [102](#) of the Corporate Governance Report.

Chairperson's report: How our leadership supports value creation

The global outlook remains uncertain with high inflation, the ongoing effects of the Russia-Ukraine war and enduring economic damage from three years of COVID-19. Risks to the outlook are heavily skewed to the downside.

Global
Outlook



We are operating in an unsteady and volatile local and global environment. Government debt levels remain high, limiting its ability to respond to new challenges or provide targeted support to those struggling most with the cost-of-living crisis. While the commodity prices that rose sharply following Russia's invasion of Ukraine have moderated, the war continues and geopolitical tensions remain elevated. Inflation in most economies remains stubbornly high, although there are some signs that it will ease in the coming months. Many central banks have indicated that we are nearing the end of the monetary tightening phase. The reopening of the Chinese borders in March 2023 should also boost global growth.

South African Outlook



In South Africa, we have our own unique set of challenges, including weakening growth prospects and crippling unemployment. While the economy rebounded post-COVID-19, our outlook is weighed down by persistent loadshedding, which negatively impacts the local economy, including food prices. Consumers' disposable incomes have been eroded by inflation and recurring interest rate hikes. They consider their costs and discretionary spend carefully, including scrutinising their mobile and data expenses. In addition, the local competitive landscape is fiercely contested, with well-resourced larger competitors investing in their data capabilities and newer, agile players disrupting the data space. Increased competition means that we need to work harder and smarter to win market share.

Focused on our competitive advantages as we continually improve our customers' experience

Fortunately, we have several competitive advantages.

Telkom, through our subsidiary Openserve, has South Africa's largest fibre network with:

More than
one million homes passed



Telkom, through our subsidiary Openserve, has South Africa's largest fibre network with more than one million homes passed and 492 812 homes connected. In addition, **Telkom's total spectrum portfolio now stands at 184 MHz across all bands**, and the latest allocation of sub 1 GHz frequency spectrum will stand us in good stead. We launched our 5G network in October 2022.

Successfully launched our
5G network and services
in October 2022.



More than
318 active 5G site
deployed.

Customer expectations continue to evolve, with customers increasingly wanting quicker resolution of issues and more channels to communicate with providers. We acknowledge that staying ahead of these expectations and fostering better customer relationships are critical for remaining competitive.



We continually improve our customer experience and **retained our second spot in the Ask Africa Orange Index**, South Africa's most widely referenced service excellence benchmark. Our overall **customer complaint escalations reduced by 35% year-on-year**, due to better service levels at our call centre. We also note improvements in the sales environment, where consultants deal with service issues more effectively. We now offer customers a WhatsApp business number to allow for quicker resolution of service queries.

Our revenue increased marginally by 0.9%, putting additional pressure on profitability and FCF. The Board is not satisfied with the Group's financial performance for FY2023. We have engaged Executive Management to consider ways to improve performance, despite the macro-economic challenges.

We believe there needs to be a greater focus on delivering the operational results and closing the revenue gap.

This focus is reflected in our remuneration decisions this year:



Improved financial performance emphasised in our incentive arrangements for FY2024



Improving our financial results requires that Telkom re-evaluate its cost base, including reducing its headcount

This is discussed in more detail in the GCEO's report on [page 15](#).

In the GCEO and GCFO reports, we also detail the impairment charge relating to Openserve (R6.8 billion) and Telkom Consumer (R5.9 billion). This non-cash item does not impact our debt covenant compliance or ability to fund our Capital Expenditure Programme.

The long shadow of loadshedding

We are deeply concerned about South Africa's energy crisis, which dampens growth prospects and threatens to delay the development of a local digital economy. Funds that would have been spent on improving network coverage will now be spent on securing consistent, alternative power. The telecommunications industry provides essential services in a nation where landlines are rare, but nearly 80% of citizens have mobile internet access. As we provide these essential services, we believe we should qualify for similar fuel rebates applicable to the agriculture, mining and manufacturing sectors.

Loadshedding has significant cost impacts for Telkom. In FY2023, Telkom used over 23.1 million litres of diesel and spent more than R650 million to keep our network sites online (including replacing and installing new batteries). Providing a consistent quality of service is challenging during the higher loadshedding stages, when our backup batteries cannot recharge fully. Like other industry players, we have also experienced a spike in theft and vandalism of our infrastructure.



We have ramped up our mitigation measures to keep customers connected. Through reprioritising capex, we are **deploying better and more resilient energy solutions to our key sites and implementing measures to protect our infrastructure better. The Group has a power outage** preparedness plan that covers all scenarios from Stage 1 to a total blackout. This plan has effectively mitigated the impact of loadshedding on our operations, and is continually reviewed to ensure its adequacy.

Together with Eskom, Transnet and PRASA, Telkom combats economic sabotage through the Economic Sabotage of Critical Infrastructure Forum. The Forum, established in 2020, has made good progress. This includes the creation of a specialised multi-disciplinary unit to address economic sabotage, extortion at construction sites, vandalism of infrastructure, as well as a police task team on cable theft and damage to essential infrastructure.

Committed to realising value

We remain committed to delivering on Telkom's Value Unlock Programme. Over and above affirming value, we want to commercialise our infrastructure assets to fund our sustainable long-term growth.

FY2023 was a year characterised by an extensive focus on potential corporate activity.

Telkom continues to consider its options to maximise value for shareholders, premised on Telkom's market capitalisation not reflecting its intrinsic value. While interest remains for the masts and towers business and fibre business, we will consider the continued interest in these assets carefully, with the goal of realising the best return for shareholders. In the meantime, we have future growth plans in place for these assets and will continue operating them to the benefit of the Group.

The various initiatives currently underway have progressed as follows:

The process for the disposal of a full or partial stake of Swiftnet, the masts and towers business, is well on track. Telkom has received non-binding offers from shortlisted bidders.

Following the legal separation of Openserve into a standalone entity, various processes have been initiated with the goal of realising value. Telkom has received numerous credible expressions of interest from a range of suitable local and international partners. We are encouraged by the level of interest shown in Openserve by potential strategic partners.

Management has been investigating the possible introduction of a strategic equity partner at BCX to enhance scale, growth and its capabilities in various growth areas including cloud services and cybersecurity. A process is currently underway to assess the market for potential international and/or local partners and to consider available options in this regard. Telkom has formally appointed advisors to drive this process.

Further updates will be made to the market as and when considered necessary.





Consulting with shareholders regarding remuneration concerns

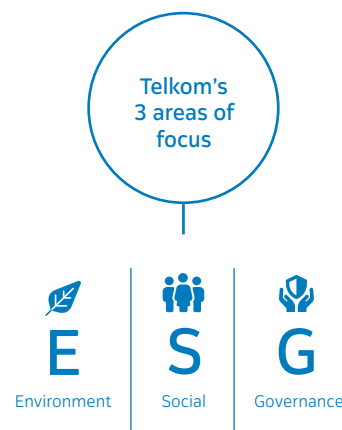
At the 2022 AGM, the remuneration implementation report resolution did not meet the required 75% threshold as recommended by King IV. In response, the Chairperson of the Board and the Chairperson of the Remuneration Committee engaged with shareholders in March 2023 to better understand their concerns.

These concerns centred around a perceived lack of transparency regarding performance metrics and a desire for concrete external measures to be incorporated into these metrics. Shareholders also wish to see greater incorporation of ESG metrics into performance measures.

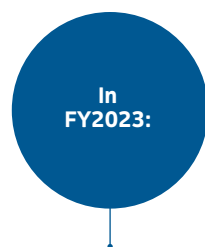
The Remuneration Committee is exploring ways to improve the transparency of performance metrics for variable pay. From FY2024, ESG metrics will be included in our long-term incentives (LTI) and short-term incentives (STI) performance targets.

Read more about our remuneration decisions for FY2023 on [page 112](#) and in the separate remuneration report.

Progress on implementing our ESG Strategy



In FY2022, the Board approved Telkom's first ESG Strategy and implementation roadmap. The strategy embodies our approach to purpose, people and planet and will be refined with our evolution on this journey. This year, an ESG Impact Council was established to foster greater collaboration across the Group to reflect on the execution of the ESG Strategy and identify improvement opportunities.



the Board spent significant time on ESG matters

including overseeing how the ESG Strategy is embedded into operations

and how ESG metrics are incorporated into remuneration decisions

As part of the strategy, we are committed to:

becoming carbon neutral by 2035

achieving a net zero status by 2040.

We are participating in the Association of Communications and Technology, the telecommunications industry task forces established in August 2022, to consider alternative energy solutions that would reduce our environmental impact. In FY2023, we substantially reduced our Scope 1 and 2 emissions, supporting our decarbonisation journey. We also concluded our Scope 3 emissions baseline assessment and will report progress in reducing these value chain emissions in FY2024. Improved energy, waste and water management to further reduce emissions will be prioritised in FY2024.

In the South African context, with dire levels of unemployment and inequality, we pay particular attention to the "S" in ESG. We are proud of our track record as a small business champion. In FY2023, we created 39 261 new jobs in small black-owned businesses through our supply chain and investments in enterprise and supplier development. New jobs provide dignity and purpose while opening opportunities for families of new earners. According to Statistics South Africa, every income supports, on average, 3.3 people.

We also foster youth development by investing in education through the Telkom Foundation and providing scholarships, learnerships and internships for young South Africans.

Read more about our ESG Strategy on [page 49](#).

An update on the SIU matter

In January 2022, Telkom was notified that the Special Investigating Unit (SIU) would launch an investigation into contracting processes concerning telex and advisory services and alleged maladministration in the disposals of iWayAfrica, Africa Online Mauritius and Multi-Links Telecommunications. These matters date back to 2006. In July 2022, the Board decided to lodge a court application to block this investigation and establish whether the SIU has jurisdiction over the Group. The matter is still awaiting a court ruling post a hearing in November 2022.

We do, nevertheless, take a strong stance against corruption. While we believe the allegations are vague and unfounded, we will engage further should new evidence emerge. We have and will continue to support the SIU in its investigation, and avail requested documentation.

Succession planning

Succession planning received appropriate Board attention in FY2023. This included analysing our succession metrics and considering our gaps. We always prioritise developing our internal talent, although we recognise the place for sourcing external skills. While we have programmes to develop female talent, we are still not seeing the required results at Board, Executive or Senior Management levels. In FY2024, we will focus on understanding why we are not achieving our ambitions here and introduce new interventions to cultivate women leaders within the Group.

At Board level, our succession planning is centred around creating a Board balanced in specialist skills, including financial and technical expertise and commercial experience. We also seek to improve our diversity in gender, race and age. As at 01 April 2023, female representation at Board level was at 36%, a percentage we aim to increase over the next three years through our Board diversity policy to a 50% ratio.

Board renewal in FY2023

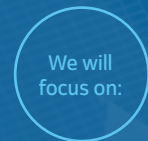
We believe that our Board is of the appropriate size and has the requisite skills to guide management to lift the Group's performance and tackle the increased stakeholder demands around ESG.

In FY2023, we bid farewell to four Non-executive Directors: Navin Kapila, Kholeka Mzondeki, Fagmeedah Petersen-Cook and Rex Tomlinson. We thank them for their commitment and insights and wish them well with their new ventures. We benefited from the contributions made by our newer Directors, Naidene Ford-Hoon, Brian Kennedy, Prudence Lebina, Mteto Nyati, Ipeleng Selele, and Sung Yoon, who joined the Board in May, July and November 2022, respectively.

In November 2022, Telkom advised its stakeholders of my intention to step down as an Independent Non-executive Director and Chairperson of the Board by 31 March 2023. On 27 March 2023, Mvuleni Geoffrey Qhena was appointed as the incoming Chairperson, effective 01 April 2023. He will chair the Nominations Committee and be a Member of the Remuneration Committee. Geoffrey is the former CEO of the state-owned Industrial Development Corporation and serves on the Investec Bank and Exxaro Resources boards as a Non-executive Director and Chairperson, respectively. I wish Geoffrey all the best in his role and believe his skills make him well-suited for the role.

Looking ahead

We will continue to evaluate the Board and management leadership to ensure we have the right skills and experience to support the Group's growth and potential value unlock activities amidst the evolving economic demands.



Innovation
+
Technology

to stay ahead
of the curve.



The implementation
of the ESG Strategy
will remain critical as
we forge a path to
sustainability.

Farewell

I joined the Telkom Board in March 2018 and became its Chairperson in June 2019. It has been a privilege to learn more about this dynamic sector and its impact on South Africa's economic development and the daily lives of its citizens.

I am grateful for the support I received from fellow Board Members, who are highly committed and skilled, and from management and other Telkom employees. I am always impressed by the quality and spirit of the people at Telkom, from the Executive to junior levels. They have worked extremely hard in trying times, and their commitment was remarkable during the COVID-19 pandemic.

I leave behind a strong and united Board with the necessary skills and commitment to guide Telkom to improve its financial performance and deliver on the Value Unlock Programme.

Sello Moloko
Chairperson

GCEO's report: Building the Telkom of tomorrow

FY2023 was characterised by unprecedented loadshedding, constrained consumer spending against a backdrop of sluggish economic growth and persistent inflationary pressures. The rapid adoption of newer technologies was felt across most of our business units. The marketplace remains fiercely contested, with established players and nimble new entrants.

Group performance

Our Group performance was weighed down by the continued transition to next-generation technology, resulting in a pronounced reduction in legacy revenues for the year. While our revenue grew marginally, our overall profitability was undermined by severe loadshedding. In addition, consumers and businesses came under financial pressure and competition intensified in mobile, fibre and IT services. In response, we embarked on a Group-wide cost transformation journey to return the Group's profit margin to above 25% in the medium term while driving revenue growth in our ever-evolving markets.

PIVOT Strategy

In FY2023, we amended our PIVOT Strategy by changing the "P" from portfolio diversification to partnerships. Portfolio diversification was a move to develop alternative revenue streams outside our core business activities. Some of these have yielded good results, such as our masts and towers investment. At the same time, in other cases, for example, property development, gaming, content and fintech, we have struggled to gain meaningful traction. As the digital ecosystems mature, they are constantly disrupted by new entrants offering a specific value proposition to niche markets. To tap into this innovation and energy, we will focus on bringing the best digital partners to our customers, instead of attempting to develop specific products ourselves.



Apart from this change, the Board has confirmed the relevance of the strategy, with its focus on broadband connectivity in both mobile and fibre. Here, the growth in demand continues and shows no signs of abating. Even in a tough economic environment, customers increasingly rely on data to power applications or access information and opportunities. We will redouble our effort to improve our operational efficiencies and use digital solutions to streamline processes and improve customer experience.

The change in the strategy underlines the acknowledgement of our strengths as an infrastructure business. Our biggest opportunities lie in exploiting our strengths rather than mediating our weaknesses.



We have
invested in fibre
for the best part
of 20 years
and have:

Deployed more than
170 000 km of fibre

We have 10 data centres,
three considered
best-in-class category four

We compete in several markets and can provide a diverse set of ICT solutions and offer customers incredible value.

Leveraging the spectrum investment

In FY2023, we benefited from the previous year's R2.1 billion investment in spectrum, especially our new access to the sub 1 GHz spectrum. These benefits are evident in the reduced capex requirement for mobile infrastructure, greater operational efficiencies and speed improvements.

The 20 MHz we obtained in the 800 MHz frequency band allows for the extension of network coverage (4G data services) into peri-urban and rural areas. This has improved network service quality and reduced roaming charges payable to roaming parties, excluding the impact of loadshedding. We have deployed the 800 MHz spectrum on 3 122 sites.

The new 3.5 GHz spectrum allowed Telkom to start deploying limited 5G services using the 22 MHz obtained in the auction in conjunction with Telkom's existing 28 MHz in the band. To date, we have deployed 379 5G sites providing fixed broadband services. Importantly, the new spectrum allocation allows Telkom to offer spectrum wholesale to other operators, opening up a potential new revenue stream.

As an infrastructure provider, we play an important role in connecting South Africa to the world and enabling seamless communications within our borders. South Africans rely on Telkom for their internet connection. We provide the infrastructure for over 30% of South Africa's ATMs, and many petrol stations across the country run on a Telkom platform.

P Partnerships
I Integrated solutions
V Victory in broadband
O Operational efficiency
T Technology innovation

Several customers, especially government customers, use our systems to run their payroll. The execution of Telkom's formal ESG Strategy began in FY2023, and it was heartening to see the level of commitment to our goals in all business units, especially given the Group's macro-economic constraints.

In the current South African context, we must find the best pathway to energy security, efficiency and decarbonisation. It is paramount to provide continuity of service to customers despite energy disruptions while having the least long-term impact on the planet. We are committed to making prudent but necessary investments to meet our long-term ESG goals and contribute to a better world for our stakeholders. The team is continually refining the ESG Strategy to ensure it is robust and forward-looking. Read more about our ESG Strategy on [page 49](#).

Meeting customer expectations

Our customers expect a differentiated value proposition where they receive value for money.

Our customers' experience is influenced by:

pricing	network reliability
range of products and services	data security
service speed	IT system stability

Telkom must appropriately invest in products, services, systems, and employees to meet customer expectations.

Several of our customer service metrics are trending in the right direction. Within our net promoter score (NPS) breakdown, we experienced a 15% improvement in brand affinity. Our customer effort score and quality of service for our user journey improved by 5%. We have focused initiatives in our retail network, digital customer platforms and call centres to improve customer service. In our training and communications with customer-facing employees, we emphasise the importance of first-time call resolution. These initiatives have yielded positive results, including reducing billing disputes by 50% and cutting repeat calls by 56%. Our overall escalations were reduced by 43%, and our GCEO escalation was reduced by 56%. In general, we have noted a marked reduction in complaints. While pleased with these results, we acknowledge the importance of continuously lifting customer service.

Developing skills for the Telkom of tomorrow

We need a depth of digital, data and innovation skills to shape the Telkom of tomorrow. We must also transition out those skills related to our legacy business and continually upskill employees to provide next-generation solutions. We run several programmes to develop our internal talent and invest in developing South Africa's youth to meet our skills requirements.



Foundational skills



Digital skills



Female talent

We focus on building foundational skills for employees using our eLearning platform with its curated learning pathways. These pathways build the soft skills required to navigate the hybrid working environment, grow an innovation mindset and enhance customer service. The platform has an excellent net promoter score and is used by over 50% of employees. This supports our learning-for-growth culture, enabling employees to access a wide range of learning content that aligns with their personal development plans and career goals.

Over 150 employees are enrolled in our 18-month digital skills, innovation and design thinking development programmes, which cover machine learning, data analysis, cybersecurity and robotics.

Over the years, Telkom has invested significantly in female leadership development to build our pipeline of future female leaders. We have two groups in our female talent pipeline, one for lower-level employees and one for the middle management level.

Telkom, including Gyro and Openserve, was recognised by the Top Employers Institute as a Top Employer for 2023, while BCX achieved this accolade for the second consecutive year. This achievement indicates that our investments in human capital are paying off while aligning the Group with industry and international standards. In addition, Telkom was voted as one of the top three preferred graduate employers in the telecommunications category at the GradStar Student's Choice Awards. This nomination acknowledges our position as an employer of choice among young South Africans.

Telkom has spent 25 years investing in empowering students to advance research and knowledge in ICT. This significantly contributes to building a skilled, future-fit workforce and enabling the sector's growth.

The Group believes in developing local skills to enable South Africa's digital economy. Telkom launched the Centre of Excellence (CoE) technology and development initiative in 1997, and we currently fund 15 CoEs at tertiary institutions. Since then, we have invested R125 million in developing skills to meet the needs of a changing ICT sector, and 3 641 postgraduate students have graduated from these programmes. 88% of CoE graduates find employment, compared to a 74% employment rate for individuals with bachelor's degrees in South Africa. In FY2023, we signed a new partnership with the University of the Witwatersrand to invest R100 million over the next three years in developing innovation-related skill sets.

The CoEs have been an excellent recruitment ground for Telkom, and we have employed more than 300 graduates between 2004 and 2022. Importantly, many of our top management and technical experts are CoE graduates. At least four products have been developed as part of CoE-based research between 1997 and 2022.

Performance overview

Revenue was marginally up by 0.9% to R43 138 million despite challenging trading conditions as our mobile and broadband strategies continued bearing fruit. The migration of revenues from legacy to newer technologies, our investment in the Mobile post-paid base to drive higher annuity revenue, and the impact of sustained loadshedding put pressure on our operating costs. While loadshedding reduced our overall profitability, we implemented many successful measures to manage operating costs. Underlying Group EBITDA* decreased by 19.8%, excluding a R1 065 million provision for restructuring costs. Normalised HEPS* and BEPS* earnings dropped by 76.6% to 134.6 cents and 86.8% to 71.0 cents, respectively.

Significant market changes, poor economic conditions, elevated levels of loadshedding and fast-evolving technologies negatively impacted the Group. These and, in line with the requirements of assessing and testing for impairment as per IAS 36 (Impairment of Assets), resulted in an impairment of R13 billion (excluding tax effects) in respect of two of the Group's cash-generating units, namely Openserve and Telkom Consumer. The impairment is a non-cash adjustment and does not impact the Group's EBITDA generated from operations, has no impact on Telkom's cash position, and affects neither the Group's compliance with debt covenants nor its ability to fund its Capital Expenditure Programme.

* Pro forma/normalised EBITDA and HEPS exclude the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million (with R288 million related tax impact), while normalised BEPS also exclude the impact of a R13 017 million impairment (with R3 477 million related tax impact).



Openserve stands proud as South Africa's leading open-access high-speed connectivity provider. The business unit continued to transform its revenue mix with strong growth in next-generation data-led products, now representing nearly 70% of its revenue base. Fixed data next-generation revenue grew by 10.2% thanks to further fibre rollout and strong demand for carrier and enterprise services. Pricing gaps between the next-generation and legacy business weighed down performance, as fixed-voice and legacy revenues declined sharply as expected and planned for in FY2023. Next-generation products have a lower margin than legacy products. Revenue declined by 4.0% to R12 897 million. While Openserve's cost base is well managed, with costs increasing less than inflation, the business unit spent significantly more on diesel for backup power solutions, impacting profitability.

Openserve grew its fibre footprint across all channels:

the number of homes passed with fibre increased by **23.9%**, surpassing the **one million** homes mark

homes connected advanced by **26.7%** to **492 812**

high-capacity carrier connectivity to base stations increased by **5.1%**

enterprise market connectivity grew by **2.5%**

Openserve invested in upgrading its existing fibre nodes, and in an undersea partnership with Google that gives it access to 12 Tbps of additional capacity.



Telkom Consumer's overall revenue was stable at R25 673 million. Revenue for Mobile operations grew by 4.0%, while handset and equipment sales revenue climbed by 14.8%. These increases partially offset the continued decline in traditional copper-based voice services, which now represent only 5.8% of the business unit's external revenue.

Mobile service revenue:

grew by **1.8%** as our total customer base grew by **7.8%** to **18.3 million**

with a blended average revenue per user (ARPU) of **R86**

Our post-paid strategy delivered good results:

this customer base grew by **11.0%** to reach **3 million**

with an ARPU of **R201**

Our pre-paid base:

grew **7.2%** to reach **15.3 million** customers

at an ARPU of **R64**

We extended our network footprint, launched our 5G services and effectively used our newly procured spectrum, focusing on the low-frequency band (800 MHz), to enhance the coverage of our LTE services. This benefited the mobile broadband subscriber base, which grew 9.2% to 11.6 million, and now represents 63.7% of our total mobile base using wireless broadband. Telkom Consumer's EBITDA margin declined due to the increased cost to serve resulting from the significantly increased loadshedding as well as additional costs incurred from network expansion.



BCX maintained stable revenue levels at R14 252 million despite a challenging year. The IT business grew its revenue by 9.1%, which offset declines in the Converged Communications business. The IT business growth was driven by double-digit revenue increases in hardware and software sales, albeit at lower margins. The Converged Communications business was negatively affected by the migration to next-generation technology and fierce market competition. BCX is bolstering its skills and capabilities to guide customers to transition to cloud-based solutions and adopt new business models requiring modern ICT solutions.

In FY2023, BCX:

Concluded an exclusive cloud partnership deal with Alibaba Cloud

- creating opportunities for future growth in integrated solutions

acquired Dotcom, a Microsoft Azure solutions company

- which will further strengthen our cloud offerings



Swiftnet experienced marginal revenue growth of 0.9% to R1 304 million, thanks to the construction of additional towers and new in-building coverage solutions (IBS) sites. The launch of new base station sites and 5G deployment by our clients saw revenue from continuing clients grow by 10.3%. This mitigated the impact of terminations and decommissioning by two customers.

Swiftnet:

Launched its first 5G outdoor Distribution Antenna System (oDAS) small cell sites

- for future site deployment to support our customers' 5G rollout plans

Successfully tested power-as-a-service (PaaS) solutions

- this value-added commercial offering provides alternative power to customers struggling with power outages

We will commercialise these solutions further in FY2024.



Gyro continued its planning activity for selected property development opportunities. The business unit entered into non-binding memoranda of agreement with investment partners, with some of these projects to begin construction in FY2024.



non-core properties
for **R64 million**

In FY2023, we launched our Cost Transition Programme to remain competitive by rebasing our operating costs and improving profitability in the medium term.

In the fourth quarter, we began a labour consultation process to restructure the Group to meet future demands, with the impact most apparent in Openserve and BCX. 1 742 employees were impacted with 1 165 employees accepting voluntary severance and voluntary early retirement packages, while 577 employees were retrenched at the end of May 2023. This process will be completed by November 2023. The benefits of this process will materialise in FY2024, with the full impact expected from FY2025 onwards.



Monitoring regulatory developments

We seek a positive, collaborative relationship with our regulators where discussion and co-creation are welcomed. We also advocate for a fair playing field where competition is encouraged for the benefit of customers.

In August 2022, the Independent Communications Authority of South Africa (ICASA) kicked off the second spectrum licensing auction by publishing an Information Memorandum (IM) to solicit comments on potential frequency bands to be included in the licensing process. The IM containing all auction-related information (spectrum bands, caps, reserve prices, obligations, etc.) has not yet been published.

We anticipate that more than 200 MHz of new spectrum will be offered in the second auction, including the unsold 800 MHz spectrum lot. This second auction will take place in 2024. In terms of the April 2022 settlement agreement between ICASA and Telkom, ICASA will consider the spectrum holdings emanating from the previous auction, including the imbalances in the sub 1 GHz band, and the impact of the auction on competition when designing the next auction. In addition, ICASA will conduct an inquiry into a secondary market for spectrum. ICASA indicated that the second spectrum auction will take place in 2024. This will allow ICASA sufficient time to conduct the necessary studies as per the settlement agreement.

The previous Minister of the Department of Communications and Digital Technologies proposed 31 March 2023 as the final date to switch off all analogue broadcasting signals. However, this date was not officially confirmed. The current Minister has announced a final switch-off date as 31 December 2024, and therefore the use of the sub 1 GHz bands remains constrained. Following the analogue switch-off, ICASA could move digital transmitters out of the 700 MHz and 800 MHz frequency bands, making these bands available for mobile use nationally. In the interim,

Telkom is using its assigned 800 MHz spectrum to deploy mobile services in areas unaffected by broadcasting. The remaining auction acquisition fee will be payable when the band is cleared and available for mobile services.

ICASA started its review of call termination rates in terms of the Call Termination Regulations in May 2021 and published its findings in March 2022. Telkom is concerned about the regulator's changed approach regarding which mobile operators qualify for asymmetric termination rates (AMTRs). ICASA found that rather than entities qualifying for asymmetry based on market share, only new entrants who have been in the market for less than three years would qualify for AMTRs. In September 2022, Telkom launched a court application seeking a review of these findings. We believe that ICASA's change of approach is irrational, considering the entrenched duopoly and its related market dynamics, despite Telkom's gains in the mobile market. There is no rationale for removing AMTRs for smaller operators. Rather than promoting competition, this benefits the larger operators by overcompensating them for costs incurred or under-compensating smaller operators. We await a conclusion to this matter that will ensure pro-competitive market dynamics.

Looking towards FY2024

We acknowledge that businesses grow by growing revenue and not by cutting costs. Our focus for FY2024 is on growing revenue while keeping a tight handle on costs.

In FY2023, we did not meet all of our financial framework criteria. While we did grow revenue by 0.9%, our profitability was impacted by pronounced declines in legacy voice revenue, mainly across the enterprise and small to medium business segment. This revenue type has a higher margin than next-generation products. As the impact of these declines will decrease in FY2024, FY2025 and beyond, the investment returns on new technologies will become more apparent.

Along with our cost transformation journey, we aim to:

lift our EBITDA margin to its historical level of 25% in the medium term

In FY2024, all business units have been tasked with:

driving top line growth while evolving their business models to meet anticipated customer needs better



Evaluate

how to create growth and development opportunities within our revised operating model, emphasising our female talent.

- We expect Telkom Mobile to continue growing its customer base in line with industry growth
- Openserve will promote its next-generation product suite, monetise its network, and explore diversification opportunities
- BCX's recent promising strategic acquisitions and partnerships have enhanced its client proposition and opened new cross-selling opportunities
- Swiftnet will focus on increasing tenancies in its existing portfolio while acquiring sites and constructing new towers to meet MNO demand. Swiftnet is actively enabling the 5G rollout in South Africa and bolstering its offering with power solutions to help customers maintain network availability

A focus for FY2024 will be a review of the Group's talent and succession planning post the restructuring process to ensure that we have the requisite cover for leadership roles and key areas. We will also evaluate how to create growth and development opportunities within our revised operating model, emphasising our female talent.



We will continue to execute our Value Unlock Programme by exploring and outright disposals plus seeking partners to invest in certain business units. We believe in securing partnerships to add value to our business units beyond a financial contribution. We will also exit non-core properties and seek appropriate partners to develop our properties. **At our core, Telkom is an infrastructure player, and we seek to maximise our strengths.**

Read more about Telkom's Value Unlock Programme in the Chairperson's report on [page 12](#).

Extending my sincere appreciation

I am grateful to our Board for their dedication and insights in FY2023. I thank Sello Moloko, our outgoing Chairperson, for his commitment and expert guidance as he steered the Group through several difficult pandemic years. I look forward to working closely with Mvuleni Geoffrey Qhena, the incoming Chairperson, as we build the Telkom of tomorrow.

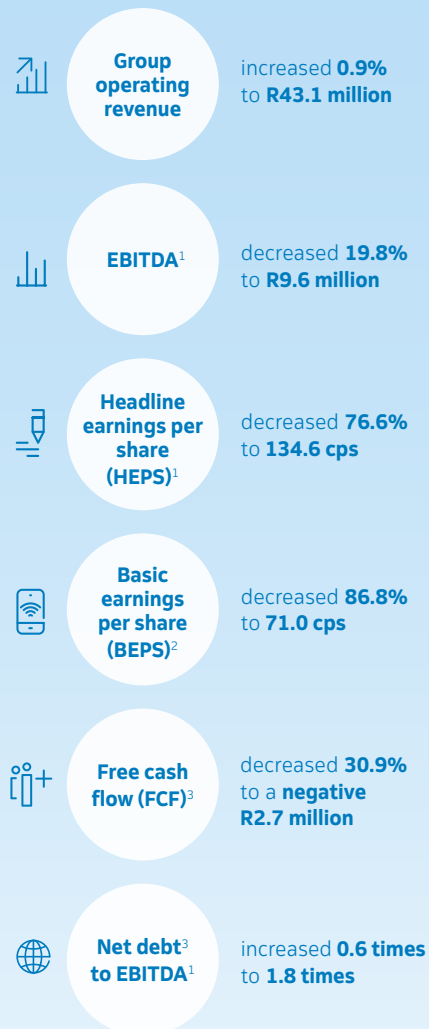
I thank Telkom's employees for their continued loyalty and belief in a stronger and more successful Telkom. They have worked hard to support our customers and society, ensuring they remain reliably connected, despite the impact of loadshedding. Our management team has supported the Group through a challenging year, including guiding Telkom through the Section 189A process. I thank them for their commitment during this stressful, but necessary, transition.

Thanks to our customers, shareholders, communities and dealers for their continued support. We remain firmly committed to serving our stakeholders and enabling South Africa's digital ambitions.

Serame Taukobong
Group Chief Executive Officer

GCFO's report: FY2023 performance

Group salient features



Group performance remained under pressure in FY2023, primarily due to additional operating costs including loadshedding, the lingering impact of the COVID-19 lockdown, global supply chain constraints and shortages of semiconductor chips. This was exacerbated by an intensely competitive trading environment.

Despite the revenue headwinds, our profitability and earnings remained stable, underpinned by our sustainable cost management. We are pleased that our balance sheet remains stable.

A solid financial framework is imperative going forward to support the Group Strategy and deliver sustainable returns for shareholders.

Exceptional item impacting financial performance

Restructuring costs

The Group announced a restructuring process in February 2023 and extended voluntary early retirement and voluntary severance packages to all employees in the Group. More than 1 700 employees were affected and as a result restructuring cost of R1 065 million, with a related tax impact of R288 million was recorded in FY2023.

Impairment of assets

In accordance with the outcome of the IAS 36 impairment review the Board impaired the Group's cash generating units, namely Openserve and Telkom Consumer in the amount of R13 017 million with a related tax impact of R3 477 million.

Key themes from Telkom's financial performance



¹ Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million and related tax impact of R288 million.

² Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million (with R288 million related tax impact) and impairment of R13 017 million (with R3 477 million related tax impact).

³ Non-defined IFRS measure.

1

Revenue maintained

Group top-line growth supported by mobile service revenue

Group revenue increased by 0.9% to R43 138 million driven by a decrease in fixed and IT service revenue due to the challenging operating environment and the decline in the legacy fixed business as customers migrated to modern technologies such as fibre and LTE. This was offset by an increase in mobile handset and IT hardware and software sales, which are at lower margins, and a 1.8% increase in mobile service revenue.

Mobile service revenue growth was underpinned by a pleasing increase in customers. The customer base grew by 7.8% to 18.3 million at a blended ARPU of R86, with a post-paid ARPU holding firmly at R201.

Openserve saw growth across the next-generation data-led products as they continue the journey to transform the revenue mix. This growth was supported by increased rollout of fibre and healthy growth in carrier and enterprise services.

Masts and towers revenue increased marginally to R1 304 million as Swiftnet continued commercialising its productive portfolio. This was driven by the construction of 66 additional towers and 8 new in-building coverage solutions (IBS) sites.

2

Profitability impacted by increased operating expenses

Revenue growth offset by expenses relating to loadshedding

Underlying Group EBITDA¹ down 19.8% to R9 552 million and the EBITDA margin¹ contracted by 5.8 ppts to 22.1%. This was mainly attributable to a 25.5% increase in our cost of handset and equipment expense, mainly due to higher mobile handset sales of 14.8% and the increase in IT hardware and software revenue of 65.8%.

Operating expenditure increased by 7.3% largely impacted by accelerated loadshedding and an average Group-wide salary increase of 6.0%, which was effective from 01 April 2022. Tough economic conditions further contributed to the 56.3% increase in impairment of receivables.

Mobile cost to serve deteriorated slightly by 0.7 ppts to 28.4% compared to the prior year, impacted by accelerated loadshedding and the increase in costs associated with the post-paid market, such as distribution channel costs. This was mitigated by optimising roaming costs as we maintained stringent roaming traffic thresholds and migrated traffic to our network, supported by ongoing network investment.

9 552¹EBITDA
Rm

19.8%

FY2022: 11 908
FY2021: 11 97322.1%¹EBITDA margin
%

5.8 ppts

FY2022: 27.9%
FY2021: 27.7%79.9%¹Total cost to revenue ratio*
%

6.2 ppts

FY2022: 73.7%
FY2021: 73.8%

* Total cost includes direct and operating expenses.

¹ Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million and related tax impact of R288 million.

² Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million (with R288 million related tax impact) and impairment of R13 017 million (with R3 477 million related tax impact).

3

Earnings growth deterioration

Lower profitability drives lower earnings

Reported HEPS decreased by 104.5% to a negative 25.8 cents while reported BEPS decreased by 483.7% to a negative 2 058.9 cents compared to FY2022. Excluding the restructuring costs underlying HEPS¹ decreased by 76.6% and BEPS² by 86.8% year-on-year. This was due to a 19.8% decline in EBITDA¹ and a 9.5% increase in depreciation, amortisation, impairments and write-offs, and a 16% increase in finance charges and fair value movements, partially offset by a lower tax expense compared to the prior year.

71.0²BEPS
Cents

86.8%

FY2022: 536.6
FY2021: 529.1134.6¹HEPS
Cents

76.6%

FY2022: 575.3
FY2021: 561.5

4

FCF improvement in 2nd half

Although improved in the 2nd half, FCF is under pressure mainly due to the impact of mobile post-paid sales and working capital.

Cash preservation remains a main focus in the current volatile economic environment. FCF³ weakened to a negative R2 722 million (FY2022: negative R2 080 million) as a result of a 32.2% decrease in cash generated from operations, impacted by the R3 218 million decrease in profit before tax² and the R1 179 million deterioration in working capital mainly driven by a delay in cash flows due to continued growth in post-paid contracts. The collections derived from post-paid contracts and trade debtors sales are deferred over the contract period while the cost of sale (trade payable) are recorded immediately causing a timing difference in cash flows.

Free cash flow ³ movement Rm	H1	H2	FY2023	March 2022 Rm	Variance %
Cash receipts from customers before working capital impact	21 220	22 202	43 423	42 957	1.1
Movement in working capital	(860)	(2 140)	(3 001)	(1 343)	(123.3)
Cash receipts from customers	20 360	20 062	40 422	41 614	(2.9)
Cash paid to suppliers before working capital impact	(18 306)	(15 715)	(34 021)	(32 511)	(4.6)
Movement in working capital	793	(489)	304	783	(61.2)
Cash paid to suppliers	(17 513)	(16 204)	(33 717)	(31 728)	(6.3)
Cash generated from operations	2 847	3 858	6 705	9 886	(32.2)
Repayment of lease liability	(523)	(563)	(1 086)	(1 076)	(0.9)
Interest received	102	180	282	235	(20.0)
Finance charges paid	(654)	(802)	(1 456)	(1 188)	(22.6)
Taxation paid	(301)	(246)	(547)	(764)	28.4
Cash generated from operations before dividend paid and received	1 471	2 427	3 898	7 093	(45.0)
Spectrum acquisition	–	–	–	(1 142)	100.0
Cash paid for Capital Expenditure	(3 358)	(3 262)	(6 620)	(8 031)	17.6
Free cash flow³	(1 887)	(835)	(2 722)	(2 080)	(30.9)

¹ Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million and related tax impact of R288 million.

² Excludes the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million and impairment of R13 017 million.

³ Non-defined IFRS measure.

5

Stable balance sheet

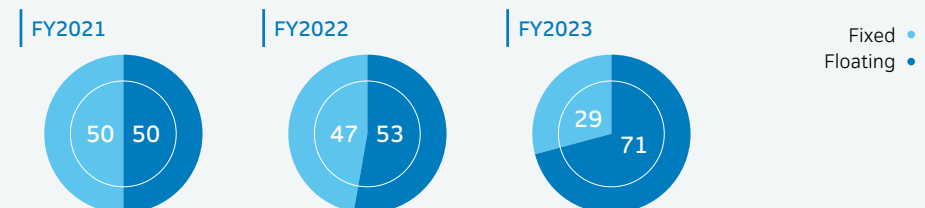
The balance sheet remains stable with enough headroom for future growth

The Group increased the utilisation of committed facilities during FY2023 to repay maturing bonds, loans and funding needs while negotiating and securing long-term debt. The utilisation of committed facilities gave rise to an increase in loans raised and corresponding loans repaid, with a net funding raised of R2 320 million.

We have adequate balance sheet capacity to fund our strategy despite net debt³ to EBITDA¹ increasing to 1.8x (after IFRS 16 lease capitalisation) driven by additional debt raised and the 19.8% decline in EBITDA¹.

Balance sheet	FY2023 Rm	FY2022 Rm	Change %
Cash balances	3 469	3 239	7.1
Interest-bearing debt	14 357	11 932	(8.8)
Operating balance	11 932	10 866	(9.8)
Net funding repaid	2 320	(193)	(1 302.1)
Spectrum funding	–	1 150	100.0
Other	105	109	(3.7)
Lease liabilities	5 889	5 374	(8.0)
Opening balance	5 374	4 972	(8.1)
IFRS 16 lease liability raised	515	402	(28.1)
Net debt³	16 777	14 067	(19.3)
Net debt³/EBITDA¹ times	1.8	1.2	(0.6)
Net debt³/EBITDA¹ times (excluding IFRS 16)	1.1	0.7	(0.4)
Average cost of debt (%)	8.6	6.5	(2.1)

Fixed to floating debt ratio



GCFO's key focus areas

Financial framework to drive sustainable growth

A stable financial framework to support the Group Strategy and deliver sustainable returns for shareholders is key going forward. We will focus on enhancing our financial framework where the Group is expected to return to growth from FY2024.

Our mobile business has grown ahead of the market and secured a third-market position. Going forward, we expect Telkom Mobile to grow in line with its industry peers while we expect overall fixed data revenues to start growing from FY2023. We will continue to focus on the following to maintain a stable financial framework:

- Existing revenue streams
- Our sustainable Cost Management Programme
- Improving FCF
- Stable balance sheet
- Value Unlock

Growth in mobile, fibre and the masts and towers business enables us to grow and defend our revenues.

Tight control on cost escalation through our sustainable Cost Management Programme, with a focus on legacy and roaming costs allows us to contain opex below inflation and optimise our direct costs.

Protecting our balance sheet remains a key focus area to fund growth and withstand the volatile trading environment.

Outlook

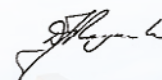
Medium-term guidance

Given the slowdown in growth in the Mobile business and continuous decline in the legacy business, Group revenue will grow at a low to mid-single digits over the medium term to FY2025. Underpinned by our ongoing sustainable cost management, we aim to grow Group EBITDA at low to mid-single digits over the medium term to FY2025. We expect to continue to invest in the business with a capex to revenue ratio of between 16% and 18% per annum to maintain a healthy balance sheet with net debt to EBITDA of between 1.5x - 1.9x.

	FY2023 – FY2025 Guidance
Revenue (CAGR)	Low to mid-single digits
EBITDA (CAGR)	Low to mid-single digits
Capex to revenue ratio per annum	16% – 18%
Net debt to EBITDA (times)	1.5x – 1.9x

Dividend policy

FY2023 marks the final year of the three-year dividend suspension period. The Board has concluded that in light of the Group's cash position and the current economic environment, the resumption of a dividend should be postponed for at least another year. While we are committed to returning cash to shareholders in the medium term, we consider it prudent to first strengthen our cash position as we navigate the Telkom cost transformation journey along with market and economic conditions.



Dirk Reyneke
Group Chief Financial Officer



VALUE CREATION

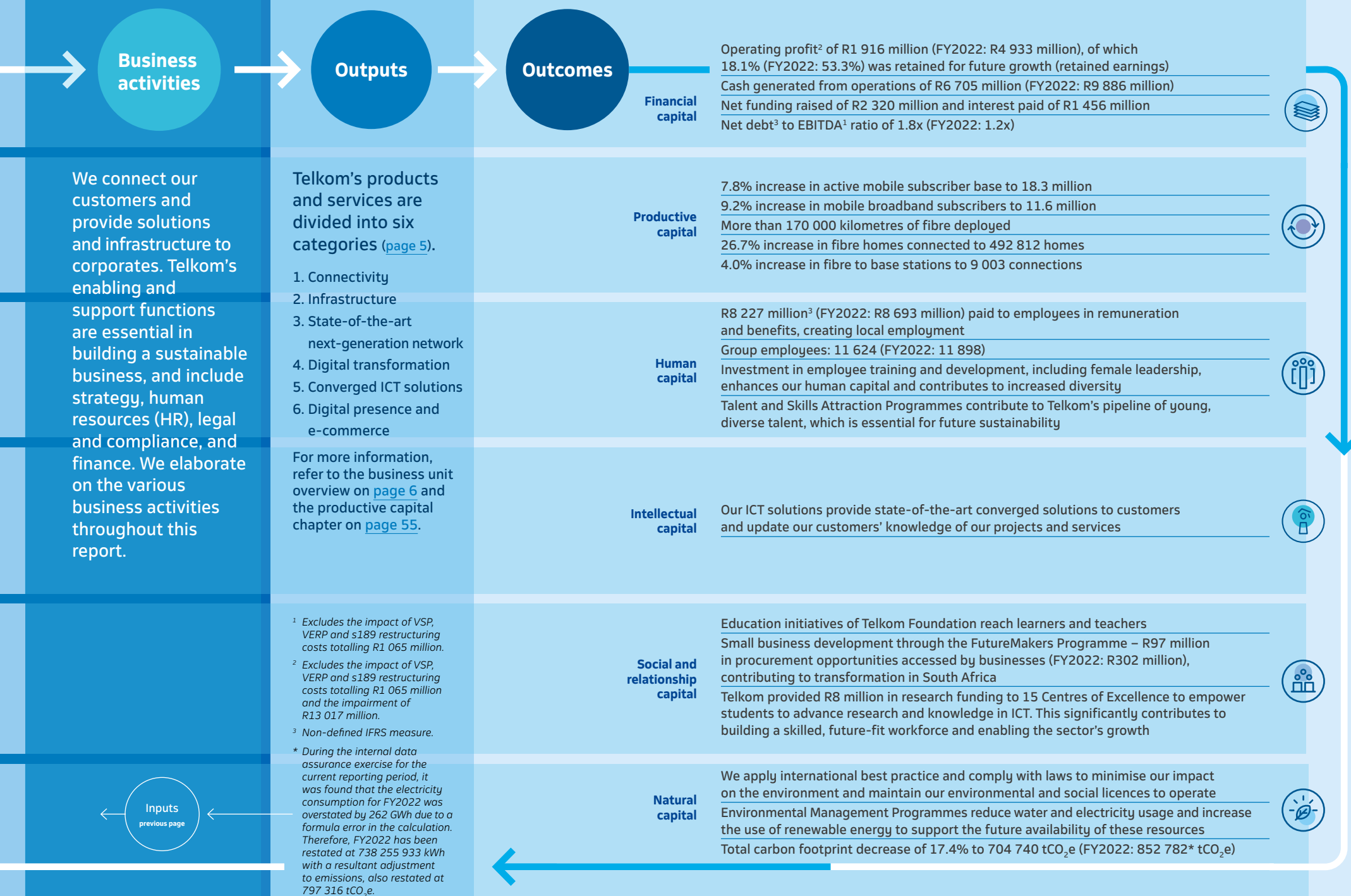
Our business model	24
Material aspects of our value-creation process	26
The world we operate in	28
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3

Our business model

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



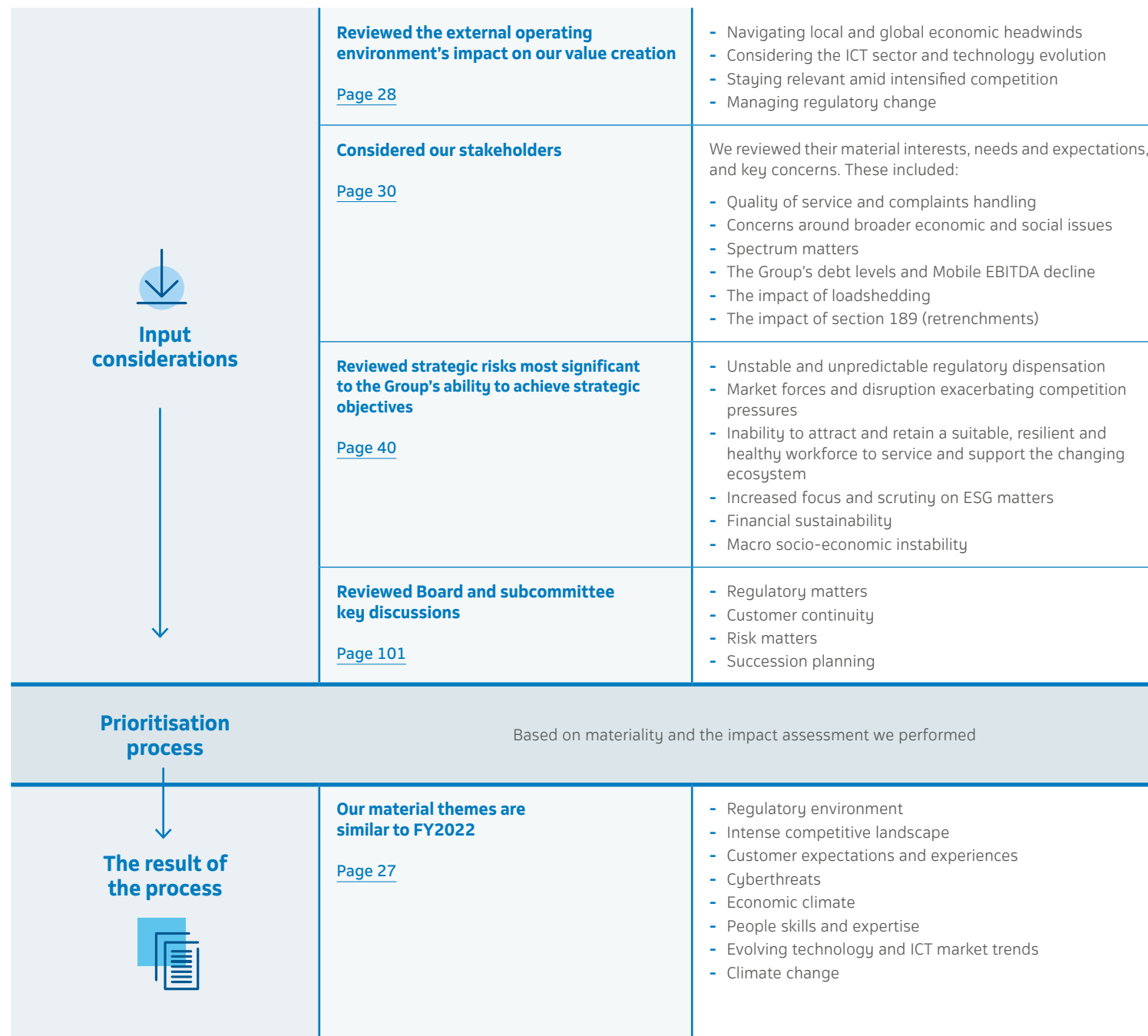


Material aspects of our value-creation process

We define our material themes as the factors that substantively affect our ability to create value for stakeholders over time. The Group Executive Committee (Exco), the Audit Committee and the Board approved management's materiality determination process and the material themes.

Materiality determination process

We consider internal and external factors, relying on established processes to identify and confirm our material themes. This process is set out alongside, with cross-references to, additional information.



Material themes

Our material themes represented a prioritised view of our material matters. We considered these themes in compiling this report. Our FY2023 performance reflects the current impact of these matters, as discussed on [page 20](#) and in the GCEO's report on [page 15](#).

1

2

3

4

5

6

7

8

Regulatory environment

Telkom operates in a highly regulated environment affected by policy uncertainty and inconsistency and continuously evolving regulations and legislation. We are also affected by international regulatory trends, irrespective of the different operating contexts, the South African political environment, and the resources required to implement new or changing regulations.

The world we operate in, [page 28](#)
Strategic risks, [page 40](#)

Intense competitive landscape

The competitive landscape includes over-the-top (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 remain focused on capital allocation, cost optimisation, business growth, innovative products and services, and customer satisfaction.

The world we operate in, [page 28](#)
Strategic risks, [page 40](#)

Customer expectations and experiences

Our customers expect a differentiated value proposition where they receive value for money. Price, available products and services, service speed and reliability, data security and IT system stability influence their experience.

In Telkom's competitive landscape, customer experience affects our reputation and customer attraction and retention. Therefore, Telkom must appropriately invest in products and services, systems and employees to meet customer expectations.

The world we operate in, [page 28](#)
Stakeholders, [page 31](#)
Strategic risks, [page 40](#)
Productive capital, [page 55](#)

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 also allow the Group to develop new customer solutions (information security).

Strategic risks, [page 40](#)
Intellectual capital, [page 70](#)

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 affected by muted South African economic performance, the political environment and geopolitical pressures, investor and business confidence, financial risks related to liquidity and foreign exchange and interest rate exposure, the effectiveness of cost optimisation efforts, and socio-economic factors such as the high youth unemployment rate.

The world we operate in, [page 28](#)
Strategic risks, [page 40](#)

People skills and expertise

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

The world we operate in, [page 28](#)
Stakeholders, [page 31](#)
Strategic risks, [page 40](#)
Human capital, [page 75](#)

Evolving technology and ICT market trends

Telkom needs to remain abreast of advances in ICT and disruptive technology. We must 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 28](#)
Strategic risks, [page 40](#)
Unpacking our PIVOT Strategy, [page 45](#)
GCEO's report, [page 20](#)

Climate change

Telkom must mitigate and adapt to climate change impacts (specifically extreme weather conditions) and responsibly use our resources to protect our business and the environment. These impacts can directly affect our operations (operational impacts) or result from poor customer service stemming from acute and chronic weather conditions (reputational and strategic impacts). A more comprehensive climate risk assessment will be conducted during FY2024.

Strategic risks, [page 40](#)
Natural capital, [page 87](#)

The world we operate in

We monitor local and global trends to assess their potential impact on our markets and customers. Then, if needed, we adapt our strategy to leverage the associated opportunities or mitigate the risks.

	The four key external themes	Estimated timeframe in which it will significantly impact Telkom			Related material theme
		Short-term	Medium-term	Long-term	
1	Navigating local and global economic headwinds	✓	✓	✓	- Economic climate
2	Considering the ICT sector and technology evolution		✓	✓	- People skills and expertise - Evolving technology and ICT market trends
3	Staying relevant amid intensified competition	✓	✓		- Intense competitive landscape - Customer expectations and experiences
4	Managing regulatory change	✓	✓		- Regulatory environment

1

Navigating local and global economic headwinds

Context

Two opposing forces dictate South Africa's short-term economic growth outlook. First, the worsening electricity crisis stands in contrast to an improved global risk appetite amid an easing of global inflation, a lessening of recession risks, and the reopening of the Chinese economy after an extended period of COVID-19 isolation. However, the ongoing Russia-Ukraine war, global climate change and natural disasters still weigh heavily on global economic prospects.

Although better economic prospects for some South African sectors give cause for some optimism, they are unlikely to compensate for the constraining impact of loadshedding, ongoing logistical constraints,

and the lagged impact of the 425 basis point increase in interest rates since November 2021.

The South African Reserve Bank forecasts South African economic growth of 0.1% for 2023, expanding by 0.7% in 2024 and 1.0% in 2025.

Implications for our strategy

We consider the risk of lower revenues and higher operational costs due to ongoing loadshedding and higher input costs due to a depreciating exchange rate. We focus on sustainable cost management and targeted capital investments to mitigate the downside risk of lower economic growth and climate change considerations.

[Further reading](#)
[Page 45](#)
[Page 49](#)

2

Considering the ICT sector and technology evolution

Context

The South African context presents an opportunity for large-scale socio-economic transformation through digital innovation. This should be an inclusive journey, leading to benefits for all and limiting the negative impacts of the fast pace of change, which is expected to continue for the foreseeable future. For example, during the COVID-19 pandemic, the highest data usage was not in more upscale neighbourhoods but rather in lower-income areas where many people were studying and working from home.

As 5G technology enters the mainstream and telecommunications leaders unlock its full potential, several industries are taking quantum leaps in productivity, safety and sustainability. In the mining industry, for example, the high-speed connectivity that 5G provides is helping to make the Internet of Things (IoT) a reality. When material amounts of data and information can be shared reliably, with almost no latency, mines and mining machinery can be automated and operated remotely. This boosts productivity and minimises safety and sustainability risks.



Implications for our strategy

Telkom officially launched its 5G network in October 2022. We have the largest fibre network in the country, and with the recent allocation of the sub 1 GHz frequency spectrum, we are well positioned to become an enabler of a connected society. We aim for all South Africans to be part of the digital ecosystem.

“My vision for Telkom is to see how we can drive solutions that bridge South Africa's digital divide. It is not just about the big corporates or rich suburbs, it is also about connecting the smallest villages so that everyone can be part of our emerging digital society.”

Serame Taukobong, GCEO

Telkom has been piloting 5G networks in areas such as Soweto, Mamelodi and Umlazi to see how it can help people with limited access to connectivity. These projects have given schools, clinics, hospitals and police stations access to Telkom's 5G network, and have shown the widespread demand for broadband.

At the Nungu coal mine in Mpumalanga, Telkom partnered with suppliers to upgrade the safety and efficiency of the mine using 5G connectivity. This included 5G-enabled cameras to monitor inventory levels and improve safety at the mine.

[Further reading](#)
[Page 45](#)
[Page 47](#)
[Page 70](#)

Staying relevant amid intensified competition

Context

Competition within the South African ICT sector continues to intensify. As a result, South African consumers have enjoyed reduced overall telecommunications costs over the last year. However, inflationary pressures are increasing network providers' fees, which has slowed price reductions.

As local consumers increasingly adopt a digital-first lifestyle, the increase in data demand continues unabated. And as network coverage and expansion occur, investments from fixed and mobile network providers remain strong. At the same time, operators remain committed to customer network experiences by improving network availability and uptime, especially during loadshedding. With access to additional spectrum, incumbent mobile operators compete more aggressively within the mobile data market.



Implications for our strategy

Telkom remains resolute in its data-led strategy and maintains a value-based pricing strategy across most of our product portfolios. We remain committed to providing customers with affordable data and a quality network experience. To ensure that no customer is left behind, we offer attractive customer value propositions that respond to the connectivity needs of all market segments.

During FY2023, Telkom launched FlexOn and Infinite, a pre- and post-paid smartphone tariff portfolio, respectively. The monthly Tarifica score report recognises these plans as market-leading in all categories of light, moderate and heavy usage profiles. We also launched several fixed-mobile convergence offers (Telkom Fusion), providing customers with the best of fixed and mobile at a reduced price.

We believe Telkom is well poised to maintain market leadership by offering customers the best value for money for all their fixed and mobile connectivity needs. We continue to invest in our operations, technology, and people to ensure we remain a reliable connectivity partner during a challenging economic cycle while providing exceptional service and value.

Further reading

[Page 41](#)

[Page 45](#)



Managing regulatory change

Context

Telkom obtained sub 1 GHz spectrum in the Independent Communications Authority of South Africa (ICASA) auction. We deployed 800 MHz in some regions, although parts of South Africa remain unavailable due to existing broadcasting systems. The target date for the final switch-off of analogue television was initially proposed to be 31 March 2023 – the new date is still to be communicated. The switch-off will free up sub 1 GHz spectrum nationally for mobile services.

ICASA initially committed to auction 800 MHz and other available spectra (except wireless open-access network) before April 2023, but this is now planned for early 2024. ICASA will consider spectrum holdings post-auction, imbalances in sub 1 GHz, and the impact of the auction outcome on competition. ICASA also undertook to conduct an inquiry into the existence of a secondary spectrum market to assess the need for regulatory intervention.

Call termination regulations are meant to promote competition in the local ICT sector. ICASA acknowledged that the mobile voice market is highly concentrated. However, its findings document of March 2022 changed the basis upon which entities qualify for



asymmetric rates without considering the competition implications. Telkom has challenged this to ensure a new glidepath that will support pro-competitive outcomes.

Implications for our strategy

Telkom upholds the principles of enhancing service quality, customer choice and effective competition. Therefore, it will strive to ensure that any regulations imposed are pro-competitive and do not constrain its ability to compete fairly in a concentrated market.

Telkom trusts that the final call termination regulations will be pro-competitive, considering the effect of the removal of mobile termination asymmetry on smaller operators. Spectrum licensing also needs to be pro-competitive.

Further reading

[Page 32](#)

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Engaging with our stakeholders

Telkom commits to open communication with its stakeholders and engages them on various matters. We strive to respond to stakeholder concerns appropriately and on time to keep them informed. Furthermore, we aim to be transparent about how we address these concerns.

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

We engage with stakeholders regularly through appropriate channels.

Stakeholder governance structure



Monitoring and reporting

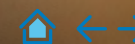
We assess the effectiveness of stakeholder engagements and relations by linking KPIs to value creation and relationship quality. Properly assessing stakeholder relationships allows management to channel time and effort into those relations that are relatively weak.

In FY2023, we focused on the below stakeholder matters:

- **Customers** | The Board focused on improving service delivery and customer experience, pioneering digital solutions and promoting fair and ethical practices towards Telkom's customers and within the Group
- **Employees and organised labour** | Considerations and consultation processes around the section 189 Labour Relations Act notices that were issued (refer to [page 80](#) for more detail)
- **Employees** | Leadership Pledge to demonstrate Telkom's commitment to gender diversity



Focus
on improving
service delivery
and customer
experience



79 %
Market Share



Our stakeholder groups

Customers

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



Telkom offers customers the most compelling voice and data value propositions on the market, whether budget-friendly for individuals or high-value data packages enabling business customers to stay connected while on the move. We grow the Group's fixed and mobile network footprint by deploying next-generation networks.

We provide end-to-end ICT products, services and solutions that create a one-stop-shop for our clients to improve cost efficiency, customer experience and productivity. This enables our clients to remain relevant in their markets. We enable customers to enrich and improve their lives through value-added services that can be bolted onto mobile plans or experience-enriching products on fixed lines.

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

Telkom's desired outcomes

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

Indicators measuring the value Telkom creates and/or relationship quality

- We use studies such as monthly and quarterly trackers, for example, the Brand Tracker, Product Portfolio Trackers (Mobile Tracker, Fixed Tacker) and SMB Segment Tracker, and customer surveys, including Orange Index and net promoter score (NPS), to monitor our fibre connectivity rate, customer effort score and quality of services
- We follow publications such as the Tarifica Score Report South Africa, which ranks consumer post-paid price plans in the market, to determine if our products deliver on our value promise



Government and regulators



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, including 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.

Telkom 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. The Group also contributes to enabling the government's social and economic development mandate through investment in networks and infrastructure.

We contribute to shaping government policies by engaging with government and national regulatory agencies such as ICASA and the competition authorities and participating in industry forums. In addition, we support local procurement and employment and value-adding corporate social initiatives.

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
- Licensing of spectrum
- Economic transformation and social impact, job creation, productivity

Telkom's desired outcomes

- Stable, predictable, and fair regulations and policies that encourage investment and effective competition

Indicators measuring the value Telkom creates and/or relationship quality

- Tax contribution (R)
- Licence fees (R)
- Contributions to Universal Service and Access Agency of South Africa (R)
- Fines (or lack thereof) for non-compliance with ICASA regulations, e.g. End-User and Subscriber Service Charter, and social obligations under various regulations (Rand value and number)

Investor community



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

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

Telkom's desired outcomes

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

Indicators measuring the value Telkom creates and/or relationship quality

- Total shareholder return (dividend yield and share price movement) (%)
- HEPS (c)
- ROIC (%)
- Free cash flow (R)

Employees



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

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.

Telkom's Learning and Development Programmes aim to foster employee engagement, broaden our employees' skill base and develop skills for future leadership.

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

Telkom's desired outcomes

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

Indicators measuring the value Telkom creates and/or relationship quality

- Employee culture surveys
- Employee turnover rate (%)
- Remuneration and benefits (R)
- Employment equity demographics (race, gender, disability, pay gaps, etc.) and external employment equity survey
- Training (Rand value and hours per employee) and number of interns and learners
- Lost-time injury frequency rate and number of fatalities
- Number of employees utilising the Employee Wellness Programme

Refer to the human capital chapter from [page 75](#) for more information.

Organised labour



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. Organised labour can influence the Group's strategic plans and operations through industrial action.

Employees are allowed and supported in the exercise of their right to freedom of association. We provide trade unions with access to the workforce and support for shop stewards, and facilitate fee deductions.

Interests, needs and expectations

- A relationship of trust and transparency
- Proactive consultation on business changes that impact employees and collaboration on agreements
- A stable workforce
- Continuous commitment to drive skills development, especially considering new technologies and employment equity progress
- The impact of retrenchments and outsourcing agreements on employment and terms and conditions of employment

Telkom's desired outcomes

- Constructive relationships
- Satisfactory solutions to disputes

Indicators measuring the value Telkom creates and/or relationship quality

- Days lost due to industrial action

Suppliers and business partners



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 material and other input costs. Business partners often represent Telkom to customers. Suppliers and business partners also impact our ability to meet customers' expectations.

Suppliers and business partners generate revenue by supplying their products and services to Telkom fairly. Telkom provides partners, suppliers and service providers with a platform to make their products available to the market, and strengthens their brands through association with and/or accreditation by Telkom.

Where relevant and required, we provide training and support to our subcontractors, and our Enterprise and Supplier Development (ESD) and Transformation Programmes support local procurement. We also advocate local employment by supporting and developing local contractors.

Interests, needs and expectations

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

Telkom's desired outcomes

- Supporting local procurement, employment and upliftment of small and medium businesses
- Leading B-BBEE status
- Joint market opportunities
- Supplier sustainability

Indicators measuring the value Telkom creates and/or relationship quality

- Supplier surveys
- Procurement spend (including local vs international spend) (R)
- ESD spend (R)
- Service level agreements conformance
- Spend on business partners (R)

Refer to the social and relationship capital chapter from [page 82](#) for more information.

Communities



Our communities drive our social licence to operate. We are responsible for contributing to the socio-economic environment in which we operate, and recognise that civil society and forums can impact our operations.

The nature of Telkom's products and services allows it to add value to communities in a broad context. For example, our infrastructure allows anyone to transact through electronic banking, an ATM, or a point of sale. By providing affordable internet connectivity to individuals and small, medium, and micro-enterprises (SMMEs), the Group supports local employment and economic growth.

The Telkom Foundation and other programmes empower communities with various initiatives focused on education.

Interests, needs and expectations

- Affordable products and services
- Access to communication
- Meaningful education and technology impact
- Financial support, local job creation and local business opportunities

Telkom's desired outcomes

- Strong partnerships with communities
- Good corporate citizen status
- Youth empowerment
- Enabling SMMEs

Indicators measuring the value Telkom creates and/or relationship quality

- Spend on FutureMakers (R)
- Investment in Telkom Foundation (R)
- Number of learners, youth, teachers, and principals impacted
- Number of SMMEs impacted and/or supported
- Number of entrepreneurs supported
- E-waste recycled

Media, opinion makers and influencers



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

We provide information and context on technical and operational developments and thought leadership on matters affecting our industry.

Interests, needs and expectations

- Access to information, including Group performance, technological advances and South Africa's regulatory context
- Responsiveness
- A relationship of transparency and trust
- Educating the public

Telkom's desired outcomes

- Enhanced reputation
- Positive brand positioning of Telkom's products and services, corporate citizenship and performance

Indicators measuring the value Telkom creates and/or relationship quality

- Media monitoring and analysis
- Social media sentiment tracking



A relationship of transparency and trust

Educating the public

Media monitoring and analysis

Material stakeholder concerns

Below we set out the overarching key themes that emerged from our stakeholder engagements in FY2023.

Stakeholder group	Material engagement theme	Telkom's response
Customers	Quality of service, specifically the network experience which is exacerbated by higher stages of loadshedding.	In response to the impact of loadshedding on our operations, Telkom installed 5 000 batteries at new sites and replaced 1 600 at existing sites. We also increased the number of sites with backup generators, increasing population coverage to 84% for Universal Mobile Telecommunications System (UMTS) and 82% for long-term evolution (LTE) sites, adding 60 mobile generators to the fleet.
	Complaints handling, especially around providing sufficient detail on matters and resolving them within an acceptable timeframe.	Continuous enhancement of product portfolios to meet customer needs – launched our FlexOn and Infinite ranges giving customers freedom to control their data usage, resulting in lower product queries/complaints. Operational performance focus and improvements – improved our customer effort score during interaction, achieved lower fault rates on our fibre services and less billing disputes with shorter turnaround time performance. Overall escalations reduced by 35% year-on-year.
Government and regulators	Concerns generally revolve around broader economic and social issues such as cost to communicate, job creation, providing world-class networks and services such as 5G, bridging the digital divide, etc.	Ongoing constructive engagement with relevant government departments and authorities.
	Spectrum matters, including South Africa's participation in international forums such as the International Telecommunications Union (ITU) and its World Radiocommunication Conferences.	We engaged the regulator on spectrum to promote a pro-competitive environment that supports challenger entities to deliver effective competition that benefits businesses, consumers, and the economy.
Investor community	Local investors consider the Group's debt levels to be high.	The Group gearing level ¹ at 1.8x (including IFRS 16 leases) and 1.1x (excluding IFRS 16 leases) is well within the covenant requirement of net debt to EBITDA being less than 3.0x (excluding impact of IFRS leases). We also intend to reconfigure the debt profile to match the long-term nature of the majority of our assets in the fibre and mobile networks. These will have the impact of shifting short-term debt to long-term debt, thereby alleviating pressure on Group cash flows in the short to medium term.
	The impact of loadshedding on operations, the cost base and profitability.	We reprioritised some capex to fund investments in alternative sources of backup power to reduce the Group's reliance on diesel and mitigate the impact of loadshedding on operations.
	Telkom Consumer focused on increasing the post-paid contribution to revenue. However, as the cost of mobile devices are recognised upfront, but revenue over the period of the customer contract, Mobile EBITDA declined. In addition, handset inventory increased, negatively impacting working capital.	Post-paid growth "levelled out" and Telkom Consumer slowed down the increase in handset inventory during the last six months of the year.
Employees and organised labour	Impact of section 189 (retrenchments) and the number of job losses.	15% of employees in the Group have been impacted by the restructuring process. In line with the consultation process with unions, Telkom extended voluntary severance packages and voluntary early retirement packages to all employees in the Group. Telkom continues to manage the process transparently and socially responsibly in line with labour legislation requirements.



¹ Exclude the impact of VSP, VERP and s189 restructuring costs totalling R1 065 million. On a reported basis the gearing level excluding IFRS 16 is 1.3x.

Enterprise risk management and compliance

Telkom continues to execute a solid, flexible and resilient risk and compliance strategy that supports achieving our strategic objectives. Telkom operates in economically, politically, technologically, and socially changing environments. This provides unprecedented opportunities and significant, poorly understood threats. As a result, the Group's strategic intent has become more critical, requiring us to balance risks and rewards and monitor strategic risks constantly.

Telkom considers internal and external contexts when reviewing the Group's risks and opportunities, and considers the adequacy of key controls and existing regulatory framework controls. We monitor the effectiveness of risk and compliance to identify improvement areas, and track risk metrics to ensure significant efforts are made.

Furthermore, maintaining and continuously improving risk management capabilities to strengthen the Group's performance remains important. We use control self-assessment exercises and compliance control validation reviews to determine the effectiveness of our risk and compliance management processes. Annual risk and compliance reviews ensure we meet the King IV¹ requirements.



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.



Our approach to risk and compliance management

According to their set mandates, Telkom's governance structures (page 95) continued to support risk and compliance management across the Group. There were no material changes during the year.

End-to-end assurance

End-to-end assurance	Board	Oversees risk and compliance across the Group. Provides an integrated approach to governance and management of risk and compliance, supported by a risk and compliance operating model aligned with Telkom's business model.	Oversight
	Risk and Social and Ethics Committees	Monitor and advise the Board on risk and compliance, laws and regulations.	
	Group Exco	Integrates risk and compliance management, systems, and people across the Group.	
	Integrated Governance, Risk, Compliance and IT Steering Committees	Assess risks and resulting opportunities within the agreed risk framework. Reduce the impact of regulatory risk by driving compliance awareness for all applicable laws, regulations, and supervisory requirements.	Enablement
	Group risk, compliance, business continuity management	Set policies and standards and provide oversight and control.	
	ERM forum	Shares best practices and knowledge and monitors key risks and mitigation plans.	
	Business unit assurance forum	Affects the ERM framework through effective risk and compliance management and combined assurance to optimise risk taking.	
	Business unit risk and compliance management Business unit management	Implement the risk, compliance and business continuity management policies, standards, and frameworks. Apply and maintain the compliance risk registers, identify mitigating controls, implement action plans and operationalise the business unit assurance forum. All business units' Excos are accountable for managing risk and compliance within the approved delegation of authority (DoA).	



The Board committed the Group to an ERM process aligned to the King IV principles, the COSO (Committee of Sponsoring Organisations) Integrated Enterprise Risk Management Framework, ISO 31000 Risk Management Guidelines, and Control Objectives for Information and Related Technologies (COBIT) Framework. All business units, supporting functions, processes, projects, and other controlled entities are subjected to the ERM framework.

ERM is an independent function within Telkom that sets out to achieve the following key objectives:

- **Oversight:** All critical risks and opportunities are identified Group-wide and are managed and monitored under a holistic approach consistent with the Risk Committee's approved risk appetite statement
- **Ownership and responsibility:** The ownership of risk is assigned to management individuals who are responsible for identifying, evaluating, mitigating, and reporting risk exposures
- **Assurance:** The Board, Risk Committee, Group Exco and management have reasonable assurance that all risks and opportunities are being appropriately managed and/or explored within defined governance levels to bring value to Telkom

The Risk Committee oversees the activities of ERM and is apprised regularly by management. The Committee also oversees management's activities to ensure the ERM framework is embedded and adhered to. In managing and dealing with the Group's risks, Telkom continues to ensure:

- There is effective risk management, which is key to its sustainability, and underpins the Group's long-term relationship with its customers and other stakeholders
- Risk and opportunity management is clearly and consistently integrated into Telkom's culture and managed according to best practice
- People, processes, and technology support the strategy, underpinned by governance, risk, and compliance requirements
- Group-wide interdependencies are recognised in enhancing business resiliency

by anticipating, observing, and responding to the macro- and micro-environments

- Management's conscious effort to manage risks ensures the business fulfils its mandate and that there is collaboration among all internal structures
- The importance of an integrated, proactive, and continuous approach, which Telkom leverages to sustain the Group, is appreciated across structures
- Potential reputational risks are managed to ensure that all key stakeholders' needs and expectations are well comprehended and managed

Improvements in FY2023

We are progressing with the ERM Strategy satisfactorily, and made the following key improvements as part of the journey towards becoming a risk-intelligent Group:

- The Risk Committee continuously monitored the defined risk tolerance levels across the Group and approved the risk appetite statement
- Focused on identifying and analysing ESG-specific risks and assumptions
- Regular engagement on various levels of external structures (e.g. the Communication Risk Information Centre (COMRIC), where Telkom is leading the business resilience stream)
- Continuous efforts to ensure that a risk culture is embedded
- Undertook a culture survey results analysis and developed a clearly defined risk management plan
- Focused on the adoption and alignment of the integrated assurance principles consistently across all business units
- Creating an anti-fragile and resilient Group that can withstand unintended events

Business continuity management

Telkom focused on strengthening its business resilience activities. We tested the response plans during loadshedding and extreme weather conditions, such as the floods in FY2023. Loadshedding hours increased significantly in FY2023 due to challenges Eskom faced in meeting the power demand. However, Telkom remained resilient due to adequate and effective response plans that factored in stakeholders, critical resources, and alternative power supply solutions such as lithium batteries, standby and mobile generators.

Telkom remains committed to collaboration principles, maintaining communication services under adverse conditions, and supporting local and national governments should a crisis arise. Telkom continues to ensure that its infrastructure, business processes, and emergency management procedures are flexible enough to protect key stakeholders' interests, reputation and brand.

Telkom completed a global threats assessment that included a list of 36 threats. There are response plans to address these potential threats, and this assessment is ongoing to ensure minimal impact on Telkom's objectives.

Certain significant events (listed alongside) occurred in Telkom's business operations during FY2023. These events are characterised as unintended/unplanned occurrences that expose the Group to risks that have either happened or are imminent and inevitable. These risks significantly affect business-as-usual operations and Telkom's strategy execution, which might have an immediate and long-term impact on achieving strategic goals.

Disaster management and response structures such as the Group Emergency Management Team and the Regional Emergency Management Teams continue to manage crises effectively, as mandated by the GCEO. In FY2023, the teams managed:



Power outages: Power outages have become common in South Africa. As a result, Telkom had to respond from both a tactical and strategic perspective to keep the lights on and, in the long run, minimise the adverse effects of energy shortages and create efficiencies. Telkom manages this by deploying various response strategies. For example, in response to escalated loadshedding levels, Telkom developed a Group-wide power outage preparedness plan covering all scenarios from Stage 1 to blackout. This plan is continuously deployed and minimises the impact on our business operations.



Nelson Mandela Bay water crisis: Water disruptions affect several suburbs in the Nelson Mandela Bay Municipality due to the ongoing drought and declining levels at the major storage dams. Telkom continues to participate and contribute to the various forums led by the city. As part of the Day Zero Programme in the Eastern Cape province, Telkom identified 55 sites that should be considered for audits and interventions to improve water security. This was achieved by reducing water demand and diversifying the water supply.



Severe weather conditions: The latter part of the year saw severe thunderstorms, record-breaking heavy rainfall and flash floods that damaged national infrastructure. There were no significant incidents that negatively affected Telkom's infrastructure. Telkom sent employees a communiqué to caution them to practice vigilance and stay safe during expected heavy rains and flooding. We continue participating at the National Disaster Management Forum, where potential disasters are assessed, closely monitored, and mitigated. This approach allows Telkom to improve its threat detection and enhance its response plans proactively.

The Group's Business Continuity Programme is robust and effective in managing various threats that could disrupt our operations, with identified areas for improvement. We will improve the programme further to ensure the Group's overall resilience and anti-fragility.

Emerging risks in FY2023

In FY2023, Telkom continued to monitor and assess the identified emerging/external risks and opportunities as and when it was of the view that these might impact the Group.

Potential emerging risk	Description
COVID-19 waves	<p>The resurgence of the COVID-19 pandemic remains on the radar. The pandemic re-emerged in China in December 2022/January 2023; however, it had no significant global impact.</p> <p>Telkom ensured that there are plans to deal with the re-emergence of the flu or any other pandemic. The risk is no longer regarded as emerging and is dealt with under operational risk management and occupational health and safety.</p>
Increased levels of poverty	<p>This risk remains significant due to the difficulties businesses and communities face in the global and local economies. Loadshedding further impacts the local economy. Due to financial and liquidity issues, technology organisations worldwide reduced their workforce. South African businesses may take a similar approach to generate free cash flow.</p> <p>Therefore, we believe local employment will suffer significantly and poverty levels will rise.</p>
Entry of globally dominant players into African markets	<p>Global players such as Google and Amazon have traditionally limited footprint and inroads into South Africa. As opportunities in Europe are limited, there may be a drive to grow their presence in Africa. It would be difficult to compete purely on price.</p> <p>The Group is progressing strategic partnerships that will advance Telkom's business. For example, Google and Telkom collaborate on the Equiano Cable undersea cable project via Openserve. Alibaba also collaborates with BCX. However, Telkom should closely monitor the effect of these opportunities on its ability to maintain its financial position.</p>
Redefining the societal compact	<p>Telkom's day-to-day operations might have an effect on the environment that would affect the communities in which it operates. Telkom aims to reduce the potential impact by employing reuse, repair, refurbishments, leasing, cascading, capacity sharing and "dematerialisation" strategies.</p> <p>Telkom's ESG Strategy focuses on the following key initiatives to mitigate this risk:</p> <ul style="list-style-type: none"> - Determination of Scope 3 emissions from the use of sold products - Encourage recyclable and biodegradable materials - Reduce waste to landfill by 75% by 2030 - Reduce potable water consumption by 50% by 2030 - Carbon offsets for unavoidable emissions <p>These initiatives are in the early stages; however, the staggered approach to implementation will contribute towards managing this risk.</p>

Our strategic risks¹

Unanticipated events continued to unfold during FY2023, leading to several critical challenges for Telkom to manage speedily to avoid significant exposure for our business. Therefore, Telkom focused on building a resilient culture that can adapt at the speed of change experienced.

Telkom reviewed the Group's strategic risks based on these three dimensions:

- 1 **Macro-economic risks** likely to impact Telkom's growth opportunities, such as economic conditions and the capability to access funds.
- 2 **Strategic risks** with the potential to affect Telkom's business strategy/ objectives. These risks are uncertainties or opportunities that could guide decision-making. These are crucial matters that the Board, shareholders, or investors should be concerned about regarding strategic intent.
- 3 **Operational risks** with the potential to impact critical operations through increased cyberattacks, supply chain disruption and non-compliance.

Telkom identified the risks in the context of its financial and non-financial strategic objectives. The same key risks were tracked in FY2022 and FY2023. Some residual risk ratings increased due to changes in the micro-environment, specifically relating to the negative global economic outlook.

The risk heatmaps alongside reflect the residual risk rating, which considers the mitigation controls in place.



¹ The enterprise risk management and compliance report starting on page 37 details Telkom's material risks according to the governance requirements contained the JSE Listings Requirements. This report is available [online](#).

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
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1 Unstable and unpredictable regulatory dispensation

Unstable and unpredictable regulatory dispensation influenced by the changing market, customer and technological trends may impact Telkom's long-term decision-making and investment aspirations.

It also creates competitive pressures and unexpected costs that can hamper Telkom's profitability and sustainability.

- Continuous engagement with key government stakeholders
- Continuously manage our compliance universe effectively to improve our relationship with regulators and ensure we remain compliant
- Proactively implement new legislation
- Continuously scan the regulatory environment (including outside of ICT)
- Empower and support the regulatory and compliance teams
- Continuously monitor key risk indicators

Regulators are responsible for creating a stable and predictable regulatory environment where all businesses may function. The regulatory system also needs to adapt in previously unexpected ways to the changing economic, social, and technological realities. This unpredictability makes it difficult for regulators to prepare. The above directly drives Telkom's exposure to competitive pressures and unexpected costs, impacting the Group's ability to remain relevant.

This uncertain regulatory regime continues to challenge Telkom's approach to investment cycles and patterns, speed of launching new products and services and enhancement of competitive opportunities.

Telkom continues to interact to introduce regulatory flexibility, which is particularly important in a sector constantly undergoing significant technological and market changes.

Opportunities still exist for the organisation to continue participating in regulatory discussions to influence various legislation to get the best possible result, including the level of the competitive landscape, to which Telkom aspires. Telkom continues to monitor the risk related to ICASA and spectrum licensing. There is an opportunity to work with the regulator to understand the situation and influence some regulatory aspects to strengthen the Group's position, including a levelled competitive landscape.

An opportunity also exists to review the high cost of compliance, whether in terms of infrastructure, technology or people, and the time spent ensuring compliance.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
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2 Market forces and disruption exacerbating competition pressures

Telkom operates in a competitive and rapidly changing market. The increase in technological innovations, accelerated market deregulations, customer expectations, and new entrants in the connectivity space exacerbate this risk. These put pricing and product offerings under pressure as Telkom strives to remain competitive.

Failure to swiftly respond to competitive threats could negatively impact the Group's prospects, including its market share, relevance, revenue growth and profit margins.

- Continuously monitor the market and competitive landscape, using artificial intelligence to gain further insights
- Develop product offerings that appeal to customers and explore upselling opportunities
- Develop and implement adaptive strategies focused on innovation
- Investigate strategic partnerships to increase competitive advantage
- Continuously implement and enhance our employee value proposition to ensure the competition does not poach our critical employees
- Invest in technology that ensures agile and speedy solution delivery
- Continuously identify and address operational inefficiencies

The risk remains a strategic priority as products, services and technology are crucial for our transformation and competitiveness.

Competitors have aggressively challenged Telkom's pricing. This may necessitate market research or benchmarking to remain competitive. The new mobile virtual network operators (MVNOs) segment and OTT partners increase competition in IT services and telecommunications (fibre and mobile), amplifying this risk.

Telkom focused on business process re-engineering and incremental innovation, evolving the customer value proposition and pricing flexibility, fibre investment, and Value Unlock strategies and projects as risk-reduction initiatives.

Telkom remains committed to identifying and implementing opportunities as soon as practicable.

Refer to [page 45](#) for more information on Telkom's strategy.

Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
3 Inability to attract and retain a suitable, resilient and healthy workforce to service and support the changing ecosystem		
<p>The world is experiencing several changes, such as a shift in how companies work, hybrid working models, customer behaviours, and technology trends. This requires talent that can provide a sustainable competitive advantage. Failure in this regard could result in loss of competitive advantage, increased employee costs and delays in achieving the Group's strategy.</p>	<ul style="list-style-type: none"> - Continuously implement the culture transformation journey - Review and implement the recruitment strategy, which will merge the demands of business while allowing flexibility to the workforce to align with market demand - Develop and implement change management processes to keep up with the pace of change and enable a robust environment 	<p>Telkom continues to face challenges on talent and employee turnover as people can work anywhere in the world, and the skills of the future are in short supply. The issuance of Section 189 notices and Telkom's future operating model will exacerbate this risk.</p> <p>Opportunity exists to implement effective internal succession planning and capability development to address the insufficient supply of talent and skills. Furthermore, Telkom and BCX were certified as Top Employers for 2023. This may position the Group towards retaining and attracting external critical skills.</p> <p>Telkom continuously identifies opportunities to improve strategies to attract relevant skills to participate in the digital world and review the retention strategy for critical talent.</p> <p>Refer to page 75 of the human capital chapter for more information.</p>

4 Increased focus and scrutiny on ESG matters

<p>Increased focus on ESG matters is due to the rapidly heightened importance of sustainability matters in society, increased climate change awareness, social inequality, and corporate misconduct. This might impact Telkom's financial sustainability and reputation and limit access to opportunities.</p>	<ul style="list-style-type: none"> - Implement the Group ESG Strategy with defined roles and responsibilities - Integrate ESG risks into the ERM framework 	<p>The risk remains a priority and the ESG Strategy is being executed. Governance structures are formed to drive the implementation (i.e. ESG Impact Council) that will guide, integrate, and develop portfolios for the six defined ESG themes across Telkom. In driving the strategy, several inflight projects will translate Telkom's intention into actions.</p> <p>Telkom has the chance to innovate aggressively to remain relevant and competitive while contributing to the Group's and the country's general sustainability goals.</p> <p>Refer to page 49 for more information on Telkom's ESG Strategy.</p>
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Risk definition	Mitigating activities and monitoring	Assessment rationale and opportunities arising from managing risks
5 Financial sustainability		
<p>Maintaining financial capacity is crucial to sustain or grow operations while building adequate financial resilience to manage unforeseen economic events. This risk is due to:</p> <ul style="list-style-type: none"> - A depressed economic environment - Insufficient liquidity and/or cash flow deterioration - Inability to generate free cash flow - Customers not paying on time - Unsustainable leverage ratios 	<ul style="list-style-type: none"> - Monitor our sustainable Cost Management Programme - Launch new products to drive revenue - Continue with cash release initiatives, such as the Supply Chain Finance Programme - Maintain adequate debt headroom and disciplined capital allocation with flexible capex investments and secured debt facilities - Maintain a sound governance framework that ensures transparent financial and operational frameworks and supportive credit ratios 	<p>Financial sustainability is a priority for the Group. Customer retention and experience are key to building a financially sustainable business.</p> <p>Telkom experienced a financial performance gap due to the loadshedding crisis, inflationary pressure, consumer pressure on living expenses due to interest rate hikes, and high energy and fuel prices. These factors continue to strain Telkom's operations.</p> <p>We have an opportunity to build financial resilience in the face of a demanding trading environment, focusing on several levers:</p> <ul style="list-style-type: none"> - Selling qualifying device receivables to external financial institutions - Pursuing cost-cutting measures with long-term benefits - Cash preservation - Disciplined capital allocation - Mitigating financial risks, such as liquidity - Growing the business <p>Refer to page 20 for more information on our financial performance.</p>

Risk definition

Mitigating activities
and monitoringAssessment rationale and opportunities
arising from managing risks

6 Macro socio-economic instability

Telkom is not immune to the critical characteristics introduced by socio-economic matters that influence consumers' behaviours, preferences, attitudes and quality of life. Therefore, this instability creates uncertainty, particularly where consumers are critical to the Group's success.

This volatility affects the levels of profitability and cash generation that are considered acceptable. It also impacts our shareholders' perspective on the Value Unlock Programme and future growth.

- Formulate and implement initiatives and frameworks aligned with the National Development Plan
- Enforce collaborative efforts with social agents and foster private-public partnerships
- Strengthen corporate social responsibility initiatives
- Continue to execute on the development and implementation of the youth employment strategy
- Continue to invest in advocacy that assists in driving a positive behavioural change

This risk is influenced by macro-environmental factors over which Telkom has no control. However, how we manage our financial stability contributes to managing this risk.

The macro-economic instability increased Telkom's business cost and resulted in decreased profits due to customers constantly seeking cheaper options.

Weak global economic conditions, rising inflation and the energy crisis hampered South Africa's economic growth. Unemployment continues to rise.

There are opportunities to offer products and services that improve the country's economic agenda, and to partner with communities to address unemployment issues, break the digital divide, and grow small to medium businesses.

Refer to [page 45](#) for more information on our strategy and [page 82](#) for more information on our ESD support and the work of the Telkom Foundation.

There are opportunities to partner with communities to address unemployment issues, break the digital divide, and grow small to medium businesses.



Compliance

As an ICT service provider, Telkom is exposed to evolving regulatory and compliance requirements, including growing ESG compliance expectations from stakeholders. We have zero tolerance for regulatory non-compliance, fraud and corruption. We are committed to fulfilling relevant compliance requirements and disclosure and reporting obligations to maintain our reputation.

Group Exco annually reviews and approves the regulatory universe derived from our risk-based approach. Our compliance function reviewed and communicated the compliance management policy and framework through the annual compliance commitment drive. This requires employees to acknowledge the content of the documents and commit to complying with them. Our business units have established compliance functions with the Corporate Centre providing oversight and guidance.

Our compliance plan, with quarterly deliverables, aligns with the ERM Strategy to enhance the Group's risk and compliance culture. We provide compliance plan progress reports to the various governance structures, including the ERM forum and Integrated Governance Risk and Compliance Committee. The Risk Committee and Board receive a detailed report on the status of the Group's compliance every quarter.

The stringent compliance regime supports our combined assurance approach through our three lines of defence and regular reporting. The compliance function also reports to the IT governance structures and the economic crimes forum on data privacy, cybersecurity, and potential areas of non-compliance.

Focus areas FY2023

We confirm that no material or repeated regulatory penalties, sanctions, or fines for contraventions of or non-compliance with statutory obligations were reported in FY2023.

Two instances of unauthorised access to personal information were reported to the Information Regulator, with limited exposure. The business immediately enhanced the control environment.

We received three customer complaints from the regulator regarding direct marketing and unauthorised access to information. In all events, the business investigated the incidents, reported on the outcome and addressed the control environment.

We remain committed to reducing, recycling and disposing of waste under the Extended Producer Responsibility Regulations of the National Environmental Waste Management Act for the Electronic and Electric sectors. The compliance function monitors the required reporting.

Telkom has acted to protect the environment further and move towards a climate-resilient economy in line with the Climate Change Bill. In FY2024, we will await the finalisation of the bill and the publishing of supporting regulations. Our environmental, sustainability and tax services divisions implemented controls to ensure ongoing compliance with the Carbon Tax Act requirements in line with the government's commitment to reduce carbon emissions.

We enhanced our employee health and safety relating to the 2022 Asbestos Abatement Regulation by identifying asbestos-containing material at sites and reducing the risk of human exposure, and by monitoring ongoing adherence

to labour relations legislative requirements. Telkom addressed customer protection matters and introduced additional data privacy processes to benefit the customer.



The compliance function monitored the Companies Amendment Act requirements, confirmed control effectiveness with the King IV principles, updated compliance risk registers with amended JSE Listings Requirements, supported Telkom's commitment to the ESG frameworks and reviewed the impact on business of the Protection of Constitutional Democracy against Terrorist and Related Activities Bill.



Focus areas FY2024

ERM

- Ensure the integration and co-ordination of all assurance activities within the Group through collaboration with other assurance providers
- Review the Group's ERM governance policies and procedures and approved risk tolerance levels to ensure it remains relevant
- Refine business continuity management strategies across all the domains
- Continue to foster strong business collaboration by being involved in strategy and business planning and other key project initiatives
- Create environments to increase ERM capabilities and drive frequent monitoring of ESG-specific risks
- Review the Group's strategic risks

Compliance

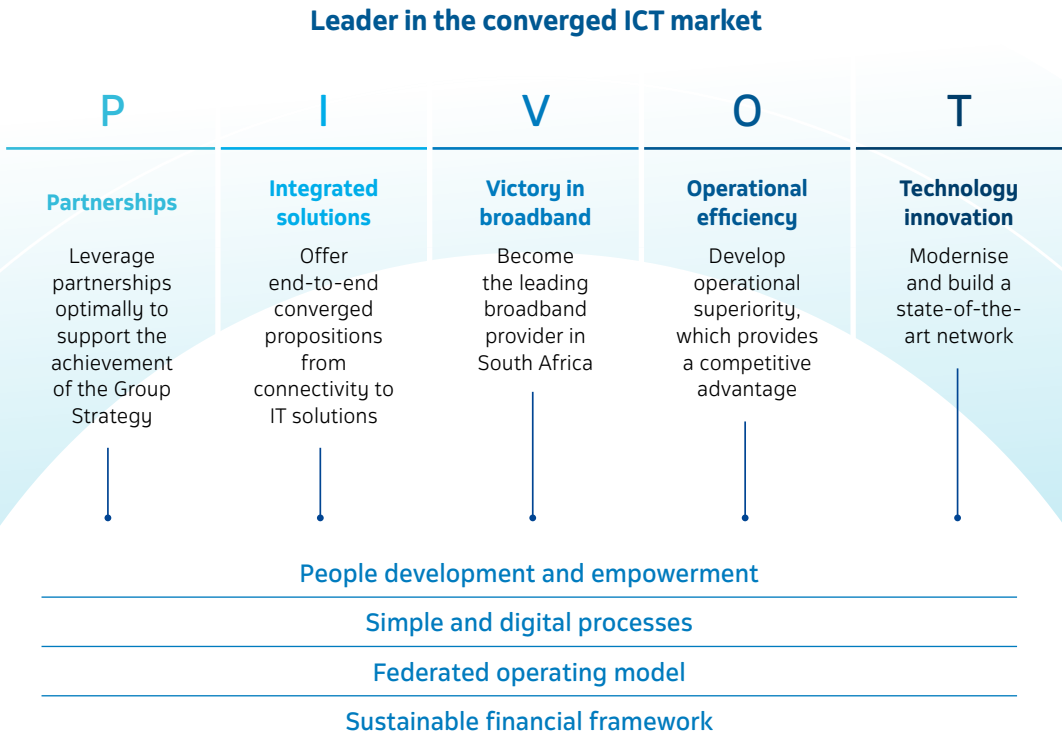
- The compliance and regulatory horizon for the foreseeable future will demand attention on the following acts before Parliament:
- The amendments to the Employment Equity Act and Compensation for Occupational Injuries and Diseases Act were reviewed. These bills will impact equity targets for economic sectors and geographical regions as well as compensation for disablement or death caused by occupational injuries. The compliance risk management plans were updated with additional requirements, which will be monitored through control self-assessments
 - Tobacco Products and Electronic Delivery Bill, which seeks to change where people can smoke and to hold employers accountable to protect non-smokers from tobacco smoke exposure at the workplace
 - The impact of the Taxations Laws Amendment Act and Tax Administration Laws Amendment Act will be assessed to ensure Telkom has adequate controls in place to mitigate the risk of additional requirements

Unpacking our PIVOT Strategy

Our business would not exist without our loyal customers. We continually refine our products and go-to-market approach to meet their evolving needs and expectations.

Telkom is embedded in a world of continual and rapid change. The word “PIVOT” captures our five-pronged strategy. It encourages all employees within every team, division, and business unit to expect continual change as we seek new ways to serve our customers.

The table alongside outlines our PIVOT Strategy and its five strategic pillars.



Seamlessly connecting our customers to a better life

PIVOT captures the transformational changes to our core business in response to the shift from a monopoly to a world of competition by moving from voice to data, copper to fibre, fixed-line to mobile, and from connectivity to IT services solutions and digital ecosystems. Going forward, our industry will encompass fragmented digital services, increased automation, and data-driven decision-making.

The combination of the strategic pillars supports us in achieving our purpose of **seamlessly connecting our customers to a better life**.

We want to make life better for our customers – at work and at home – whether they are learning, being entertained, or connecting with friends and family across the world. As we achieve these goals, we continue to **lead in the converged ICT space**, bringing together fixed, mobile and digital services for our customers.

Our PIVOT Strategy aligns with the four SDGs most applicable to our business. Refer to [page 125](#) for information on our reporting approach to SDGs and our performance against the SDGs on [page 125](#).

PIVOT
captures the transformational changes to our core business

Strategic pillars

Up to last year, the “P” in PIVOT stood for portfolio diversification. At the strategy review in September 2022, we reflected on our ability to be a relevant role player in some of the adjacent and OTT service areas. While we had gained traction in some areas, there were other areas where the market share was insignificant.

As a result, we have resolved to move away from developing in-house digital assets in areas such as content streaming and fintech, and instead to focus on improving our ability to partner with best-of-breed third-party providers.

Therefore, the “P” in PIVOT now stands for **partnerships**. We are building many different types of partnerships and, by deploying the right digital platforms, we aim to plug ourselves into best-of-breed partners and deliver relevant services quickly and efficiently.

Our core PIVOT Strategy, apart from replacing portfolio diversification with partnerships, remains unchanged. The remainder of our strategic framework remains relevant and resilient to the changes in the local and global environment. Within this framework, we will modify our specific tactics and actions accordingly as we continue to play a leading role in South Africa’s digital revolution.

Integrated solutions express an aspiration to provide value-added services on top of connectivity services. For example, the fibre fixed-line consumer space includes content services such as streaming and smart home solutions such as web-based security. For mobile, this includes bundling social media applications and creating synergies between fixed, mobile, and digital services. In the enterprise space, this includes applications that streamline business service – e-commerce, point of sale systems, inventory control, cloud services, development of digital platforms and embedded cybersecurity. For small and medium businesses, this comprises the tools to enable a mobile sales force, and the cloud-based tools to digitally transform how small businesses can become more agile, responsive, and professional.

Victory in broadband acknowledges our strength as a connectivity provider in fixed and mobile and that our future lies in being primarily a data provider, with voice as a service over the data network. It emphasises our ability to serve a broad range of customers with data services.

Operational efficiency reflects the need to be efficient with our resources, digitise our processes and procedures, and leverage platforms and applications to deliver IT services. In essence, we aim to take out cost, so that we can offer utility-type connectivity services.

Technical innovation addresses our aspiration to deliver value for customers through the optimal deployment of technology to improve network experience and reduce service costs. This includes the rollout of 5G base stations for better spectral efficiency, introducing the latest fibre-optic transmission modules to increase FTTH speeds, as well as investing in new digital platforms to deliver best-of-breed services.

Group enablers

The PIVOT Strategy is underpinned by four Group enablers with initiatives to drive continuous improvement in these areas.

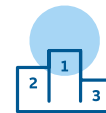
Improved customer experience depends on **simplifying and digitising our processes**, and we are implementing initiatives to drive this.

Despite increased digitalisation, our employees remain the driving force of our business. We need to enable them to cope with our industry’s relentless changes and empower them to make decisions at a local level. Therefore, we remain committed to ongoing **people development and empowerment** for decentralised decision-making. This also considers the technology evolution, internal efficiencies and external cost pressures, which require Telkom to streamline the workforce and introduce new capabilities to maintain financial sustainability. Refer to [page 75](#) for more information on human capital.

Openserve’s self-help Connect app received the Customer Experience and Trust award at the 15th annual TM Forum Excellence Awards as part of Digital Transformation World held in Copenhagen, Denmark, in September 2022. The Connect app helps customers manage their broadband network connection and internet service at the push of a button.

Our move to a more **federated operating model**, with a lean Corporate Centre, continued. We established Openserve as a separate legal entity from 1 October 2022. BCX, Gyro, Swiftnet and Openserve are now all separate legal entities. 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 underpins the consistent delivery of products and services to customers.

Our final important enabler is a **sustainable financial framework**. Telkom’s future sustainability depends on our ability to generate cash from operations consistently. To maintain growth, we need to reinvest that cash into the network, pay off debt, and provide the appropriate returns to our shareholders.



4

Group enablers
with initiatives to
drive continuous
improvement in
these areas

Performance against our strategic pillars

<p>P Partnerships</p> <p>Target Leverage partnerships optimally to support the achievement of the Group Strategy</p>	<p>Partnerships are critical to enabling the Group Strategy. We seek to simplify and maximise the partnership opportunities for the Group.</p>	<p>1 411</p> <p>Revenue from global IT hardware and software partnerships (R'million)</p> <p>46%</p> <p>FY2022: 965 FY2021: 927</p>	<p>Why are these metrics important It shows the development of new partnerships to complement our core services.</p>
<p>I Integrated solutions</p> <p>Target Offer end-to-end converged propositions from connectivity to IT solutions</p>	<p>We want to strengthen our ability to address our customers' ICT needs comprehensively. This requires the appropriate access solution to seamlessly integrate with various IT services, from traditional (hardware and software) to new and emerging (cloud and IoT) IT services and analytics.</p>	<div> <div> <p>454</p> <p>Cybersecurity product and service revenue (R'million)</p> <p>10.7%</p> <p>FY2022: 410* FY2021: 293</p> <p>* Restated.</p> </div> <div> <p>1 177</p> <p>Enterprise next-generation data revenue (R'million)</p> <p>3%</p> <p>FY2022: 1 147 FY2021: 898</p> </div> </div>	<p>Why are these metrics important It indicates the progress in replacing traditional fixed-line revenues with cybersecurity and next-generation data revenue.</p>
<p>V Victory in broadband</p> <p>Target Become the leading broadband provider in South Africa</p>	<p>We are building new digital services on high-speed data services and accelerating our capability to disrupt the local broadband market by delivering innovative and value-rich solutions. Telkom offers these to residential and commercial customers over the optimal access technology – fibre, fixed wireless, mobile, satellite and copper.</p>	<div> <div> <p>1 895</p> <p>Fixed broadband data traffic (petabytes)</p> <p>13.8%</p> <p>FY2022: 1 665 FY2021: 1 428</p> </div> <div> <p>1 167</p> <p>Mobile broadband data traffic (petabytes)</p> <p>19.9%</p> <p>FY2022: 973 FY2021: 942</p> </div> </div>	<p>Why are these metrics important Continuous growth in data traffic highlights the increased demand for data-centric services.</p>
<p>O Operational efficiency</p> <p>Target Develop operational superiority, which provides a competitive advantage</p>	<p>In an increasingly competitive world, our success depends on continually improving the efficiency and effectiveness of our operations.</p>	<div> <div> <p>47.4%</p> <p>Fibre connectivity rate (%)</p> <p>1.1%</p> <p>FY2022: 46.3 FY2021: 51.1</p> </div> <div> <p>2.5</p> <p>Fibre average time to install (days)</p> <p>20.0%</p> <p>FY2022: 3 FY2021: 3</p> </div> </div>	<p>Why are these metrics important The market-leading fibre connectivity rate indicates success in monetising the fibre rollout. We maintained our fast installation times despite accelerated fibre rollout, demonstrating robust operational efficiency.</p>
<p>T Technology innovation</p> <p>Target Modernise and build a state-of-the-art network</p>	<p>We aspire to operate with the best scalable and most efficient network. To achieve this, Telkom will invest in the optimal mix of technologies.</p>	<div> <div> <p>492 812</p> <p>Fibre access connections (number of connections)</p> <p>26.7%</p> <p>FY2022: 389 109 FY2021: 281 065</p> </div> <div> <p>7 546</p> <p>Mobile base stations (number of base stations)</p> <p>3.2%</p> <p>FY2022: 7 313 FY2021: 6 430</p> </div> </div>	<p>Why are these metrics important It shows the accelerated growth in fibre access connections and the steady growth in Telkom's mobile network.</p>

Business unit strategic focus and performance

Telkom executes the strategic pillars and underlying enablers through the different business units, each with specific strategic objectives and focus areas aligned with their mandates. Refer to the productive capital chapters starting on [page 55](#) for information on each business unit's performance.

Key strategic focus areas	Openserve	Telkom Consumer	BCX	Swiftnet	Gyro
	<ol style="list-style-type: none"> 1. Scalable network 2. Commercialise the network 3. Transform service delivery 	<ol style="list-style-type: none"> 1. Accelerated Mobile growth 2. Drive high-speed broadband 3. Expand mobile network 4. Drive digital and financial services revenue 	<ol style="list-style-type: none"> 1. Grow IT revenue faster than Converged Communications revenue 2. Focus on next-generation revenue 3. Focus on the high-margin IT business 4. Prioritise outside revenue 5. Grow service revenue faster than product revenue 6. Prioritise annuity revenue 	<ol style="list-style-type: none"> 1. Optimise and grow masts and towers portfolio 2. Build new towers to meet MNO demand 3. Expand the range of products and services offerings 	<ol style="list-style-type: none"> 1. Commercialise the property portfolio 2. Reduce building costs and enhance operational efficiencies
FY2023 performance	<p>NGN revenue up 10.2% to R8 716 million</p> <p>Successfully executed digital transformation initiatives</p> <p>Aggressively increased homes passed with fibre by 23.9% to exceed one million homes</p> <p>Recognition by LinkedIn for being one of the top 25 best workplaces to grow your career in South Africa in 2022</p>	<p>Mobile operating revenue up 4.0% to R21 617 million</p> <p>Mobile service revenue up 1.8% to R17 819 million</p> <p>Mobile active subscriber base up 7.8% to 18.3 million</p> <p>Mobile data revenue up 2.9% to R12 926 million</p> <p>Mobile broadband subscribers up 9.2% to 11.6 million</p> <p>Mobile EBITDA down by 23.3% to R4 472 million</p>	<p>Revenue down 0.2% to R14 252 million</p> <p>Total expenses increased by 0.2%</p> <p>8.1% growth in artificial intelligence for IT operations (AIOps)</p> <p>Growth of 11.1% in the IoT business</p> <p>The SAP business grew by 2.4% year-on-year</p>	<p>Healthy EBITDA margin of 68.8%</p> <p>Capex invested of R209 million</p> <p>66 new towers built and 8 In Building Coverage Solutions (IBS)</p> <p>Productive portfolio sites 2.5% to 4 016 towers</p> <p>Launched our first 5G outdoor Distribution Antenna System (oDAS) small cell sites.</p> <p>Successfully tested the technical capability of our PaaS solution at 10 sites</p>	<p>Concluded non-binding memoranda (MOUs) with property development investment partners for the execution of development projects</p> <p>Sold 39 properties for R64 million</p> <p>Terminated non-essential services and reduced property operating costs</p> <p>Executed on several energy management and efficiency projects with ongoing focus on pursuing carbon neutrality and net zero as part of Telkom's ESG Strategy</p>
	<p>23.9% increase in homes passed with fibre</p>	<p>R21.6bn total revenue for Mobile</p>	<p>9.1% growth in IT business revenue</p>	<p>68.8% EBITDA margin</p>	<p>39 properties sold</p>

Our ESG Strategy

Telkom has made significant strides in its ESG journey with the introduction of a new operating model to support the execution of the strategy approved in FY2022. This is a hybrid model led by a small Group central team, supported by ESG champions in each of the business units, and the establishment of a Group-wide ESG Impact Council for oversight and accountability. We are heartened by the measurable progress made in FY2023 on the goals we set ourselves and will continue to refine our approach through the lenses of governance, strategy, management, metrics and performance, in line with market and stakeholder expectations.

Telkom is intentional and unequivocal in its pursuit to deliver sustainable value to stakeholders, and our ESG Strategy provides a framework for deliberate action to achieve this.

Legend

- Achieved
- Making progress but long-term target not achieved
- Not achieved, progress needs to be improved
- No specific target set as part of the initial ESG Strategy

* Excludes call centre escalations managed at the call centre.

● External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

ESG Strategy and performance

SDG	ESG pillar	Focus area	Goal statements	FY2022 performance	FY2023 performance	% change from FY2022	Status	Comment
Impact	Influence		Carbon neutral by 2035 (tCO₂e)	852 782	704 740	(17%)	●	We have achieved an 17% reduction in Scope 1 and 2 emissions, thereby exceeding the 4.2% linear annual reduction rate per the guidance of the Science Based Targets initiative.
			Operational efficiencies					
			50% Reduction in fossil fuel consumption by 2030 (tCO ₂ e)	55 466	85 100	53%	●	Although Telkom has reduced its overall Scope 1 and 2 emissions, the increase in the frequency of loadshedding has resulted in increased Scope 1 emissions due to the increase in backup diesel consumption.
			100% Usage of renewable energy sources by 2035	<1%	<1%	0%	●	In FY2022, we commenced with the installation of the solar plant at the Belville Office Park in Cape Town, which is now operational. In FY2023, the solar plant at the Telkom Office Park in Centurion was commissioned. We continue to make efforts to increase the use of renewable energy within our portfolio.
			Net zero by 2040					
			– Determine Scope 3 emissions and set a target	949 515			●	Scope 3 baseline has been calculated and a reduction target will be set in FY2024.
			75% Reduction in waste to landfill by 2030 (tonnes)	681	622	(9%)	●	
			50% Reduction in potable water consumption by 2030 (kL)	997 617	930 900	(7%)	●	Telkom uses municipal water for cooking, drinking, hygiene and landscaping purposes. We continue to make efforts to minimise our water consumption and resort to alternative water sources.
			25% Migration from R22 refrigerant gases in 2025 and 100% by 2035 (tonnes)	38	36	(4%)	●	We have reduced our R22 gas consumption by decommissioning legacy sites and replacing HVAC units that have exceeded the commercial expected life cycle by 30%.
		Digital planet	50 000 IoT devices deployed by 2025	15 220	58 567	285%	●	We have increased the number of IoT devices installed to measure water and electricity consumption, including on our own properties. We intend to review and update the target in FY2024.
			Investing with purpose					
			100 000 Lives positively impacted through SMME spend by 2025	91 357	154 206	69%	●	We have surpassed the target by 35%. This target will be reviewed in FY2024.
			30 000 Lives impacted through digital literacy by 2023	14 420	30 120	109%	●	
			2023 Become employer of choice	–	–		●	Certified as a Top Employer in South Africa for 2023 by the Top Employers Institute.
			35% Women in middle management positions (M5 and above) by 2025	32%	33%	1%	●	
			Digital services					
			4.3 million Customers with access to Telkom's diversified digital platforms by 2025	2 039 684	3 873 170	90%	●	
			500 000 Businesses with access to digital platform solutions by 2025	443 467	445 119	0.4%	●	
			Empowered communities					
			15 million Customers connected to broadband and fixed wireless broadband connectivity by 2025	11 700 000	14 451 014	24%	●	
			1.5 million SA homes and businesses connected through our FTTx footprint by 2025 (homes passed)	839 691	1 040 565	24%	●	
			Under-served area					
			Fibre rollout in townships (homes passed)	119 579	138 813	16%	●	
			Fibre rollout in townships (homes connected)	47 619	60 928	28%	●	
			Business stewardship					
			Culture of responsible technology and information use					
			Reduction in number of data breaches	0	0	0%	●	
			Fair and ethical practices towards our customers and within the Group					
			Reduction in escalated complaints*	7 416	4 907	34%	●	
			Decrease in whistle-blowing incidents reported from FY2022	152	147	3%	●	
								ESG KPIs are continuously expanded to align to global frameworks. Targets will be set by the business as we evolve.

FY2023 highlights*

↑ **154 200**

Lives impacted through jobs created

FY2022 (cumulative): 90 000

↑ **30 100**

Lives impacted through digital literacy

FY2022: 14 400

↑ **138 800**

Homes passed in townships through our FTTx footprint

FY2022 (mid-year): 119 579

↑ **33%**

Women in middle management positions (M5 and above)

FY2022: 32%

↑ **96%**

Increase in diesel consumption**

FY2023: 23 086 245 L
FY2022: 11 768 100 L

↑ **5 400 tonnes**

E-waste recycled

FY2022: 1 870 tonnes

↓ **930 900 kL**

Reduction in potable water consumption

FY2022: 997 600 kL

↓ **19%**

Reduction in electricity consumption

FY2023: 595 807 273 kWh
FY2022: 738 256 000 kWh

445 100

businesses with access to digital platform solutions

FY2022: 443 500

17%

Reduction in Scope 1 and 2 emissions**

FY2023: 704 740 tCO₂e
FY2022: 852 782 tCO₂e

A significant reduction in our Scope 1 and 2 emissions, largely due to site terminations, supporting our decarbonisation journey. We have concluded our Scope 3 emissions baseline for the first time and will report on progress in reducing these emissions in our value chain in FY2024

Priorities in FY2024

On the premise that “what is managed can be measured”, we will be broadening the scope of ESG KPIs measured by the business, as well as refining our data analytics, to deepen our compliance with evolving frameworks and standards for sustainability-related disclosure.

Improved management of our energy, waste and water nexus to improve resource efficiency and further reduce our emissions, as well as building partnerships and initiatives to address and influence Scope 3 emissions in our value chain over which we have indirect control, are further priorities.

We will strive to find additional opportunities for innovation in the strategic pillars we have chosen to focus on. In line with global trends, Telkom has committed to linking a percentage of pay to ESG performance. Embedding the link between ESG and remuneration in FY2024, through both STIs and LTIs, will help to focus collective accountability on our key ESG goals.

* Numbers have been rounded off.

** Telkom experienced an increase in diesel consumption due to loadshedding, which has resulted in higher Scope 1 emissions. However, the Group has achieved an 18% reduction in Scope 1 and 2 emissions as a result of the energy-efficiency initiatives that were implemented in the financial year.

External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

The establishment of an ESG Impact Council brings together participants from across the Group to deliberate on the execution of our strategy and find opportunities to improve

Quantifiable impact on the lives of thousands of South Africans through leveraging our procurement, enterprise and supplier development and social investment spend towards job creation and digital literacy

Environmental performance summary

Carbon neutral by 2035

Carbon emissions



The Group's Scope 1 emissions increased by 53% in FY2023 due to increased use of diesel generators to keep the network running during unprecedented levels of loadshedding. To optimise diesel costs, reduce emissions and provide a reliable supply of alternative energy, the Group has accelerated the installation of lithium batteries at exchanges and towers. To date, we have installed lithium-ion batteries at 317 sites and smart controllers at 223 sites. Cumulatively, this resulted in the avoidance of 1.09 million litres of diesel usage, and we aim to intensify this drive. However, we have observed a 96% increase in diesel consumption resulting from electricity disruptions, which remains a constant challenge.

The Group's Scope 2 emissions decreased by 22.3%. More than 10 000 tCO₂e were avoided through the replacement of diesel generators with lithium-ion batteries as backup on our masts and towers, as well as the removal of high energy consuming and unused equipment from exchanges.



Energy

Several macro trends impact the energy landscape in South Africa, such as inconsistencies in the utility grid, infrastructure vandalism, unprecedented levels of loadshedding and consequent pressure on backup generation sources such as diesel to maintain the network. Energy from the electricity grid constitutes 96% of the emissions profile of our operations and is the most critical component of our emissions reduction strategy. The implementation of renewable energy and energy-efficiency initiatives has resulted in significant avoidance of emissions, which has contributed to the overall 17% reduction in Scope 1 and 2 emissions from our FY2022 baseline.

In designing our energy pathway, we focused on energy-efficiency and renewable energy initiatives in our top 500 sites, which account for 73% of our energy consumption, including our data centres, which although comprising less than 1% of our sites consume 24% of our total energy mix.

At this stage, less than 1% of our consumption is from renewable energy sources, derived from solar plants at the Centurion and Belville office parks.



Net zero by 2040

In 2022, Telkom submitted a commitment letter to the Science Based Targets initiative (SBTi) with our intent to submit net zero emissions reduction targets for validation.

Through a materiality lens, we identified the emission sources that contribute to our Scope 3 emissions (i.e. indirect emissions produced along our value chain). Out of the 15 Scope 3 categories, 14 apply to Telkom's operations. Data on the 14 categories was gathered, assessed and the relevant emission factors applied. Four categories were deemed material to Telkom's Scope 3 emissions, namely, purchased goods and services, capital goods, use of sold products and downstream leased assets, which is in line with industry trends. We used FY2022 as our base year. The Scope 3 emissions determined for Telkom in FY2022 are 949 515 tCO₂e, which will be the baseline for the Group and make up 57% of our total Scope 1, 2 and 3 emissions in FY2023. We will refine our Scope 3 methodology as we evolve and our Scope 3 emissions profile will inform the areas to prioritise and influence in decarbonising our value chain.

Ultimately, we intend to reduce Telkom's carbon footprint according to the SBTi guidance, and play our part in contributing to climate action and combating the effects of climate change.

Waste



Telkom increased recycling of e-waste generated in its operations by 189% during the year, to 5 400 tonnes. Openserve sells copper recovered from recycling processes on local and international markets through a third-party contractor, with 3 942 tonnes of copper recovered in FY2023.

General waste to landfill decreased by 9% in FY2023, but we remain steadfast in our goal to reduce waste to landfill by 75% by 2030. Our operational waste streams are managed responsibly, in line with the National Environmental Management Waste Management Act, 59 of 2008.

We are identifying opportunities to improve composting of our food and garden waste, as well as increase recycling quantities.

As part of our commitment to reduce our Scope 3 emissions and take end-of-life responsibility for the devices we sell, we evaluated the e-waste contribution of our sold products and will develop an approach to reducing this in the years to come.



Water

Owing to South Africa being a water-scarce country with its infrastructure under strain, Telkom's commitment to a 50% reduction in potable water consumed by 2030 has become imperative. We need to constantly explore innovative conservation methods to help navigate the impacts of climate change and assist others to do so.

In FY2023, Telkom reduced its potable water consumption by 7%, a good achievement despite the return to office work, which also impacted consumption levels. Plans for water harvesting projects were put on hold due to budget constraints.

Read more in the natural capital chapter starting on [page 87](#).

What we are proud of



A Top Employer
In South Africa for 2023.
Certified by the Top Employers Institute.



33%
majority (>50%) female-owned
SMMes funded through our
FutureMakers Programme.



28%
majority (>50%) youth-owned
SMMes funded through our
FutureMakers Programme.



9 077 000 kWh
Energy saved due to the
decommissioning of high
power utilisation legacy
equipment in exchanges.



317 sites
Installed with lithium-ion
batteries for primary backup
energy during power outages.



1 091 000 Litres
Diesel avoided from diesel
refuelling optimisation initiatives
and smart exchange sites.



949 515 tCO₂e
Scope 3 emissions baseline
determined for the Group.
Telkom will set a Scope 3
target in FY2024.

* Telkom experienced an increase in diesel consumption due to the effects of loadshedding, which has resulted in higher Scope 1 emissions. However, the Group has achieved an 18% reduction in Scope 1 and 2 emissions as a result of the energy-efficiency initiatives that were implemented in the financial year.

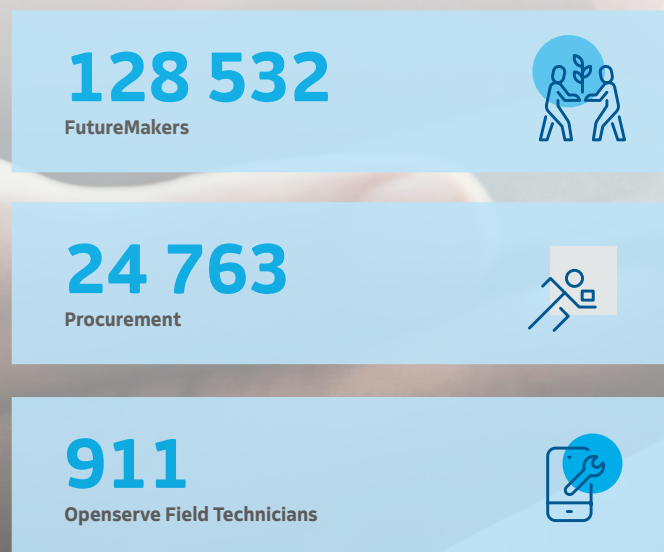
Social performance summary

Telkom endeavours to combat inequality in the South African economy by leveraging its assets, spend and investments in the domains of entrepreneurship and education, with a focus on digitalisation and future-proofing our society. Through our investments, we try to redress race and gender disparity, and endeavour to do the same within our business.

Job creation

A significant number of lives were impacted* through our spend on procurement, the FutureMakers Programme and Openserve Field Technicians. We support small businesses in the services, technology, security, construction, logistics and marketing sectors. We have surpassed the target to impact 100 000 lives through our spend on SMMEs by 2025. Overall, we have impacted 154 206 lives, which translates to 35% more than the set target. This target will be reviewed in FY2024.

Number of lives impacted in FY2023



* We calculate the number of lives impacted as follows: Where we have the number of people employed at an SMME we use that number. Where we do not know the number we multiply the entity by a 4.1 average as per guidance of the Small Business Institute SA to estimate the number of jobs. On the assumption that each job impacts more than one life, we multiply the number of jobs by 3.3 – the average number of people in a household (StatsSA).

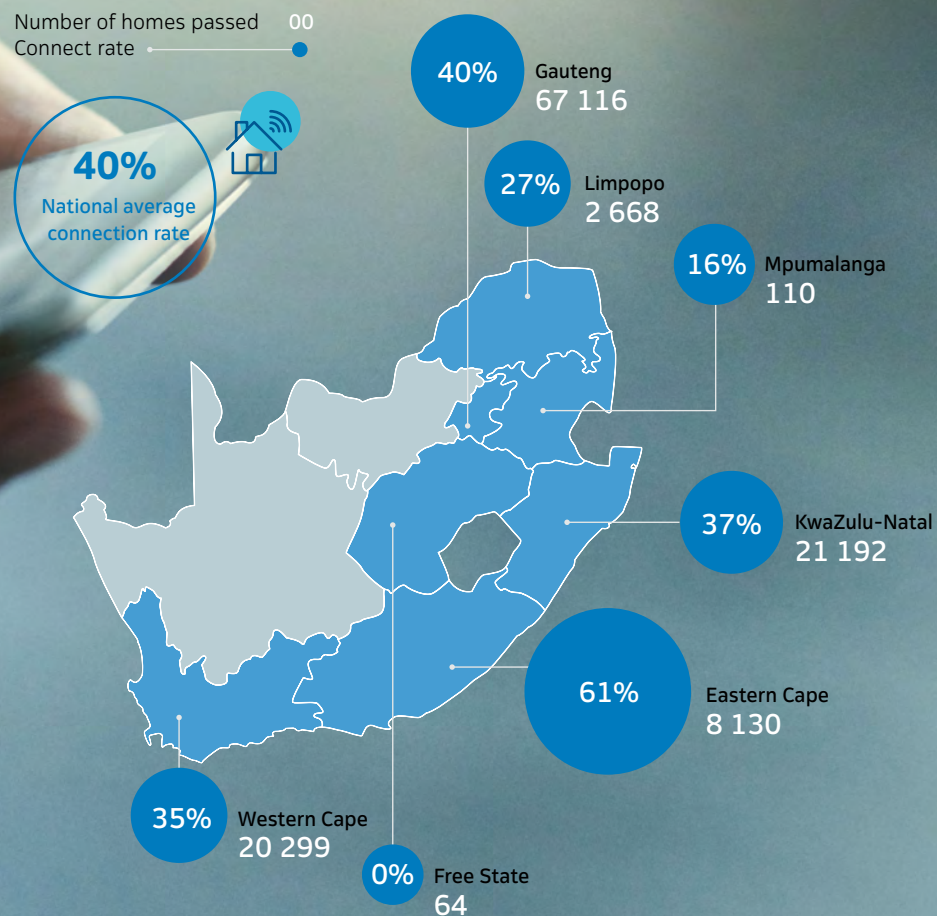
** Procurement numbers are based on a supplier survey, which was completed by 78% of targeted suppliers, so it does not reflect the full total of jobs created through our procurement spend.

Access to broadband infrastructure

We have passed 1 040 565 homes through Openserve. We are especially proud of our performance in under-served townships, where we have connected 47 township areas with working coverage, in seven of the nine provinces in South Africa, passing 119 579 homes.

To create faster accessibility once fibre has been laid, we pursue a fibre on demand strategy which allows us to reach specific pockets of customers where significant demand exists.

Township fibre rollout



Digital literacy and platforms

A total of 43 732 lives were impacted to date through our combined investments in digital literacy*, as compared to a baseline of 14 220 in FY2022. This is a composite figure which comprises Telkom's edtech platform, digital skills training, and digital enterprise management platform for schools, much of which is funded by the Telkom Foundation. The lives impacted exceed the target we had set ourselves to impact 30 000 lives through digital literacy in FY2023.

We have 3.87 million customers on digital platforms such as Telkom Plus and VS Gaming. Telkom One was migrated to the new SABC streaming platform, SABC Plus, during the year. 2.7 million of these customers accessed our Emergency Top Up service to borrow airtime or data. Through our Yep! platform, we are connecting 445 000 small businesses to a digital marketplace to help grow and enhance their reach through e-commerce and other connection opportunities.

* Digital literacy is defined as the ability to use technology to connect with the world around us, to access opportunities and to use digital content to learn new skills/knowledge to contribute in a digitally connected society (UNESCO, UNICEF, EU).

Gender diversity



Telkom improved gender representation on its Board to 33% female Board Members.

We had set ourselves a target to increase women leadership in the business to 35% by 2025. Women represent 36.6% at Senior Management and 33.2% at middle management levels as at 31 March 2023. The pipeline of female technical skills in the industry remains a challenge, hence our investment in early-stage digital skills, leadership development programmes such as the Female Leadership Development Programme and applying a positive bias towards female candidates in recruitment and promotions, where possible.

Read more in the Openserve section on [page 55](#), and in the social and relationship capital chapter starting on [page 82](#) and the corporate governance report on [page 94](#).

Governance performance summary

Privacy and data security

Telkom's information security policy and framework includes data protection as a domain and governs all our business units and functional areas. External independent audits are conducted annually, governing general IT controls, which include information security. The Board is the ultimate custodian of data security, and training on data security and privacy-related risks and procedures is provided to all employees and contractors.

Data privacy is addressed through a privacy statement and framework, as well as documents to assist our stakeholders with navigating the Protection of Personal Information and Promotion of Access to Information Acts (published in 2013 and 2000, respectively).

Digital ethics

Our IT governance approach provides guidance on the adoption of emerging technologies, while ensuring that ethical practices are not compromised. Telkom approved a digital ethics framework, which guides employees and contractors to ensure that our digital products and services are managed and offered in an ethical manner. Best practice and principles to be applied at both the data and algorithm level include privacy, justice, equality, security, sustainability, reliability, traceability, and transparency.

Anti-corruption and whistle-blowing



In FY2023 we observed a 3% decline in whistle-blowing incidents compared to FY2022. Our policy approaches on bribery and anti-corruption are contained in our Group Ethics Handbook and the Supplier Code of Conduct, which the majority of our suppliers have signed. Audits on our ethical standards are conducted annually, and all employees are trained on ethical standards.

Read more in the corporate governance report on [page 94](#).

Read more in the intellectual capital report on [page 70](#).

FY2023 PERFORMANCE

Productive capital	55
Openserve	55
Telkom Consumer	58
BCX	62
Swiftnet	66
Gyro	68
Intellectual capital	70
Human capital	75
Social and relationship capital	82
Natural capital	87



Productive capital



Key strategic focus areas

Scalable network
Commercialise the network
Transform service delivery

Strategic achievements

Legal separation of Openserve
Market-leading connectivity rate in FTTH of 47.4%
Award winning customer centricity recognition
Strong growth of 13.8% in fixed data consumption

Challenges

Accelerated legacy voice decline
Increased levels of loadshedding resulting in increasing diesel costs
Worsening market conditions with increased competition in the connectivity market



Openserve saw growth across its next-generation data-led products, which now represent close to 70% of its revenue base. It continues its journey to transform its revenue mix, while enabling its strategic imperatives of creating digitally led products and services and providing the best customer experience on its scalable and cost-efficient network.

As a separate legal entity, Openserve continues to drive its growth and market diversification strategy, focusing on future areas of growth, building a sustainable mix of revenue from multiple channels, and strengthening its customer engagements with long-lasting partnerships.

Performance overview

Overall fixed data revenue increased by 5.8%, driven by year-on-year growth of R807 million (10.2%) in total next-generation revenue. This growth was underpinned by a significant 18.6% increase in next-generation broadband connectivity. The continued demand for next-generation infrastructure was complemented by growth in carrier services of 10.7% and in enterprise connectivity of 7.9%.

67.6%
revenue from
next-generation
products and
services

13.8%
increase in data
consumption to
1 895 petabytes

47.4%
FTTH
connectivity
rate

10.2%
next-generation
revenue growth

Openserve saw
growth across its
next-generation
data-led
products

Openserve
continues its
journey to
transform

Openserve's contribution to Telkom Group revenue grew by 7.8%, as it transitioned its technology, revenue and channel mix to create a more robust client portfolio and unlock sustained value. Next-generation connectivity enabled by fibre now contributes more than 90% of Openserve's total external revenue, while next-generation services now represent close to 70% of total Openserve revenue. While this trend is successfully driving the overall revenue transformation from legacy to next-generation, the accelerated decline in fixed-voice revenue of R992 million (26.1%), together with the legacy data revenue decline of R418 million (30.3%), resulted in an overall Openserve revenue decline of 4.0% to R12 897 million.

The increased levels of loadshedding resulted in a significant increase in diesel spend in FY2023. Despite this, Openserve saw only a marginal increase of 1.3% (R117 million) in operating costs, due to a sustained focus on executing cost-efficiency initiatives such as legacy technology decommissioning, site optimisation and process re-engineering and automation.

Given the constrained macro-environment aggravated by the continued energy crisis, coupled with the accelerated legacy voice decline and migration from legacy technologies, Openserve saw an EBITDA contraction of R693 million to R3 692 million, excluding the impact of restructuring costs of R437 million, yielding a margin of 28.6%. Notwithstanding these challenges, Openserve is focused on evolving its revenue mix towards next-generation products, transforming its fixed costs by innovating its business processes, and improving the cost to serve by reconfiguring its operating model to execute on strategic objectives.



Scalable network



Our competitive advantage and ability to create value was underpinned by an investment of R2.7 billion in modernising and expanding our network this year. Openserve aggressively expanded its fibre footprint, increasing the number of homes passed with fibre by 23.9% to 1 040 565, in line with its strategic objective of providing connectivity across South Africa and connecting the country to the rest of the world.

This was further enhanced by Openserve's partnership with Google to land its Equiano cable, the biggest undersea cable along the west coast of Africa, at Openserve's cable landing station in Melkbosstrand. This partnership will enable Openserve to offer terrestrial services, connecting the cable to its own points of presence (POPs) as well as carrier-neutral data centres across South Africa.

In line with the increased data consumption of 1 895 petabytes, an increase of 13.8%, Openserve's investment in upgrading its existing fibre nodes, and its cable partnership with Google, with a capacity of 12 Tbps, will further enhance Openserve's position as the leading provider of high-speed connectivity in South Africa.

Commercialise the network



Aligned to our connect-led strategy, we continue to plan and build our scalable and modular network in areas with higher propensity to connect. This focused deployment saw the number of homes connected on our fibre network increasing by 26.7% to 492 812 during the year, giving us an industry-leading connectivity rate of 47.4%. The increased demand for fibre connectivity was seen across multiple channels, with high-capacity carrier connectivity increasing by 5.1% while enterprise market connectivity grew by 2.5%.

Openserve continues to focus on providing innovative solutions aimed at enabling multi-use of its fibre infrastructure. The design of its extensive fibre network – particularly with the introduction of X-PON technology, which augments Openserve's FTTx architecture – enables it to provide higher bandwidth and low latency services to consumers, enterprises and future 5G requirements. This allowed Openserve to launch its Fibre Connect Premium product, an SLA-enabled fibre broadband service with voice capabilities aimed at SMB and Enterprise customers.

Further improvements were made across the broadband product portfolio to enhance our value propositions by introducing speed upgrades, asymmetrical speed solutions and pricing enhancements. Such attractive value propositions enabled the activation of more than 546 000 services, including broadband and other value-added services such as voice over internet protocol, intercom and security.

Accelerated investment in fibre

1 040 565

Homes passed with fibre
Number

23.9%



FY2022: 839 691
FY2021: 549 957

492 812

Fibre homes connected
Number

26.7%



FY2022: 389 109
FY2021: 281 065

Transform service delivery

Driven by the strategic imperative to commercialise our network, Openserve improved its time to connect customers to its fibre-enabled broadband network (average time to install) by 20%. Despite ongoing power challenges and incidents of theft and vandalism, Openserve stayed true to its ethos of “once connected, stay connected” by maintaining high availability indices of 99.89%, 99.50% and 99.99% across our access, transport and core network layers, respectively. The quality and agility of our connectivity network were also recognised by customers, resulting in an interaction net promoter score improvement of 2.9%.

In September 2022, Openserve’s Connect app was named as a winner at TM Forum’s Excellence Awards, which recognise companies globally for their innovative achievements, digital transformation and customer centricity.

Openserve continues to innovate by introducing new capabilities across its recently launched Unified Partner Platform. The platform provides an enriched digital channel that heightens customer experience and improves efficiencies, ensuring that clients continue to make Openserve their connectivity partner of choice.

Fixed broadband evolution

1 895

Fixed-line broadband data consumption
Petabytes

FY2022: 1 665
FY2021: 1 428

13.8%



19%

Fixed-line broadband services
Below 20 Mbps
%

FY2022: 32%
FY2021: 56%

81%

Fixed-line broadband services
20 Mbps and higher
%

FY2022: 68%
FY2021: 44%



21%

Fixed-line broadband connections
Legacy Access
%

FY2022: 36%
FY2021: 55%

79%

Fixed-line broadband connections
Fibre Access
%

FY2022: 64%
FY2021: 45%



Looking forward

In FY2023, Openserve worked towards reducing dependency on non-renewable energy by identifying sustainable and cleaner energy options to complement our portfolio of energy sources. Openserve proactively deployed smart power backup technology to more than 310 sites and is confident of doubling such deployments in FY2024. Work is underway to leverage smart deployments across Openserve’s sites to introduce remote monitoring of power and environmental equipment. We are confident that this will reduce the anticipated increase in diesel usage, and enable Openserve to have a sustainable energy mix for the future.

Recognising the economic pressures and the energy challenges, Openserve continues to stay focused on enabling its transformation journey from legacy to next-generation network and services. The new operating model, which is underpinned by a segment-driven commercial strategy, will position Openserve to focus on monetising its network and optimising cost structures. This will allow Openserve to explore further growth and diversification opportunities in the market.

Productive capital



Telkom Consumer

Key strategic focus areas

Accelerated Mobile growth
Drive high-speed broadband
Expand mobile network
Drive digital and financial services revenue

Strategic achievements

Mobile operating revenue grew by 4.0%
Mobile customer base increased by 7.8%, reaching a total of 18.3 million
Surge of 19.9% in data traffic, totalling 1 167 petabytes
Fibre revenue increased significantly by 24.9%

Challenges

A challenging economy, high fuel costs and loadshedding exacerbate a constrained macro-economic environment
Copper access-based products persist in their decline
Ongoing site vandalism and battery theft remain critical issues while causing financial losses



Despite prevailing consumer financial constraints and unprecedented levels of loadshedding, our Mobile business maintained revenue stability. This was primarily driven by the continued expansion of the mobile subscriber base, bolstered by the growth of high-speed broadband customers. In addition, our efforts to expand our fibre business have fostered favourable outcomes, even in the face of adversity.

Total revenue for Mobile operations amounted to R21 617 million, translating to a growth rate of 4.0%. This was spurred by an upswing in top-line performance, fuelled by a robust 14.8% increase in handset revenue. Our strategic focus on de-risking ourselves from traditional copper-based voice services continued to yield results, as these services continued to decline as forecast by 28.9%.

Our fibre business, on the other hand, exhibited strong growth of 24.9% year-on-year, buoyed by a 16% surge in the customer base. This growth trajectory was reinforced by a 4% uptick in fibre ARPU. The growth was supported by a revision of fibre value propositions that included refreshed unlimited portfolios. In addition, we launched fixed-mobile converged bundles, branded as Fusion, which combine fibre bundles with the mobile FlexOn bundle.

These factors all contributed to deliver relatively flat revenue of R25 673 million for the Telkom Consumer, holding to only a 0.3% decline, reflecting our continued efforts to accelerate migration from legacy to next-generation technologies. Our copper-based services now represent a reduced 5.8% (FY2022: 8.2%) of external operating revenue and are declining year-on-year as expected.

Stable performance against strong prior year

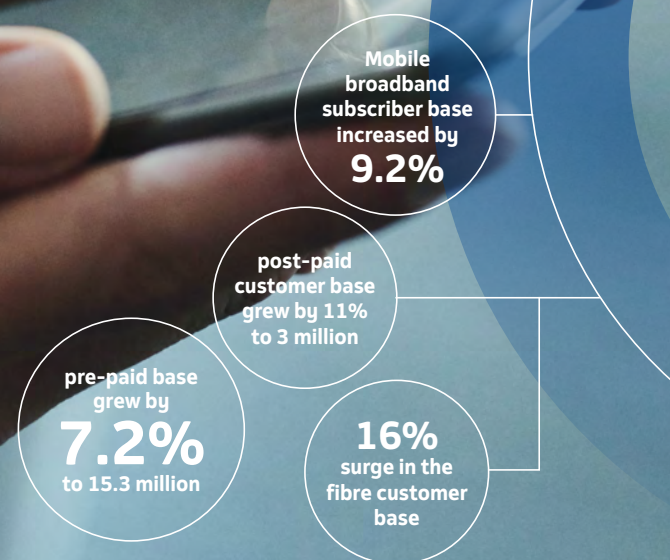
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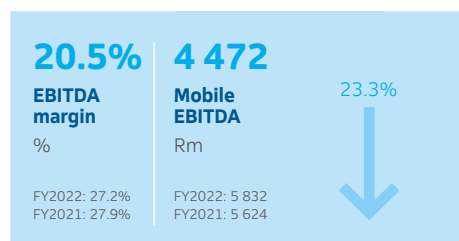
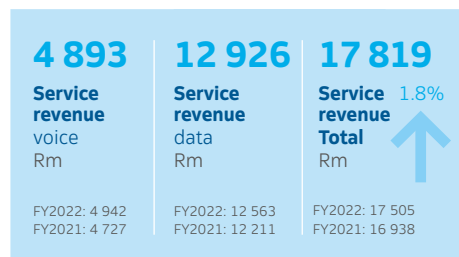
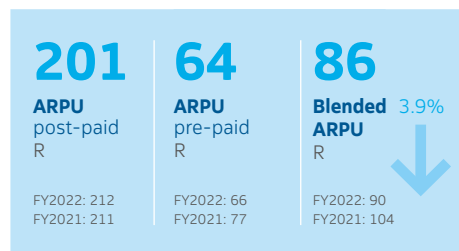
Active mobile subscribers '000

7.8%



FY2022: 16 936
FY2021: 15 326





Accelerated Mobile growth



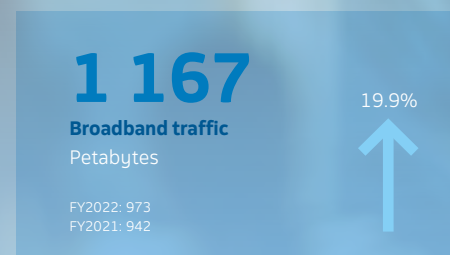
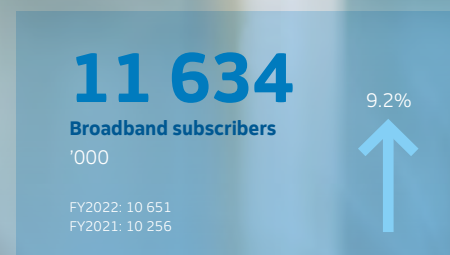
The Mobile business grew its service revenue by 1.8% to R17 819 million. This was primarily driven by the expansion of our customer base, which achieved an upswing of 7.8% to R18.3 million at a blended ARPU of R86 (FY2022: R90). Our post-paid customer base grew by 11.0% to 3.0 million at an ARPU of R201 (FY2022: R212), while our pre-paid base grew by 7.2% to 15.3 million at an ARPU of R64 (FY2022: R66). These figures bear testimony to our focus on sustained business growth, reinforced by our commitment to delivering unparalleled customer value propositions and experience.

The Mobile business ended the year with an EBITDA margin of 20.5%, generating EBITDA of R4 472 million, which represents a decline of 23.3% compared to the prior year. The increase in cost of sales (R639 million) was partially offset by leveraging on the increase in device sales and interest revenue of R512 million, while incurring an additional R201 million in cost to serve. This after taking into consideration the improvement in service revenue of R314 million.

The EBITDA decline of R1 360 million can be attributed to the operational costs incurred from network expansion (R183 million); the increase in NERSA (National Energy Regulator of South Africa) rates in utility expenses (R201 million); the negative impact of loadshedding (R322 million); and the increase in bad debt due to adverse economic conditions, and an increase in expected credit losses driven by the increase in the device book following higher sales (R375 million). In addition, we adjusted our credit application scorecard for onboarding new customers to improve the quality of new debtors.

Despite the challenges, the Mobile business was still able to deliver results, demonstrating resilience in the face of economic headwinds. The management team remains focused on driving sustainable growth by continuously improving operational efficiency and optimising cost structures to achieve commercial uplift.

Monetisation of broadband traffic



Drive high-speed broadband



In a market battered by stagnant economic growth, with rising inflation and interest rates draining the consumer pocket, the focus shifted from aggressive acquisitions to offering better value to existing customers. The pressure on consumers was apparent in the shift in purchase behaviour, as users increasingly sought value on private pricing platform Mo'Nice, with 25% of the base representing a 19.8% increase, realising a 9.1% revenue upswing. Furthermore, we saw an increase in customers using airtime advanced on our platform to improve customer tenure under stringent financial circumstances.

Telkom saw an improvement in net sentiment towards the brand, with an 18.1% improvement year-on-year representing the highest uplift in four years. The positive sentiment was driven largely by increased receptivity to our product propositions.

The turnaround in the post-paid portfolio was boosted by the introduction of new mobile smartphone plans FlexOn and Infinite, which respond to consumers' need for simplicity and value. Tarifica rates the FlexOn and Infinite plans as the top value mobile post-paid offer in South Africa in all user categories.

As part of its drive to leverage innovation and use of insights in response to customer needs, we launched the Telkom Fusion portfolio of products to help customers consolidate their on-the-go (mobile) and on-premise (fixed wireless access/fibre) spend. The brand also extended its portfolio of fixed wireless access (FWA) propositions by entering the 5G FWA space. While these are still early days, 5G is expected to supplement the 4G and fibre propositions where necessary.

Consequently, our mobile data revenue increased by 2.9% to R12 926 million. The mobile broadband subscriber base increased by 9.2% to 11.6 million, representing 63.7% of our total mobile base now using wireless broadband.

Expand mobile network



The unquenchable thirst for data was evident once more, spurring a 19.9% surge in our data traffic to 1 167 petabytes. To further strengthen our position as a provider of mobile network services, we continued to invest in our Mobile Programme with Capital Expenditure of R2 582 million for the year, while investing R1 142 million in spectrum. This enabled us to extend our network footprint by 3.2% to 7 546 sites. 57% of data traffic has now migrated to the 4.5G platform, primarily utilised for fixed wireless access, while 39% of traffic continues to be carried on the 4G network, predominantly for mobile data services. Moreover, since the launch of our 5G services we have successfully deployed 318 active 5G sites, enhancing our status as a forward-thinking player in the ever-evolving telecommunications industry.

We have effectively utilised the newly procured spectrum, with a particular emphasis on the low-frequency band (800 MHz), to enhance the coverage of our LTE services. The low-frequency site footprint currently makes up 41.3% of our overall site base, increasing our ability to facilitate data mobility and grow our penetration of VoLTE services, which have now exceeded the 40% adoption rate.

Telkom has come through a year marred by unparalleled levels of loadshedding and an alarming number of incidents of theft and vandalism targeting network infrastructure. Despite these challenges, our team replaced over 5 000 backup batteries and undertook repair work on 1 600 sites, which was crucial in restoring services and maintaining network stability.

Ongoing network investment

7 546
Mobile sites integrated

3.2%



FY2022: 7 313
FY2021: 6 430

6 804
4.5G integrated sites

5.5%



FY2022: 6 451
FY2021: 4 342

68%
Site backhaul
Fibre ratio

FY2022: 68%
FY2021: 73%

Drive digital and financial services revenue

Telkom remains committed to the continued adoption of airtime lending, a business segment that now represents just over 30% of monthly pre-paid recharges. Presently, approximately 6 million customers have utilised this offering, and we have broadened its reach by introducing an auto top-up service for clients who elect to use it. Our non-connectivity revenue proved to be a strong contributor to our overall growth, with a 16% uptick in our mobile financial and micro-content services yielding R1 257 million.

Our digital and financial technology revenue streams are progressively gaining traction. The provision of financial services products and channels presents avenues for mitigating risks in our core business, as well as for extending sales channels and generating new revenue streams. With data as the foundation, we will maintain a pricing strategy centred on delivery of value, while offering segmented value propositions.

As we continue to mitigate legacy risks and prioritise non-connectivity solutions to bolster profit margins and cultivate customer loyalty, our strategic investments in mobile and fibre technologies will propel the next phase of our growth. Our business has been strategically positioned to enable us to optimise our cash flows, invest in high-return initiatives and sustain a competitive edge. In pursuit of our strategic objectives, we are committed to driving growth in the mobile broadband sector by leading the way in fixed wireless access technology while continually optimising our segmental mix. Moreover, we intend to increase revenue from our fibre infrastructure and ramp up our efforts to generate additional revenue streams from digital and financial services.

Looking forward

The Telkom Consumer Business continues to grow mobile customers and revenue while de-risking itself from legacy fixed copper by growing fibre customers and revenue. We will focus on strengthening the network to deal with the effects of loadshedding to improve the experience of our customers.

Our strategy to invest in growing the mobile customer base and revenue by investing in handset and fibre to the home (FTTH) connections is starting to bear fruit. Our immediate priorities are to grow by leveraging our customer value management to grow revenue, maintain competitiveness in the market with differentiated propositions, enable MVNOs, optimally invest in handsets to drive customer growth and revenue, connect more homes into fibre, drive cost transformation and improve EBITDA margins. This will allow us to create value for shareholders, employees and other stakeholders in the long run.



Productive capital



BCX

Key strategic focus areas

Migration of clients to next generation technologies
The shift to high-margin IT Business
Sales mix improvement (Service vs Product revenue)

Strategic achievements

IT Hardware and Software revenue up 42.7% to R3 082 million
Growth in next-generation IT business
Certified as employer of choice in 2023

Challenges

Challenging trading environment and increased competition
Sales mix impacting EBITDA performance
Decline in Legacy subscriptions and usage



During the year under review, the ICT industry benefited from the easing in global supply chain constraints and recovery in the availability of chipsets. This resulted in an upturn in technology refresh projects by enterprises. However, elevated loadshedding levels, high local inflation and deteriorating economic conditions led to financial constraints on enterprises. This is reflected in BCX's performance for the year.

The IT business continued to experience revenue growth as it benefited from improved global supply chains and took advantage of the increase in IT transformation projects by enterprises. This positively impacted our product (hardware and software) business. However, the resultant revenue mix negatively impacted the margins of the business.

The Converged Communications business remained under pressure, as we continue to migrate clients from legacy technologies to more affordable next-generation technologies. Revenue in this business unit was impacted by both the planned migration from legacy to next-generation services and the accelerated commoditisation of data and voice related services.

IT business revenue increased by
9.1%

EBITDA margin of
12.7%

Migration of clients to next-generation technologies

Shift to high-margin IT business



Performance overview

Revenue for the year was R14 252 million, a decline of 0.2% compared to prior year. Current year performance is supported by the growth in the IT business, which is partially offset by declines in the Converged Communications business.

The IT business experienced growth for the seventh consecutive quarter, with IT clients growing by 9.7% year-on-year. Revenue increased by 9.1% to R7 644 million, owing primarily to the hardware and software business growth of 42.7%. The positive IT hardware and software business performance is largely due to the improved order fulfilment and execution of technology refresh and IT infrastructure transformation projects. The faster growth in hardware and software revenues against services revenues impacted the profitability of the business. The focus of the Group is to prioritise high-margin annuity services revenues.

The Converged Communications business revenue declined by 9.2% to R6 608 million, largely due to declines in fixed-voice revenues and data revenues. Legacy voice revenues experienced pressure, as we continue the five-year migration strategy from legacy to next-generation. Both controllable churn (BCX-driven migration) and uncontrollable churn continued to add revenue pressures on the business, as customers move to newer technologies. The number of telephone lines have declined by 13.3% and voice minutes by 14.8%. In line with our goals to grow next-generation Converged Communications revenues, we saw an uptake in next-generation data services

offerings. However, average revenue per client declined due to commoditisation of these products and services, and legacy broadband subscribers declined at a more rapid rate than the growth in next-generation broadband subscribers, resulting in an overall decline in broadband subscribers of 16.6%.

EBITDA, excluding restructuring costs of R198 million, declined by 2.4% to R1 807 million, mainly due to reduced margins of the Converged Communications business because of the migration of legacy to next-generation solutions and customer churn, as well as the unfavourable revenue mix in the IT business. Compared to the prior year, EBITDA margins decreased by 0.3 percentage points, resulting in an EBITDA margin of 12.7%.

Financial performance under pressure

14 252

Revenue
Rm

FY2022: 14 281
FY2021: 14 712

0.2%



12.7%

EBITDA margin
%

FY2022: 13.0%
FY2021: 13.8%

1 807

EBITDA
Rm

FY2022: 1 852
FY2021: 2 032

2.4%



12 514

Total expenses
Rm

FY2022: 12 493
FY2021: 12 756

0.2%



Converged Communications

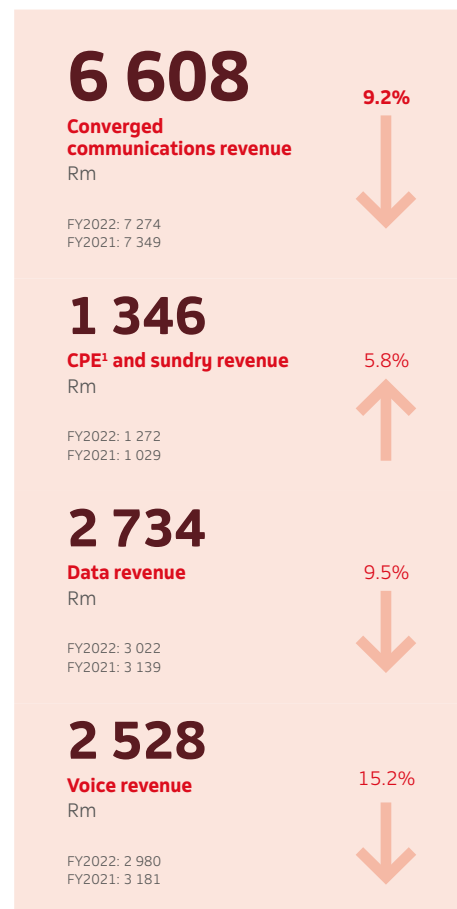
BCX embarked on a five-year legacy-to-next-generation migration of the Converged Communications products and services in 2019. During the two years of the COVID-19 pandemic the migration initiatives slowed down as enterprises paused most of these projects – extending the original glidepath by about 18 months. During the year under review, migration projects resumed, resulting in revenue declines. However, revenue decline rates, particularly those of data revenues, are lower than pre-COVID rates as we approach the tail end of the migration glidepath.

Data-related services have crossed a pivot point, with next-generation services comprising about two-thirds (73%) of the revenues. Voice services still comprise high legacy services – 85%. However, these legacy services are localised to a few specific sectors of the market.

The Converged Communications business focus remains the industrialisation of products and services, cost optimisation to reduce cost to serve and the acceleration of the legacy to next-generation migration. We introduced XaaS services, UCaaS (unified communication as a service) and CCaaS (contact centre as a service), to accelerate the migration to next-generation services.

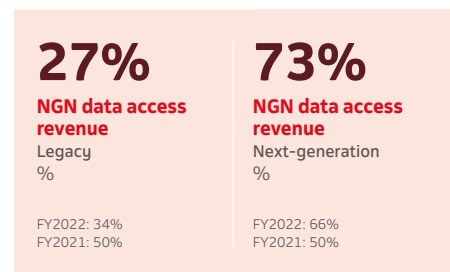


Converged Communications remained under pressure

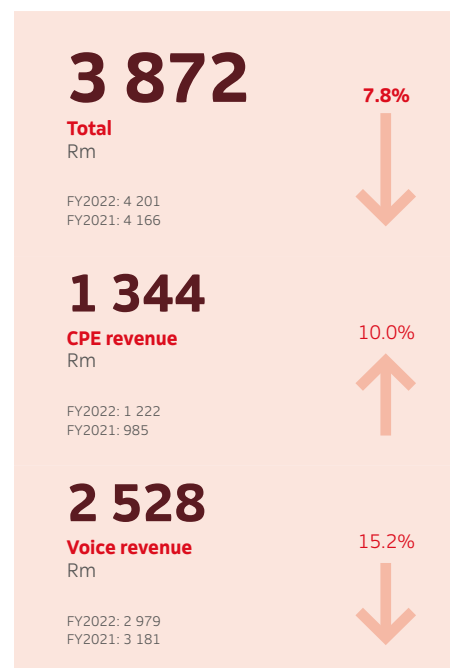


¹ CPE refers to customer premises equipment.

Next-generation revenue/ Data access



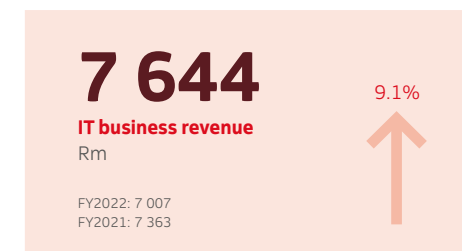
Unified Communications decline



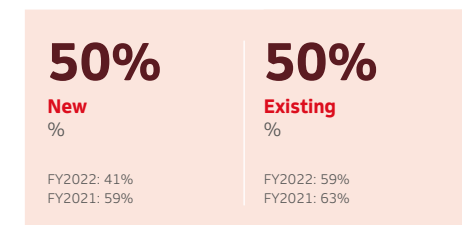
Information Technology

The IT business for BCX comprises two key revenue pillars: the Cloud Platform Solutions (CPS) business, which is the ICT infrastructure services arm of BCX, and the Digital Platform Solutions (DPS) business, which is the digital services arm of BCX.

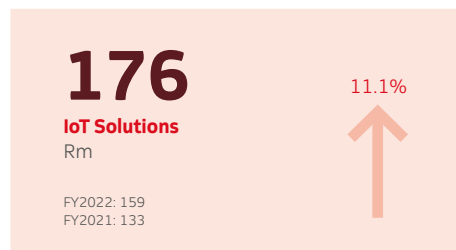
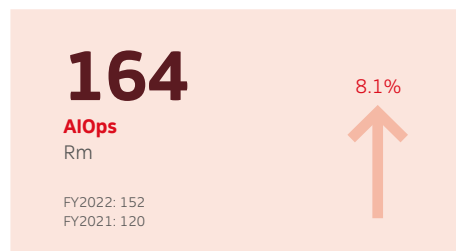
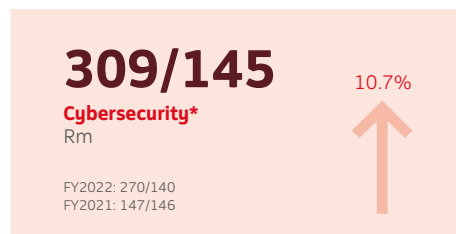
IT business continued to experience revenue growth



Annuity revenue ratio



Committed to next-generation IT



* Cybersecurity services and product.

Cloud Platform Solutions (CPS)

The Cloud Platforms Solutions business showed strong year-on-year growth, on the back of strong IT hardware and software sales growth of 42.7%. Significant technology refresh projects by our clients, easing of chip shortages, and clearing of prior year backlogs led to notable growth in the hardware business.

The service business also demonstrated resilience in maintaining its revenue performance in the face of significant market pressures. The Cyber Security business saw growth in demand for security products, security advisory services and managed detection and response services from its recently launched Security Operations Centre. The business delivered revenue growth of 10% and, in line with plan, turned profitable during the year.

There is increased demand for outsourcing and service integration as clients focus more on driving business value from their ICT infrastructure. The pressures on the local economy are reflected by our clients' demand for value for money as they embark on digital transformation projects, seeking savings beyond just their ICT budgets. The unstable electricity supply had an impact on our business, due to high diesel usage, power generation costs in our data centres and our clients' inability to trade during power cuts.

Digital Platform Solutions (DPS)

Compared to the prior year, DPS grew revenue by 1.0%, and delivered double digit bottom-line growth. The revenue growth was driven by double-digit growth of the Internet of Things (IoT) business (11.1%), an 8.1% growth in the Artificial Intelligence for IT Operations AIOps business and a 2.4% growth in the SAP business.

The key focus of these areas was to add new clients to our portfolios and to diversify our product/service offerings. The SAP business also became less dependent on internal clients (within the Telkom Group) and added new clients from the public and private sectors. The business successfully completed three SAP S4HANA migrations during FY2023, which has established us as a leading player in the market and demonstrates our capability to support our clients with the S4 migration agenda.

We have recognised the accelerated cloud migrations in the recent past as our clients seek to drive digital experiences and innovation for their customers. We successfully acquired Dotcom, a Microsoft Azure solutions company, to further strengthen our cloud offerings and solutions.

The other key focus areas of the business unit are to complete the modernisation of our own IP solutions and extend Dotcom's footprint into other industries to leverage our Microsoft licensing client contracts.

Looking forward

Our clients are transforming their businesses to enable more end-to-end agility in response to shifts in consumer behaviour and macro-economic market impacts. As a result, they are buying differently – shifting their investments from traditional ICT products and services to digital transformation technologies. On the other hand, cloud-driven convergence is evolving into a key enabler for digital transformation and an area of focus for enterprises looking to replatform their enterprise architecture.

These changes by enterprises require shifts in strategy and business model by BCX. Accordingly, we developed our digital and cloud advisory capability and acquired Dotcom, to provide agnostic advisory services to our current and new clients on their cloud journeys toward the public and local cloud environments.

BCX signed an exclusive distribution agreement with Alibaba Cloud, and we successfully created a new business unit to manage this partnership. We started with the implementation of a local public cloud within one of our data centres and in a third-party data centre, based on the Alibaba Apsara stack. We plan to launch services from this local public cloud in FY2024.

Productive capital



Key strategic focus areas

Commercialise the masts and towers portfolio

Continue to acquire strategic sites and build new towers in line with MNO demand

Expand the range of products and services offered

Enable 5G rollout

Strategic achievements

Constructed 66 new towers and eight new IBS systems

Successfully launched our first 5G outdoor Distribution Antenna System (oDAS) small cell sites. This will be the basis for future site deployments in support of our customers' 5G rollout plans and area densification

Completed 10 hybrid power solution sites used for testing and data gathering, paving the way for mass power-as-a-service (PaaS) rollout

Challenges

Due to loadshedding, clients (operators) reprioritised their capex from new site builds to securing energy (power availability) at sites



Productive portfolio increased to
4 016
towers

68.8%
EBITDA margin

New builds of
66
new towers

Expect continuation of modernisation by MNOs

As part of the commercialisation focus, Swiftnet constructed new towers and deployed new In Building Coverage Solutions (IBS). The portfolio experienced the continuation of modernisation of equipment by MNOs, coupled with the deployment of 5G and new base station sites as MNOs deploy their respective permanent spectrum allocations. Swiftnet's overall financial performance was satisfactory with improved underlying earnings performance and strong EBITDA margins, despite the negative impact on revenue as a result of site terminations by one of the MNOs and legacy technology decommissioning and optimisation by Openserve.

Optimise and grow the masts and towers portfolio

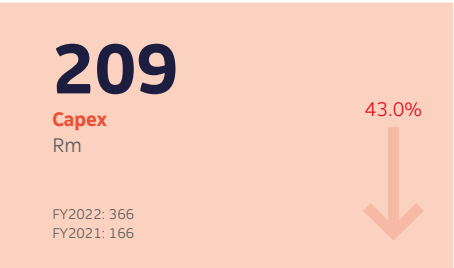
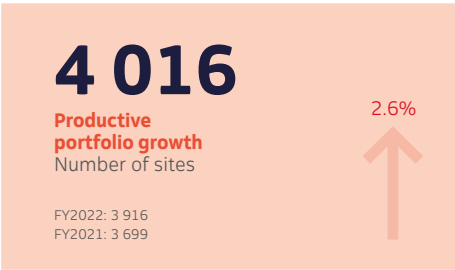
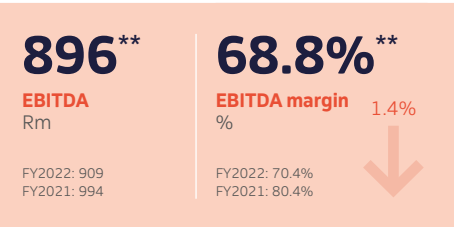
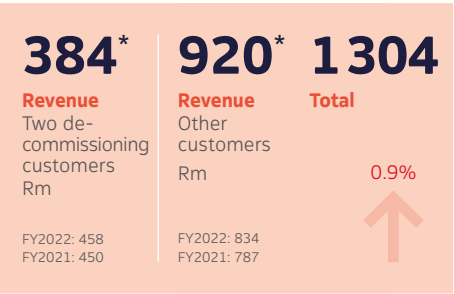


Swiftnet commercialised the productive portfolio by increasing it to 4 016 towers, driven largely by new builds of 66 towers and new tenancies. In addition, 8 In IBS and 10 power-as-a-service (PaaS) sites were established. Despite terminations by one of the MNOs, and legacy technology decommissioning and optimisation by Openserve, Swiftnet's total reported revenue increased marginally by 0.9% to R1 304 million while achieving a healthy revenue growth from continuing customers of 10.3% to R920 million attributed to lease escalations, new tenancies and equipment upgrades on existing sites.

Our proactive site acquisition and permitting initiatives resulted in 480 approved building plans that are ready to be executed when triggered by anchor tenancy. We successfully launched our first 5G outdoor Distribution Antenna System (oDAS) small cell sites. This forms the basis for future site deployments in support of our customers' 5G rollout plans. We also successfully tested the technical capability of our PaaS solution, which has been accepted by MNOs. This solution is planned for greater deployment in the new financial year as a value-add commercial offering and enables alternative power availability to our customers in view of the negative power challenges they currently experience.

On a reported basis, Swiftnet achieved an EBITDA of R896 million at a 68.8% EBITDA margin. On a normalised basis, excluding the impact of once-off transaction advisory services during the year, normalised EBITDA amounted to R927 million, an increase in earnings from R909 million reported in the prior financial year. This reflects an improvement in underlying earnings performance at a normalised EBITDA margin of 71.1% from 70.4% reported in the prior financial year.

Stable revenue and strong EBITDA margin



Looking forward

Masts and towers

For the new financial year, our key strategic focus areas are increasing tenancies on the existing portfolio, acquiring sites, constructing new towers in line with MNO demand and actively enabling 5G rollout of our clients. In addition, we will build new IBS offerings and small cells as well as commence the rollout of the power-as-a-service solution for our clients.

* The increase in revenue in FY2023 is net of Openserve decommissioning and optimisation as well as terminations from one of our MNO customers. Excluding the impact from these two customers, revenue from other customers increased by 10.3% in FY2023 against the prior financial year.

** The decline in reported EBITDA and reported EBITDA margin in FY2023 was driven by once-off transaction related expenses. Excluding the impact of these once-off transaction related expenses, on a normalised basis the EBITDA improved to R927 million (from R896 million) at a normalised EBITDA margin of 71.1%.

Productive capital



Gyro

Key strategic focus areas

Commercialise the property portfolio through development projects in collaboration with property investment partners

Optimise property operating costs through the disposal of vacated properties and property cost benchmarking

Enhance the resilience of power supply through interventions that centre on clean energy and that reduce our carbon emissions as part of the ESG Strategy

Strategic achievements

Secured interest from various property development investment partners for property development opportunities, with some projects ready for construction during FY2024

Realised sales proceeds of R64 million out of 39 property sale transactions

Executed on several energy management and efficiency projects that represent a foundation for large-scale interventions for the portfolio in FY2024

Challenges

Power-availability challenges resulted in significantly above-normal expenditure on diesel for backup generators

The unreliability of grid power remains a major challenge going into FY2024



Gyro remains on course to realise value and optimise the property portfolios in Gyro Properties and Telkom. Gyro advanced development planning activity for select development opportunities and concluded non-binding memoranda (MOUs) with development investment partners for the execution of the development projects. Gyro continued to rationalise the property portfolio through the disposal of decommissioned assets that are no longer required for core operational purposes, resulting in sale proceeds from property disposal transactions. We continued to execute on energy interventions during the year, and plan to implement more significant interventions in the new financial year that will contribute meaningfully to reducing carbon emissions while improving the resilience of power supply.

39
property sale transactions

43
properties in the property transfer process

Success in disposing of excess non-core properties

Performance overview

Total revenue increased by 0.6% to R1 630 million largely due to growth in the masts and towers business (Swiftnet), which was offset by terminations by one of our MNO clients and Openserve decommissioning and optimisation on the masts and towers and properties. Overall, EBITDA decreased by 7.4% to R1 131 million impacted by transaction advisory expenses and increased property operating costs.

Commercialise the property portfolio

In view of the advanced property development work that continued from the beginning of the financial year, for select property development opportunities, the development pipeline attracted interest resulting in non-binding MOUs concluded with property development investors. Partnerships with the prospective investors are at the level of individual property projects or a cluster of similar projects, with the intent to commence construction for some projects during the new financial year.

Reduce building costs and enhance operational efficiencies



Gyro continued to reduce property operating costs by terminating property services for properties that are no longer utilised for operational purposes and disposing of assets that are unsuitable for repurposing or development opportunities. We executed two property auctions during the financial year and realised sales proceeds of R64 million out of 39 property sale transactions. There are 43 sold properties in the property transfer process and we plan to dispose of more vacated properties in the new financial year.

We plan to address energy efficiency and energy security more effectively in the new year for both the short and medium terms through interventions that maximise energy security and contribute meaningfully towards decarbonisation. Execution of energy projects is in progress through various interventions across the Telkom business units, with the objective of ensuring the resilience and efficiency of Telkom's network and operations while contributing towards attaining the environmental ESG Strategy targets.

Looking forward

Property Developments (Gyro Properties)

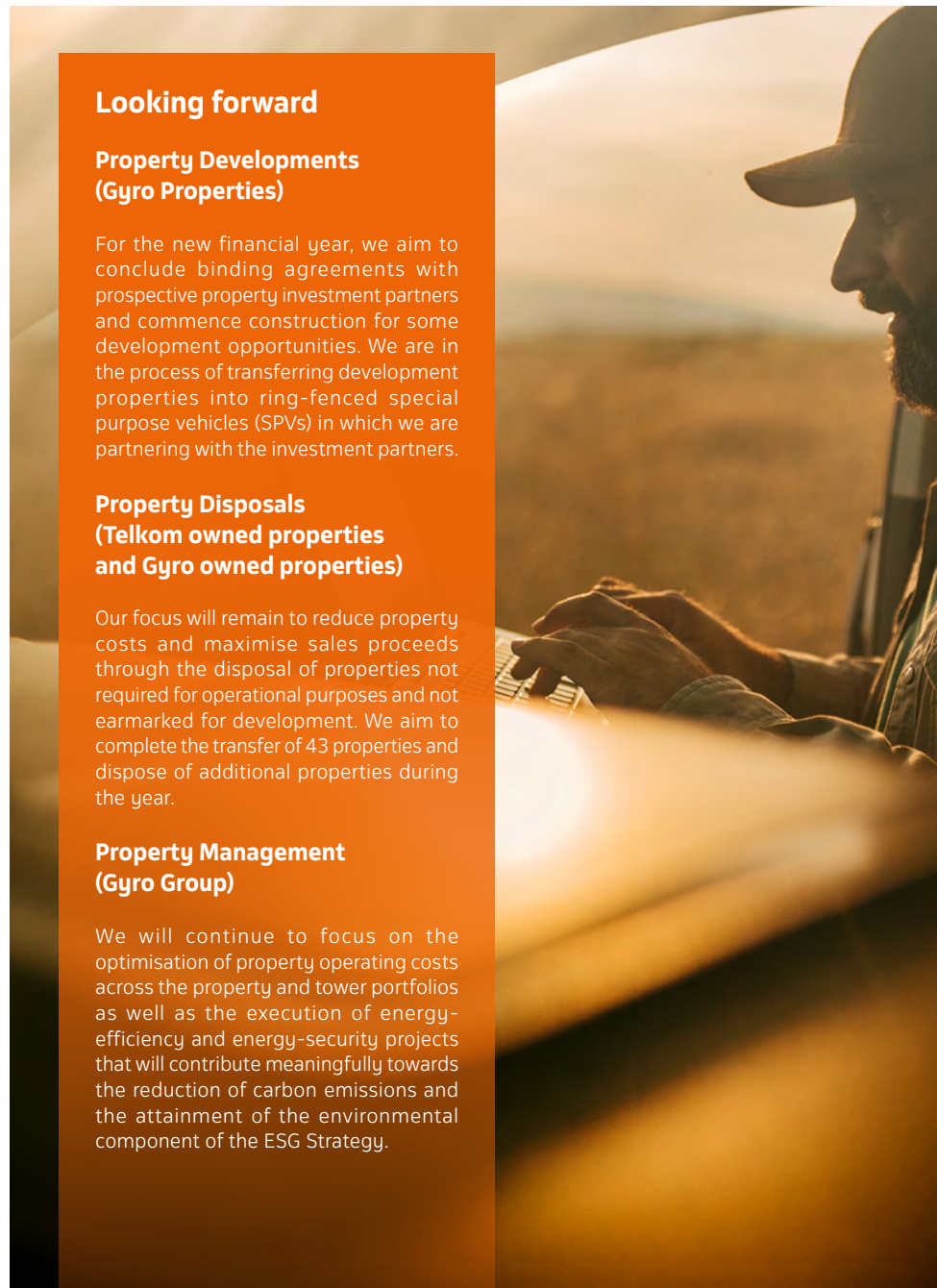
For the new financial year, we aim to conclude binding agreements with prospective property investment partners and commence construction for some development opportunities. We are in the process of transferring development properties into ring-fenced special purpose vehicles (SPVs) in which we are partnering with the investment partners.

Property Disposals (Telkom owned properties and Gyro owned properties)

Our focus will remain to reduce property costs and maximise sales proceeds through the disposal of properties not required for operational purposes and not earmarked for development. We aim to complete the transfer of 43 properties and dispose of additional properties during the year.

Property Management (Gyro Group)

We will continue to focus on the optimisation of property operating costs across the property and tower portfolios as well as the execution of energy-efficiency and energy-security projects that will contribute meaningfully towards the reduction of carbon emissions and the attainment of the environmental component of the ESG Strategy.



Intellectual capital



IT focused on driving IT and digital transformation more earnestly to ensure we enhance our current IT posture, giving heightened attention to using data-driven insights, self-service capabilities and cybersecurity enhancements to deliver a better customer experience and increase revenue.

The year has seen progress in our multi-year IT transformation initiatives in Operations Support Systems (OSS), Business Support Systems (BSS) and our IT Enterprise Application landscape. Further enhancements in our fintech initiatives saw the delivery of services such as Telkom Pay, Retail Funeral Services and Employee Scheme.

Telkom's technology and information strategy

The Digital Strategy aligns with the PIVOT Business Strategy, underpinning salient business capabilities and IT improvements with transformative IT capability.

The Digital Strategy is centred around providing API-powered services to the customer. The approach serves to enhance IT architecture, improve simplicity in service and enhance the cybersecurity posture of the application landscape. This strategy is delivered through a three-tier model focusing on skilled employees and efficient and effective processes, powered by leading-edge technology.

Performance snapshot

KPIs and key measures

Effective billing through consolidation, standardisation and modernisation of BSS

Improved customer satisfaction through simplified self-service capability

Insight-driven decision-making through leveraging machine learning capability

Increased efficiency through modernisation of platforms and improving time to market

System and cyber resilience through continuous strengthening of cybersecurity posture

Key strategic focus areas

Order to cash transformation

Customer experience

Data-driven insights

Operational efficiency

Governance and risk management

Order to cash transformation

The order to cash BSS transformation project consolidates multiple BSS systems into a modern Openserve BSS, improving efficiency by standardising, simplifying, and automating processes. This project optimises legacy infrastructure, mitigates billing risk, and simplifies ordering. The new accessible product catalogue, standardised billing, and common ordering system improves our customers' experience.

In FY2023 the project successfully delivered on broadband and complex product billing, with automated invoicing and an accessible catalogue. The broadband billing and invoicing time was reduced from weeks to between two to three days. In transforming our billing platform, we are also aligning our billing cycle to the signed customer contract, which will have a positive cash flow impact. The simplification and automation of the billing system reduced errors and human intervention, resulting in a further improvement in accuracy and consistency.

The next phase will focus on all other product billing, order and lead management, and financial account management, with the aim of enhancing the entire order to cash process and improving customer satisfaction.

The Lead2Cash project is underway to streamline and automate the order to cash process at BCX.

In Gyro, the Tarantula Tower Management application went live and will enable monetisation of our masts and towers portfolio.



Customer experience

Our approach to customer satisfaction is centred around self-service, making it easier for customers to consume services anytime and anywhere. The focus areas have been on ensuring the services are always available and stable, simplifying channels to make it easy for customers to engage us, and launching products faster.

In Openserve the transformation of our digital channels led to a self-service capability for user management and self-service deal and promotion management for our wholesale customer channel.

The Openserve mobile digital app for user management, Openserve Connect, obtained international recognition by winning the 15th Annual TM Forum Excellence Award in Denmark in September 2022. This app is enabling the end user customer's capability to manage their broadband connection and internet service through a digital channel.

In Telkom Consumer, the MyTelkom mobile app was enhanced by introducing simplicity and additional sales capabilities for better customer interaction. The app is being further enriched, with rollout planned in the third quarter of FY2024.

Telkom Consumer addressed network capacity in FY2023 through a structured programme to increase and address redundancy capacity at various points of presence to enhance stability and reliability of service in the mobile network.



Data-driven insights

Openserve and Telkom Consumer are making sales and marketing recommendations based on insights drawn from historical and churn data to optimise revenue and marketing strategy. This goes a long way in enabling a data-driven approach to business decisions.

In Openserve this has contributed to an improved fixed-line active service and fixed-line connected home rate as a result of using data insights for focused marketing campaigns that identify target areas.



Operational efficiency

We are consolidating our data centres to drive efficiencies and cost optimisation. In adopting a Hybrid Cloud Strategy, we brought agility and improved IT operations.

In FY2023 BCX went live with its enterprise business transformation project on a cloud-based platform which consolidated the ERP systems of its subsidiaries to enable seamless and streamlined processes.

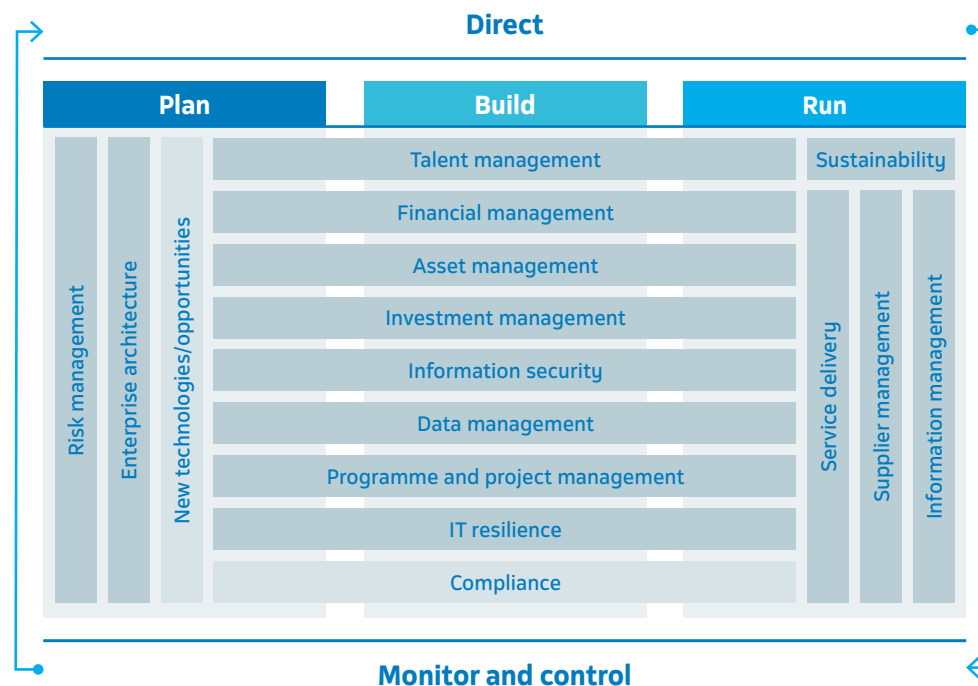
In Telkom Consumer, the hosting of SMB service for Trudon was relocated to the Centurion data centres operated by BCX. This improved efficiency and enhanced service availability.

Governance and risk management



We base our governance of the technology and information framework on King IV principles. In addition, we factored in ISO 38500 and COBIT 2019 from an IT control perspective. The Board assumes responsibility for policy and direction over matters relating to technology and information.

The following objectives underpin our governance framework:



Initially, IT Governance defined 14 process areas as part of the plan, build and run model. These were incorporated as part of the IT governance framework. In FY2023, the framework was revised and now incorporates emerging technologies and compliance as part of the process areas. These two areas are becoming increasingly important in the technology world.

The below guidelines and frameworks were approved during FY2023:

Guidelines and frameworks

Metaverse guidelines

Governance guidelines for the Metaverse, including opportunities and challenges.

Privacy framework

Involve guiding principles on what is deemed acceptable and ethical behaviour by employees, contractors, third parties or other, when personal information is identified, assessed, monitored, utilised and disposed.

IT resilience framework

To prescribe and guide the way Telkom will ensure the availability of IT services.

Digital ethics framework

Ethical practice applied to digital platforms.

Information security governance

Telkom pursues a risk-based approach to information security, considering the ever-changing technology landscape and potential threats. We improve our security posture and the maturity of our Security Programme in line with regulatory requirements, best practice guidelines and industry benchmarks.

Due to the rise in cyberattacks, it was necessary to increase our focus on strengthening our cybersecurity resilience by introducing additional security domains to align with the newer threat vectors. We also strengthened analytics to enable threat intelligence.

Telkom retained its ISO/IEC 27001:2013 certification to ensure effectiveness and adequacy of its comprehensive information security management system. In addition, Telkom obtained the Payment Card Industry Data Security Standard Certification in support of the Fintech Strategy.

Key achievements across the information security domains:

Information security domains

Endpoint protection	Data loss prevention capability has been implemented via Netskope, IronPort and Exchange Online Protection. Anti-malware coverage for end-user devices and servers is 100%.
Security training and awareness	An information security culture survey was conducted across Telkom to determine readiness of cyber awareness. Email phishing simulations were conducted throughout the financial year.
Security compliance	Payment Card Industry Data Security Standard (PCI DSS) and ISO 27001 Standard Certifications were achieved. Reviewed and updated 21 security governance documents in line with industry best practice standards.
Perimeter and network security	Completed email gateway migration to Cisco Cloud email security to leverage on its advanced email gateway capabilities.
User access governance	All critical applications are managed via user access and privileged management systems. Progressively onboarding additional applications as they are identified, with 441 applications already onboarded.
Vulnerability management	Increased vulnerability scanning of unsupported infrastructure to identify, monitor and reduce the impact of exploitable vulnerabilities.
Security operations	Ongoing onboarding of critical applications to managed detection and response system. Several critical systems have already been onboarded.
Security testing	Completed penetration testing of PCI systems/applications. Completed JSE attestation/security controls assessment.
Third-party risk management	Third-party security risk management framework has been approved and implementation is in progress.
Data protection	Completed implementation of data protection capabilities to analyse and label PCI and PII data across all Telkom systems including the top 44 applications.

Key focus areas in FY2024

Our focus areas for FY2024 are in line with the Telkom strategic objectives:

- Expedite digital transformation enablement to provide our customers with 24/7 online self-service capabilities
- Improve customer services and experience by ensuring that the services are always available and stable for our customers
- Cost optimisation through rationalisation of technology and suppliers
- Cybersecurity to ensure that the Group's systems customer data is secure and protected from unauthorised access
- Improve employees' experiences by creating a conducive environment for growth and productivity
- Evolve data insights platforms
- Continuously improve security resilience

Furthering innovation

The industry's fast-paced and ever-evolving nature demands a strong commitment towards research and development.

In FY2023, we invested in an innovation lab focused on strengthening the development of products and services that meet our customers' needs. We further invested in start-ups that built new technologies through our FutureMakers Programme.

We continued supporting the incubation of language-translation technologies through the Telkom Strategic Insights team. Our investments enable Telkom to meet customers' changing needs while staying ahead of competitors by leveraging new opportunities for growth and innovation.

Growing Telkom's intellectual property

In March 2023, Telkom marked a key milestone in its continued commitment to research, development, and innovation. Telkom signed a five-year strategic partnership with the University of the Witwatersrand to launch the first Industry Solutions Lab as part of the Wits Innovation Centre. This strategic partnership supports Telkom's investment in intellectual property and accelerates the development of industry-leading solutions, supporting business unit innovation across the Group.

A dedicated solutions lab based on the Wits campus will enable collaboration between Telkom employees and partners to co-operate on developing industry solutions for Telkom, focusing on key strategic projects. The lab was preceded by ideation sessions focusing on key projects for the lab partnership.

Research and development will continue to future-proof our business and improve customer satisfaction and value.



Investing in start-ups

Start-ups are often agile in innovating new products and services, presenting themselves as key partners in diversifying portfolios.

As part of our focus on investing in start-ups in key technology areas, Telkom invested R58 million in Aions through the FutureMakers Programme. Aions is a technology company that builds and invests in digital value propositions that complement the suite of adjacent products and services Telkom focuses on as part of the innovation strategy. Since its inception in 2020, Aions has made several investments in technology start-ups in South Africa.

Our focus areas include the healthcare, financial services, education and mining sectors. We continue investing in start-ups through funding, mentoring and market access.

Telkom's investment in Aions aligns with the strategic pillar of partnerships while contributing to the growth of SMMEs in the country. The aim is to invest in and grow relevant digital value propositions and technology capabilities.

Key focus areas in FY2024

Our strategic focus areas for FY2024 are in line with Telkom's strategic objectives:

- Build a pipeline of innovation projects and stimulate an innovation culture through a Group-wide innovation challenge
- Accelerate priority projects to be explored and executed through the innovation lab
- Continue to invest in and partner with key start-ups that align with the Group's strategic growth areas
- Support Group-wide technology projects aimed at growing our intellectual property in partnership with research and development partners

Expedite

digital transformation
enablement to provide
our customers with
24/7 online self-service
capabilities

Evolve

data insights
platforms



Brands

Telkom's purpose is to seamlessly connect our customers to a better life. We want to enable South Africa to build a digital economy and improve the lives of South Africans.

Telkom leverages several tools, services and policies to ensure the purposeful impact of the Telkom brand and reputation in the market.

- Policies and evaluation metrics that act as guardrails to ensure brand activity aligns with business purpose and vision
- Tools to stay "on the pulse", ensuring intentional steps for brand impact, shared value and reputational resonance
- Tools and services that ensure an "outside-in" approach to business operations guided by the voice of our customers, driving continuous improvement in customer experience satisfaction levels

Our brands



- **Openserve:** Openserve is at the heart of connectivity and has successfully built and run high-speed broadband networks that link banking systems, hospitals, schools and every part of society.



- **Telkom Consumer:** Telkom Consumer focuses on consumer and small and medium enterprise solutions such as fixed and mobile broadband services, voice technology and related value-added services.



- **BCX:** BCX is Africa's premier end-to-end digital solutions partner and helps enterprises to future-proof their business.



- **GYRO:** Gyro is structured to provide three business services – masts and towers, property management services and property development.



- **Swiftnet:** Swiftnet is one of the leading tower companies in South Africa, with the aspiration of occupying the number one position as they continue their journey to make connectivity a fundamental human right – accessible to everyone.

Our recent awards and recognition

Openserve recognised for excellence in innovation with Connect app, winning Gold in global award at the 2022 TM Forum Excellence Awards.

Openserve lands Google's Equiano subsea internet cable, which promises faster internet speeds and reduced internet prices.

Top 3 Finalist in the Ask Africa Orange Index in 2022, measuring customer satisfaction, emotional satisfaction and loyalty to companies that show exceptional performance across client experience metrics.

Voted Coolest Telecommunications Provider at the Sunday Times GenNext Awards three years in a row (2020, 2021, 2022). This recognition speaks to the on-trend products and services we have been giving South African youth over the years.

BCX achieved several partner awards in FY2023 and is a top-tier partner of our ICT OEMs, whose products we resell or utilise as part of our solutions.

Telkom was named Top Employer in South Africa for 2023, confirming its dedication to advancing a better world of work and excellent HR policies and people practices.

A preferred employer at 2022 GradStar Student's Choice Awards, confirming our dedication to ongoing development of our people practices and our future talent.

Telkom ranks "Excellent" for the sixth consecutive year in annual EY Integrated Reporting Awards, recognising progressively higher adherence to the spirit of integrated reporting.

Human capital



Our hybrid approach to work has evolved to meet and support business and operational efficiencies while continuously serving our customers and other stakeholders.

In September 2022, Telkom further evolved our hybrid work model and implemented a “working three days in the office/two days from home” model. The journey was purposefully planned and focused on meeting the changing requirements of our key stakeholders, including employees and customers. The model further aims to blend the needs of the business for in-person problem-solving, collaboration and innovation while enabling individual “focused” time for deep work.

We continued progressing initiatives focusing on driving shared value through employee engagement, building a high-performance culture and employee experience, and curating and implementing our people strategy.

Performance snapshot

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

Total recordable injury frequency rate

Lost-time injury frequency rate

Key strategic focus areas

Building a sustainability mindset

Transforming our culture

Enabling diverse and adaptable teams

Developing next-generation future leaders

Telkom's human capital strategy

Enabling a positive business experience through our people and customers epitomises the people strategy, which is implemented through business unit-specific employee and customer strategies, values and behaviours. It is embedded in a business-led, HR-enabled and agile approach centred around our employees as the customer.

We build our people strategy on five pillars underpinned by culture and espoused in our employee experience touchpoints.

Our strategic ambition

Developments

1. Driving a high-performance culture

We are advancing our impact through purpose-led and sustainable initiatives in education, entrepreneur development and the environment. We advance our people by putting people first, winning together in an inclusive environment, versatility and a focus on continuous improvement, openness and trustworthiness.

A pulse survey across the Group assessed and evaluated the as-is culture in relation to our high-performance model. 44% of our employees participated in the survey, measuring employee engagement, culture, communication, relationships, and the work environment.

The overall results were pleasingly positive. Employees rated Telkom and their current environments (service organisations and teams) as a good place to work and our collective products and services as great.

More than 80% of employees indicated regularly receiving constructive performance feedback, which suggests that our continued focus on and investment in developing our performance management capability and understanding of the processes are bearing fruit.

The survey reflects that we must continue and ramp up our focus on driving a high-performance culture, reviewing the Telkom recognition framework, and introducing and promoting expanded development opportunities.

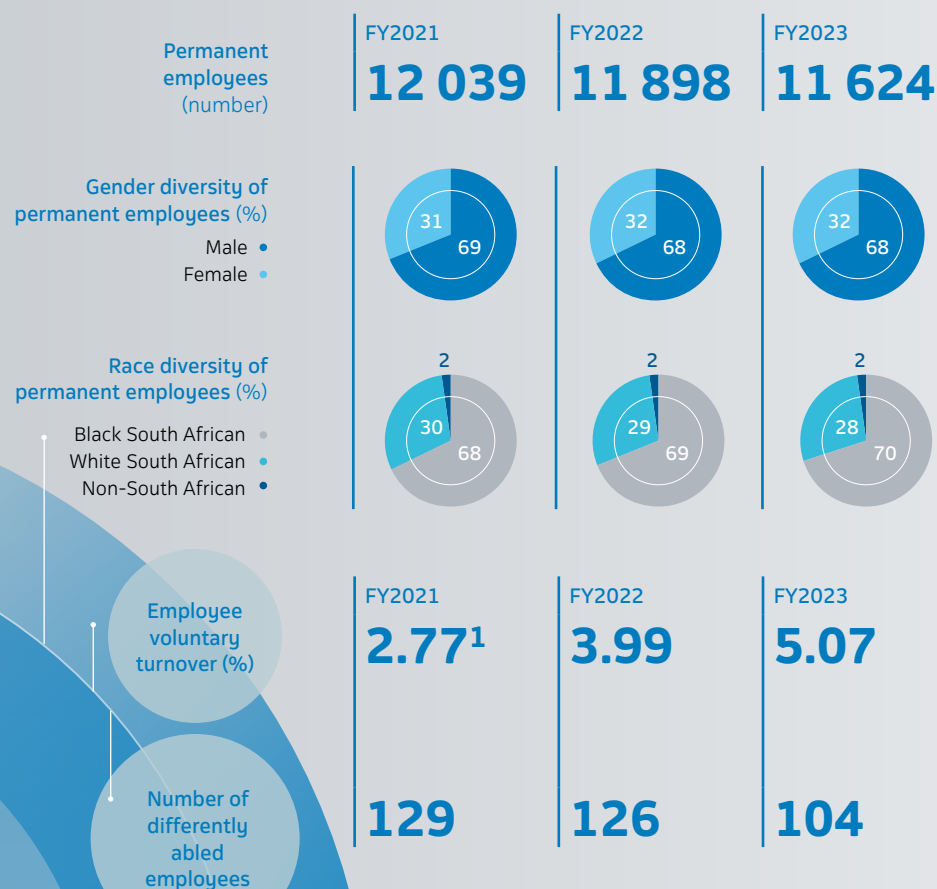
Our strategic ambition	Developments
2. Diversity, equity, and inclusion	
We have a diverse and inclusive employee landscape. Our talent approach enables us to have the right skills at the right time for the current and future needs of the business.	We enhance the employee landscape through our talent and succession management programmes, including a focus on developing women across the Group for leadership. Refer to pages 77 and 78 for more insight.
3. Engaged, agile and productive workforce	
Data analytics drive people decisions. We enable our workforce through a hybrid approach to work underpinned by a strong performance and reward culture. Workforce planning and skilling methodologies empower our agility to meet changing business and landscape demands.	<p>The pulse survey included a measure on the hybrid model, and more than 81% of employees indicated feeling motivated by working from home. In addition, 88% regularly interact with colleagues using different tools and mediums. This suggests that the remote work framework, tools, and support are robust in supporting employees and sustaining operational and business requirements.</p> <p>An average of 80% and higher of employees agreed with the below statements:</p> <ul style="list-style-type: none"> - 92% know what outcomes are expected and have clear objectives and targets - 88% feel that their line manager creates an empowering and positive work environment that creates high levels of productivity
4. Organisation wellbeing	
Our employees work in a positive and safe environment where team wellbeing and contributions are valued. Our Employee Wellness Programme supports psychological, financial, emotional and physical wellbeing.	<p>In 2022, we held two highly successful wellness days in September and October, where employees could network and engage with one another and with a wide variety of wellness service providers while getting health checks done on-site.</p> <p>We held multiple virtual engagements addressing topical wellness issues throughout the year. Financial concerns and financial planning are key priorities for our employees. The overwhelming response to the financial wellness webinar made this clear.</p> <p>The Employee Wellness Programme utilisation trends underscore that employees are focused on balancing their needs and those of their families with the demands of their jobs. Employees most frequently sought support on issues around dealing with loss and resilience, interpersonal relationships, coping with trauma, own and children's mental health, and parenting.</p>

Our strategic ambition	Developments
5. Employee experience	
We are a top employer with a competitive and attractive employee value proposition across our employee life cycle – attract, recruit, onboard, develop, performance, offboard and alumni.	<p>The Top Employer Institute certified Telkom as a Top Employer for 2023. They also certified BCX as a Top Employer for the second year in a row.</p> <p>Telkom was voted one of the top three preferred graduate employers in the telecommunications category at the GradStar Student's Choice Awards.</p>
6. Learning for growth and sustainability	
We have a robust learning and development framework enabled by our continuous learning culture. Our internal and external offerings include digital programmes for employees across the Group.	<p>We spent R145 million on training.</p> <p>Just over 3 000 employees and managers have completed our curated eLearning pathways. The learning paths focus on building the soft skills required for navigating the hybrid world of work, growing an innovation mindset, enhancing customer service, and creating an understanding and awareness of emotional intelligence. Just on 50% of employees have used the Online Learning Programme, with an NPS of 51. This supports our learning-for-growth culture, enabling employees to easily access a wide range of learning content that aligns with their personal development plans and career goals.</p> <p>We awarded 72 new part-time bursaries for the 2023 academic year. We have 159 active bursars continuing their studies. This amounts to a total of 231 part-time bursary students with a total spend of R6.1 million. The bursaries were awarded for a range of formal qualifications (NQF Level 5 to NQF Level 9), and prioritised scarce or critical skills areas such as digital, technical and data science.</p> <p>138 candidates completed the Optic Fibre technology course in FY2023, with 353 FTTx candidates completing the course in FY2023.</p> <p>Refer to pages 33, 79 and 85 for more information.</p>

A snapshot of Telkom's workforce

We are proud that five of the seven appointments made at Group Executive level are Black females.

Transformation has been slower than what we would have liked it to be, but this has mainly been due to limited opportunities to recruit talent externally. However, since 2020, we have managed to grow our Black South African representation from 65% to 70% and our female representation from 30% to 32%.



¹ In FY2021, the measure of employee voluntary turnover was changed to reflect exits through natural attrition from the Group and to exclude exits from one legal entity to another legal entity in the Group. Consequently, there is a lower exit rate in FY2021 and FY2022 compared to FY2020.

Building a high-performance culture

A high-performance culture is founded on accountability, creativity and collaboration. It is the outcome of having several key factors in place. These include performance management, effective communication and collaboration, autonomy and accountability, strong leadership capabilities, training and development and a customer-centric strategy. We made significant progress over the last few years in improving the performance management process, system and measures. Building on and recalibrating the interventions embedded in the Group is critical.

There are three priority goals foundational to a high-performance culture. These are building a coaching culture and skillset, building individual, team, and organisational emotional intelligence (EQ) and enhancing the recognition of employees. Interventions to build and drive these key behaviours have been a central theme over the past year.

We completed 2 169 coaching-specific assets, as well as individual coaching sessions for various Exco Members and a "line manager as a coach" pilot programme in BCX.

The internal Group recognition system and site are in the development phase and a pilot and associated testing are underway. We expect the tool to become operational in FY2024. The tool aims to enable and encourage cross-business unit recognition and behaviours in ultimately driving a high-performance culture.

Talent management

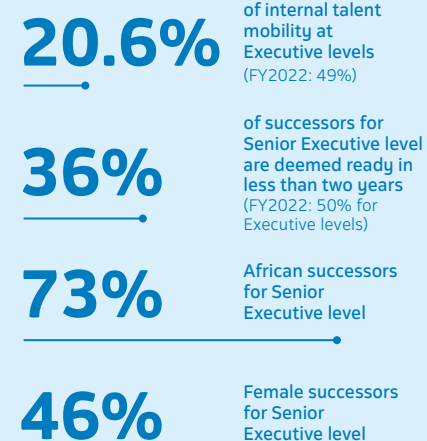
Talent acquisition

Telkom identified certain skills that continue to be critical to the business. Talent acquisition efforts continue to build a strong base of skills in the Group. These are skills like cybersecurity and governance, telecommunication and digital products and solutions, systems engineering, data science, data engineering and AI.

Succession and career mobility

Our talent framework supports the business to ensure a thorough review of our internal talent, succession planning and retention strategies. During the FY2023 talent review cycle, we focused strongly on female succession and talent actions to proactively build internal talent and mitigate vacancy risk.

Our internal talent mobility allows wider career growth across our business areas while internally building lateral exposure for higher-level succession. There was a decline in internal talent mobility during FY2023 due to less recruitment opportunities, translating into less internal mobility opportunities.



We have increased our Leadership Development and Talent Development Programmes to support our investment in developing internal talent. Executive coaching has continued throughout the year, supporting our leadership through their personal development.

Our internships, learnerships and Centre of Excellence graduate programmes continued throughout FY2023, aiming to build a young talent pipeline to address the ageing workforce in some of the business areas.



Leadership and talent development

Over and above the development programmes that were underway in FY2022 and continued into FY2023, six new Group-wide programmes, with 306 delegates, were launched during the third quarter. We are gearing these towards developing our high-potential internal talent and a leadership pipeline.

During FY2023, we put the Executive Leadership Programme on hold. This programme will only launch during the second half of FY2024. We designed our leadership development framework and programmes to support our talent management framework as a mechanism to build internal talent. In partnership with UCT GSB, a range of leadership programmes are aimed at developing leaders at operational, tactical and strategic levels.

Programmes

- We launched the first intake of the Managers of Managers Programme (MoMP) during the last quarter of FY2022, with 71 middle management level employees. This is a formal NQF Level 8 Programme, and it has a strong practical and business component. These delegates have concluded the programme, and pending their results, the formal graduation will be in December 2023. The new intake commenced in January 2023 with 34 delegates
- The Foundational Management Programme is similar to the MoMP, but geared towards junior management and specialists moving into management roles. This NQF Level 7 Programme commenced in January 2022 with 66 delegates. These delegates have also concluded the programme, and pending results, the formal graduation will be in December 2023. The new intake commenced in January 2023 with 68 delegates
- The Digital Leadership Programme is an 18-month formal Postgraduate Diploma in Digital Management combined with a business action learning project. It provides a platform for applying learning throughout the programme to upskill delegates and benefit the business. 47 Senior Managers and Executives commenced the programme in November 2020 and 39 successfully graduated in December 2022

- We launched an Innovation and Design Thinking Programme geared towards supporting the business' drive to build innovation skills in November 2022, with 37 delegates
- In November 2022, there was a second intake for the Digital Skills Programme, with 111 delegates. This NQF 5 Level qualification aims to build general digital skills across various levels as a top-up skillset. 109 delegates started the programme in January 2022 and will conclude in May 2023

Female leadership development

- The Female Leadership Development Programme (FLDP) is a well-established programme aimed at developing female leaders as part of our talent development initiatives. Previously, we focused on developing women at the middle management level; however, the focus expanded to include two distinct levels:
 - FLDP Ascend: NQF 6 aligned programme, geared towards developing women at the supervisory level
 - FLDP Transcend: NQF 7 aligned programme, geared toward developing women at the middle management level
- The fourth cohort of 42 delegates graduated in June 2022, completing the 15-month programme due to its migration to a fully virtual programme. Five promotions (10% of the FLDP participants) were made and a 95% retention rate achieved
- The fifth cohort of the FLDP commenced with 58 candidates in the FLDP Ascend Programme and 27 candidates in the FLDP Transcend Programme. The programme follows a blended approach to learning with online and in-person sessions
- The Women in Operations Programme focuses on the growth and development of qualified, high-potential, high-performance women, building leadership capability at operational and junior management levels. It continues to drive workplace transformation in Openserve. 73 women completed the programme through the first three cohorts. The fourth cohort of 28 women commenced in June 2022 and will conclude in January 2024

Training and development

Telkom has continued to focus on learning and building a learning culture throughout the Group. A wide range of online learning content, formal learning programmes, and other ad hoc training interventions provide employees with the necessary opportunities to build their skills and drive a continuous learning approach.


The decrease in total learning spend was due to the lower numbers of classroom-type training and the migration to online training because of the COVID-19 pandemic. This shift resulted in a reduction in overall costs.

Training and development spend (R'million)

	FY2021	FY2022	FY2023
Telkom¹	93 ¹	80 ¹	44
BCX	51	50	45
Gyro	1 ²	1 ²	2
open serve¹	–	–	54
Group	145	131	145

¹ Telkom includes Telkom Consumer, Corporate Centre and Openserve in FY2021 and FY2022. During FY2023 Openserve became a separate legal entity and is now reported separately.

² Gyro includes learnership stipends.

 External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

Developing next-generation future leaders

Telkom Foundation learner bursaries

Building the external talent pipeline by providing structured support to learners pursuing tertiary education is vital.

21 learners who were part of a five-year Telkom Foundation High School Programme are on the Telkom Bursary Programme, pursuing various studies, including Engineering, Computer Science and Accountancy. These learners receive comprehensive support that goes beyond finance to include psychosocial support and mentorship.

The Telkom Foundation continues to monitor learner progress and is responsive to learner needs to enable them to achieve their academic goals.

Next-generation skills

Telkom launched the Centre of Excellence (CoE) technology research and development initiative in 1997. This year we sponsored seven postgraduate learners through an R840 000 investment and employed one postgraduate learner permanently.

Approximately 180 full-time postgraduate students benefit from the CoE Programme annually. Telkom provided R8.05 million in research funding to 15 CoEs.

Telkom expanded the CoE focus in 2021 to include a structured learning programme for CoE graduates once they are placed in the business. In partnership with Duke Corporate Education, the graduates participate in the Journey to the Summit Programme to create foundational personal and professional skill sets. The first and second cohorts are in progress (36 delegates) and the third cohort's 12 delegates started in March 2023.

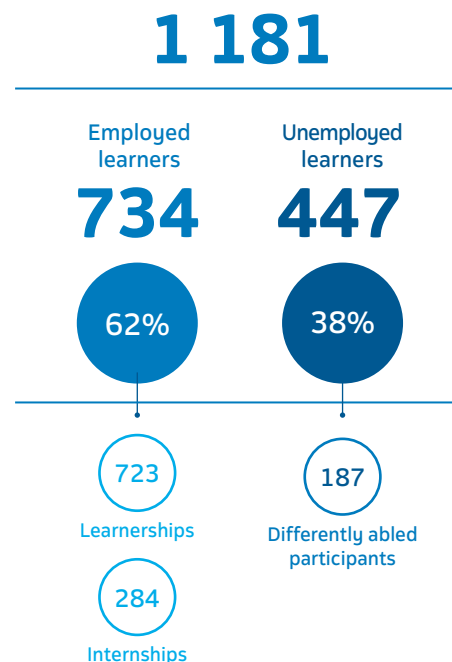
We introduced full-time bursaries as a future feeder talent pipeline to the postgraduate CoE Programme. We awarded five undergraduate bursaries within Openserve in February 2022 and nine in February 2023. The investment averages R100 000 per bursary.

Learnerships and internships

In line with business requirements, Telkom continues its focus on creating opportunities for unemployed and employed learners. Through learnerships and internships, unemployed learners can build skills, attain work experience, and gain insight into the world of work, specifically in the ICT sector. Telkom provides a platform to explore different specialities across several functions, expanding career path knowledge and opportunities for future studies.

In FY2023, Telkom had 1 181 learnerships and internships, comprising 649 participants continuing from FY2022 and 532 new participants. The programme covers project management, digital skills, leadership, ICT network maintenance, and IT system support.

Total learnership/ internship population



Race

1 101

Black

80

White

A **19%** increase in the total intake of employed learners.

An increase of **29%** of black learners from FY2022.



Gender

608

Male

573

Female

A **19%** increase in the total intake of unemployed learners.

A **9%** increase in male learners and an increase of **31%** of female learners from FY2022.

Collaborating with organised labour

Following Telkom's labour relations approach and philosophy, the involvement of trade unions as material stakeholders is appreciated and embraced. Telkom has a recognition agreement with the Communication Workers Union and South African Communication Union (the Alliance) as a strategic business partner.

The Alliance has organisational and collective bargaining rights and is represented at business unit and Company forum structures. This includes the GCEO strategic briefing session's structure. Health and safety is a standing agenda item at the Company forum meetings. Telkom and the Alliance interact on national matters during these meetings.

Freedom of association

Telkom embraces the right to freedom of association. The Alliance made up of the Communication Workers Union (CWU) and South African Communication Union (SACU) is recognised at Telkom. There are three unrecognised unions (Information Communication Technology Union (ICTU), National Union of Metalworkers of South Africa (NUMSA) and Solidarity) with members at Telkom.

Permanent employees belonging to a union (%)

	FY2021	FY2022	FY2023
Telkom^{1, 3}	52	45	–
Telkom SOC²	–	–	25
yep!	26	–	–
open serve⁴	–	–	57
BCX	–	–	–
Gyro	32	30	28

Section 197⁴ transfers

The Group had two section 197 automatic transfers. The first was between BCX and Telkom SA SOC Ltd and the second was between Telkom SA SOC Ltd and Openserve Ltd as a wholly owned subsidiary.

Section 189 process⁵

Telkom has undergone various financial and operational challenges and the interim results demonstrated that Telkom Group, and Openserve and BCX as subsidiaries, are under financial strain. It showed that remedial steps are required across the Group and its subsidiaries to minimise the operational and financial performance slide. Telkom SA SOC Ltd, Gyro (Pty) Ltd, Openserve (Pty) Ltd, and BCX Ltd embarked on a judicious process to redefine their operating and service delivery models.

The restructuring process was necessary for Telkom's sustainability. All the Telkom companies issued notices in terms of section 189 of the Labour Relations Act on 14 February 2023, inviting the unions with members likely to be affected by the contemplated retrenchments for the set consultation process. The Alliance of CWU and SACU is recognised for organisational and collective bargaining rights at Telkom SA SOC Ltd, Gyro and Openserve Pty Ltd. As required by the law, and although Solidarity, ICTU and NUMSA have no recognition status and no organisational nor collective bargaining rights at Openserve (Pty) Ltd and BCX Ltd, they were invited to participate in the section 189 consultation process. For practical and financial reasons, given the small size of Gyro in terms of the number of employees, consultations in respect of Telkom SOC and Gyro take place jointly.

Group view of the S189 process

	Telkom SOC	Openserve	BCX
Total employees employed as at 14 February 2023	1 617*	5 679	3 783
Contemplated retrenchment	260	1 073	252
VSP/VERPs approved	241	679	245
Employees placed during manning and business as usual processes	130	2 081	327
Employees likely to be retrenched	36	466	65

* Telkom SOC and Gyro.

All the employees that have not been placed in the new organisational structures have exited as at 31 May 2023, except those whose exit dates have been delayed.

Employee engagement

The HR function is leading the employee engagement processes for the section 189 processes and established blended channels of communication for affected employees and non-affected employees. Each business unit has a tailored employee transition process and engagement portal.

The portal is adapted to the process and content is released as required so as not to overwhelm employees. The portal also ensures a central repository of information such as frequently asked questions, Company communications and wellness-related guidance for ease of access for employees and to reduce overall anxiety. The portal includes an interactive functionality that allows employees to pose questions. These are individually answered and consolidated into a "frequently asked questions" document.

¹ Telkom includes Openserve, Telkom Consumer and Corporate Centre.

² Telkom SOC includes Telkom Consumer and Corporate.

³ Telkom figure for FY2022 and FY2023 is inclusive of Yep!

⁴ During FY2023 Openserve became a separate legal entity and is now reported separately.

⁵ Section 189 of the Labour Relations Act permits an employer to dismiss employees for operational requirements. Before effecting such dismissals, the employer is required to consult with the affected employees or with their representatives or with the majority Union Representative. The act places an obligation on employers to engage in a meaningful joint consensus-seeking process in an attempt to reach consensus on, inter alia, appropriate measures to avoid and/or minimise the number of dismissals.



Supporting occupational health and safety and employee wellness

The Group's occupational health and safety vision is to provide a safe working environment and create a culture where every Telkom employee, service provider, contractor and supplier believes that zero incidents are achievable. Telkom's safety golden rules underpin this vision. These rules set out the foundation of the desired culture, expected safety behaviours, and performance standards within Telkom. They also enforce zero tolerance for non-compliance to safety standards, processes, and procedures.

We are pleased that Telkom had zero fatalities for FY2023 across all our operations, a total recordable injury frequency rate (TRIFR) of 0.61, and a lost-time injury frequency rate (LTIFR) of 0.51. This performance is the lowest in five years and reflects our commitment to safety and the significant progress towards zero harm.

Motion (slips, trips, and falls), gravity and motor vehicle accidents were the key drivers of safety incidents in FY2023. Root-cause investigations were undertaken for all accidents and incidents to prevent a recurrence. The primary focus for





FY2024 is driving individual safety responsibility through "Safety Starts With Me" and other targeted interventions. These will aim to promote individual safety risk assessments to reduce the key drivers of safety incidents.

BCX had a 0.27  LTIFR and 0.29  TRIFR in FY2023, and the safety incidents were mainly due to motion and motor vehicle accidents. The focus for FY2024 will be on deploying targeted interventions for the key safety incident drivers.

Safety, health, and environment training continued, focusing on rope access and fall arrest training for 120 attendees. First aid level training has recommenced to empower employees within the workspace to manage first aid, with 180 attendees completing the level 1 course.


COVID-19 update

A self-declaration process for COVID-19 vaccinations demonstrated that a significant percentage of employees are fully vaccinated or have had one dose of vaccination, which mirrors that of the South African population. The employee data and subsequent engagements with internal stakeholders led to Telkom withdrawing its mandatory vaccination policy and the mandatory nature of vaccine requirements to enter the workplace.

	FY2021	FY2022	FY2023	
Telkom ^{1,2}				
Total recordable injury frequency rate	0.76	0.79	0.61	
Lost-time injury frequency rate	0.56	0.70	0.51	
Fatal injury frequency rate	0.01	–	–	
BCX ¹				
Total recordable injury frequency rate	0.17	0.13	0.29	
Lost-time injury frequency rate	0.15	0.07	0.27	
Fatal injury frequency rate	–	–	–	

¹ Permanent employees only.

² Telkom includes Openserve, Gyro, Swiftnet, Telkom Consumer, Corporate Centre and Yepl.

 External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

Key focus areas in FY2024

Our key efforts will be supporting and sustaining employees and the Group post the restructuring process. The broad areas of concentration will include:

- **Engagement:** Re-engaging employees on the strategy and ensuring strategic alignment and accountabilities for roles, creating an engagement framework for the employee voice, enhancing employee connectedness, and embedding the hybrid model
- **Review of values and behaviours:** Co-creating values and behaviours to support a high-performance culture for the Group, and embedding an understanding of the behaviours that hinder and facilitate goal achievement
- **Accountability and consequence management:** Ensuring that people are held accountable and that there are visible consequences for poor performance, non-compliance, and unethical behaviour at all levels across the Group
- **Succession planning:** Reviewing succession pipelines across the Group, evaluating risks and suitable interventions as mitigations, and revising successors and associated readiness levels, including identification and planning around development areas
- **Recognition and incentivisation:** Incentivising employees through the performance management process, recognition through the recognition tool, behaviour champions, and embedding an understanding of "what good looks like"
- **Building capability:** Through engagement and the succession planning review, identify capacity constraints and plans to build skills. Strengthen the foundational skills required for the high-performance culture, i.e. coaching skills and mindsets, and EQ

Telkom's wellness focus will be on "whole health". The programme will help employees build resilience, develop their financial muscle to be better prepared, deal with change, depression and anxiety, and provide information on where to find help and support on marital and parenting issues.

Social and relationship capital



Telkom strives to create shared value for its business and society through strategic interventions that meaningfully impact the South African economy, creating social and commercial value.

Performance snapshot

KPIs and key measures

Number of SMMEs impacted or supported

Number of jobs created (direct and indirect)

R'million invested in digital skills programmes

R'million invested in the Telkom Foundation

Number of learners and teachers impacted

B-BBEE ratings

Employment equity plan targets

Diversification of procurement spend

Key strategic focus areas

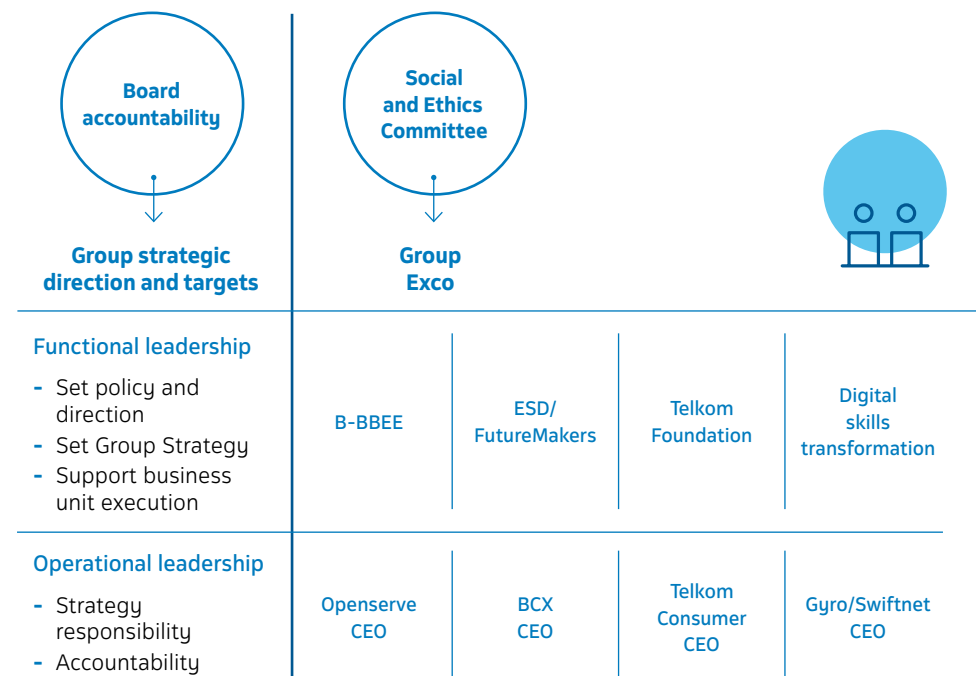
Diversify our supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs. This is a mitigating factor in managing supply chain risks

Digital skills development

Holistic school development and integrating ICT in schools

Governing social and relationship capital

The Social and Ethics Committee's oversight responsibilities include Telkom's transformation, B-BBEE and corporate social initiatives. The diagram below depicts the key accountabilities.



Supporting ESD: FutureMakers



FutureMakers aims to grow the digital economy by developing and investing in black-owned, high-growth enterprises that create jobs and economic outcomes within society and the Group. We do this by developing leading entrepreneurial programmes that:

- Invest in and incubate ICT businesses
- Provide access to the market through our supply chain
- Work with youth and female-owned businesses
- Promote inclusive innovation
- Promote localisation

FutureMakers' Programmes fall within two focus areas – diverse supply chain programmes and innovation programmes. Telkom has 102 SMMEs (FY2022: 112) and 218 BCX SMMEs (FY2022: 177) – of which 30 are registered on the BCX supply chain with contracts in place – on the various incubation and investment programmes, totalling 320 SMMEs (FY2022: 289).

FutureMakers has supported approximately 2 600 SMMEs since 2015.

The portfolio of SMMEs within Telkom (excluding BCX) has 66 536 jobs (1 439 direct and 65 097 indirect jobs). This increased from 27 275 jobs in FY2022 (772 direct and 26 503 indirect jobs). BCX SMMEs currently have 1 192 jobs created.

In FY2023, FutureMakers launched two new investment vehicles to enable further investments in SMMEs offering innovative solutions and in strategic SMMEs in our supply chain, in addition to the Telkom Future Fund.

- Refer to [page 73](#) for details on our R58 million investment in Aions
- In partnership with ABSA, we invested R39 million in strategic SMMEs in our supply chain to enable them to expand further and achieve localisation. We will continue to grow our investments in strategic SMMEs in our supply chain over the next five years collaborating with more partners

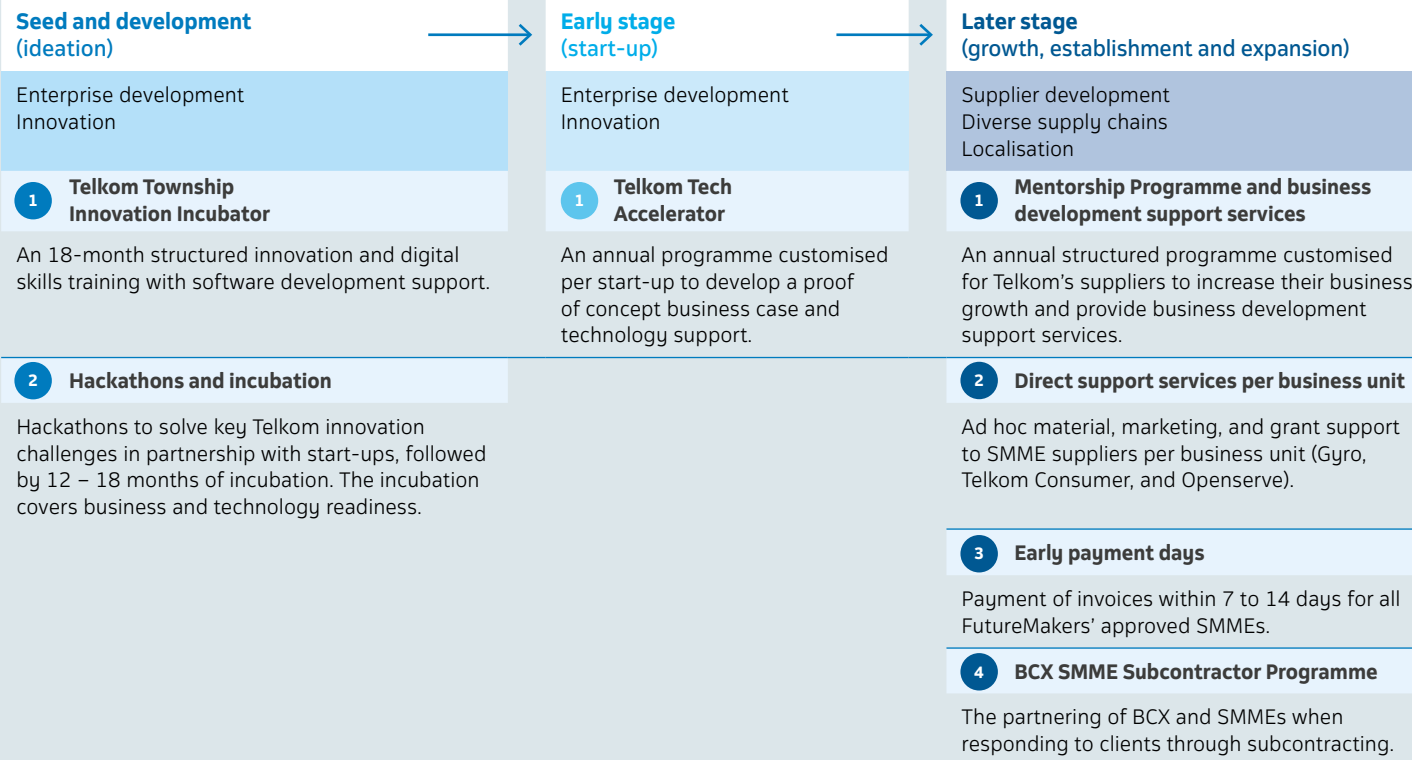
In November 2022, FutureMakers received an award for its investments in SMMEs during the Department of Small Business Development's inaugural Presidential SMME and Co-operative Awards. This award was in recognition of our R250 million investment in the Telkom Future Fund, with IDF Capital as our Fund manager.

In FY2023, we refined our programmes to ensure that they address the full start-up life cycle and that we focus our investment vehicles across all our programmes. The diagram alongside maps our programmes according to the start-up life cycle and classifies programmes according to our two focus areas.

Start-up life cycle stage:

Focus area:

Programme:

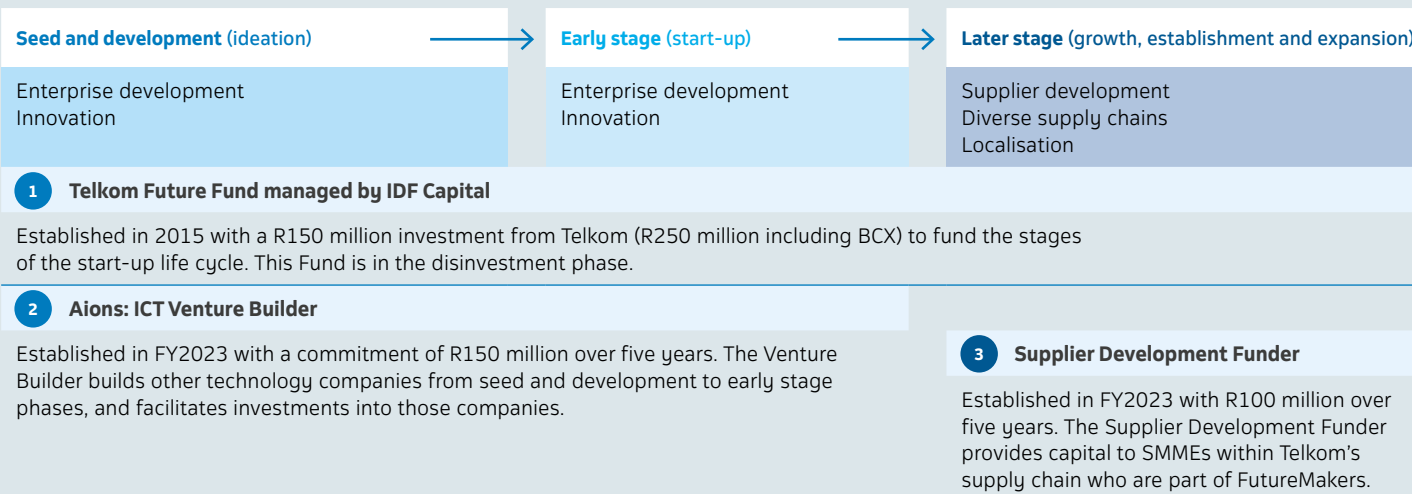


The diagram below maps the three investment vehicles across the start-up life cycle.

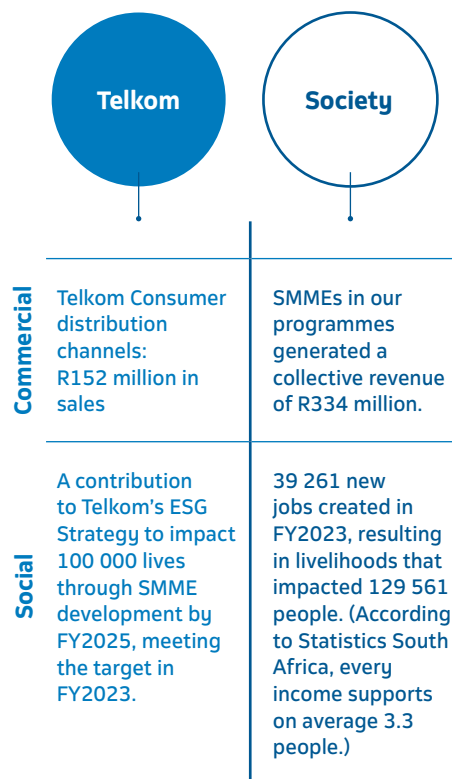
Start-up life cycle stage:

Focus area:

Programme:



Our investments in SMMEs and development programmes resulted in positive social and commercial outcomes for society and within Telkom in the following ways in FY2023:



Innovation case study



Digital technology is transforming unsustainable medicine and healthcare industries and systems into sustainable ones. It does so by levelling healthcare equity and providing faster and more cost-effective disease detection and management solutions. Although health technology precedes the pandemic, its visibility, funding and development were accelerated during COVID-19.

The increase in using wearable devices to monitor personal health with sophisticated software and apps has turned users into personalised health clinics. According to Deloitte Global, 320 million consumer health and wellness wearable devices were sold globally in 2022, and demand will likely reach nearly 440 million units by 2024 (Deloitte, 2021). It is projected that South Africa could be the next big market for smartwatches as adoption levels of wearable technology gradually increase as it becomes more widespread and affordable.

Telkom's Consumer Strategy is underpinned by data leadership while enriching our customers' digital lifestyle through innovation. These social and commercial priorities rely on partnerships and investments in a strong ecosystem of consumer services such as media, gaming, e-commerce and e-health.

A prime example of Telkom's impact investment is the funding and development of the African health technology start-up, Khoi Tech (Pty) Ltd, established in 2020. The Company is a benefactor of FutureMakers and specialises in consumer electronics and related software services.

Khoi Tech's premier offering includes the Khoi Afriwatch1 smartwatch with innovative health and sports features integrating modern technologies such as AI, IoT, blockchain and cloud computing. "Our vision is to democratise self-service vital health care monitoring. We want to contribute to the wellbeing of our customers and become the number one consumer tech brand in Africa," explains Seati Moloi, CEO and founder of Khoi Tech.

Khoi Afriwatch1 is ICASA tested and certified and comes with a one-year warranty. The smartwatch includes health features such as monitoring real-time heart rate, sleep, body temperature, body stress and blood oxygen levels.

After a comprehensive due diligence process, FutureMakers approved a R500 000 grant to Khoi Tech to fund the development of the prototype, which they launched in September 2022. Khoi Tech also received additional digital marketing support to boost sales on social media and e-commerce stores. The team has gained good traction since launching and achieved the below key milestones as at March 2023:

- R173 980 revenue over six months
- Four part-time jobs, increasing the employee complement to nine

CASE STUDY



- Showcasing at the Inaugural Telkom Tech Summit with the Minister of Small Business Development and the Gauteng Government Employee Wellness Imbizo and Provincial Treasury HOD summit
- Partnership with Makro to distribute Khoi Tech Afriwatch1 online
- Partnership with Vilakazi Health Care Group

With the rise in health-conscious consumers and smartwatch innovation moving from pure fitness tracking to overall wellness management, Telkom's investment in Khoi Tech places it in a good position to capture growing demand locally and claim market leadership.

Developing digital skills for the future



Skills development continues to be a major focus across the Group. The skills strategy, aligned with Telkom's strategy, aims to increase the digital skills pipeline and positively impact the South African economy. We aim to empower a pipeline of young people with future-ready skills to fuel innovation and contribute to the transformation agenda.

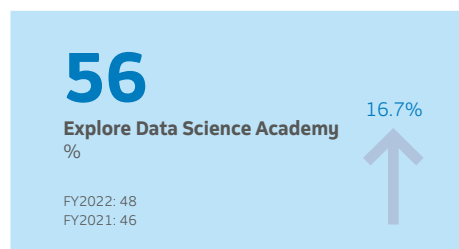
We invested R29 million in FY2023 (FY2022: R37 million) with our key programmes, the Explore Data Science Academy and WeThinkCode partnerships. This will support 600 students over a three-year period and secure a coding and data science talent pipeline.

We invested a further R15 million in other IT skills for people with disabilities.

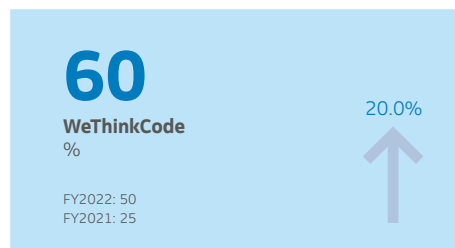
45% of the 2022 data science cohort was placed in fixed-term or permanent contracts, many in small and medium-sized businesses. This was driven by a conscious effort to infuse these skills in technology start-ups as engines of growth.

We made steady progress in improving the representation of women in our coding and data science cohort, as illustrated in the graphs alongside.

Female representation



External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.



Supporting our communities: Telkom Foundation



The Telkom Foundation's Social Investment Programme supported initiatives that empowered and enabled youth to build the requisite skills to be future-fit.

The Foundation invested in programmes focused on improving teaching and learning in science, technology, English and mathematics (STEM) as gateway subjects to accessing science and technology post-schooling studies and future economic opportunities.

The Foundation expanded its programmes to support unemployed youth to reskill them through training programmes accredited by the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA). This enabled them to access employment and entrepreneurial opportunities in the ICT sector.

The Foundation invested R64 million (including administration costs), with R26 million invested in education, R20 million in digital skills and R7 million in social development programmes (FY2022: R76.8 million).

The learners supported by the Foundation since 2018 (Grade 8) through the integrated High School Support Programme, reached Grade 12 at the end of the 2022 academic year.

The 4 496 learners sat for matric exams and achieved a 77.4% pass rate, with 43.2% achieving bachelor passes and 35.6% achieving diploma passes. The programme contributed 2.3% towards Gauteng province's bachelor passes and 0.6% towards national bachelor passes. The Group achieved 870 distinctions, contributing 0.4% towards the national number of distinctions.

Recognising the challenges that Grade 12 learners face with transitioning to post-school studies, the Foundation provided them with a facilitated and structured programme to help them apply for and secure post-school study opportunities. Telkom provided 25 of these learners with bursaries for their tertiary studies. This is in addition to the 21 learners already supported with bursaries by Telkom from the 2021 class.

By providing academic support nationally, the Foundation continued to support the zero-rated Telkom Lightbulb Education platform, providing 21 430 learners with online access to interactive content of basic education. Of these, 4 828 learners accessed the platform through learning devices and mobile connectivity provided by the Foundation.

The programme continued to invest in digital skills by introducing learners to various technologies, including robotics, systems development, fintech and blockchain. The Digital Skills Programme reached 300 high school learners in the Free State and Mpumalanga provinces. They are undergoing a three-year certificated programme in addition to their Grade 12 certificate.

In light of the many challenges learners face, the Foundation continues with its Psychosocial Programme to support learners needing counselling. The programme also identified and addressed patterns of social issues emerging and impacting young people in the communities we serve. To date, awareness sessions have been conducted on various issues and relevant topics within the 22 Foundation-supported schools in Tshwane West in Gauteng and Gqeberha in the Eastern Cape.

Telkom is responsible for contributing to the socio-economic environment as part of our licence to operate. The Foundation drives partnerships with communities to contribute to Telkom's corporate citizenship status. In delivering on this, the Foundation contributes to SDG 4 (Quality of Education) and Telkom's ESG Strategy.

Supported through counselling

Childline partnership in Tshwane
732 learners

FAMSA partnership
193 learners

National Childline and Lifeline telephone counselling

Reached with awareness programmes

34 127 learners

1 371 learners

Reached **289 990** people

The Foundation also continued with the Youth Digital Skills Programme, focusing on reskilling unemployed youth with MICT SETA accredited ICT training and job experience. The programme benefited 542 youth placed in Telkom and various government departments and SMMEs. This includes a group of 120 youth who are part of the Foundation's partnership with the Gauteng Department of Education's Gauteng City Region Academy. This partnership programme reskills unemployed youth and places them in schools with ICT resources to provide IT helpdesk assistance.

Continued commitment

Telkom's investments in sustainable programmes demonstrate its commitment to uplifting communities. It has contributed to improved science and mathematics uptake, teaching practice and classroom management, enhancing teaching and learning, giving ICT access to unreached schools, and empowering unemployed youth with ICT and other future skills.

Over the last three years, the Telkom Foundation has invested in the following areas:

- R91.8 million invested in education, focusing on maths and science teaching and learning, teacher development, and integrating technology in teaching and learning
- R56.3 million invested in providing digital skills to learners within basic education and unemployed youth
- R20 million invested in social development in areas of counselling and awareness campaigns, support during national disasters, and alleviating various social ills

Supporting B-BBEE

BCX

BCX attained a Level 1 B-BBEE Contributor Status, moving up from the previous year's result. BCX improved on most of the elements on the scorecard, specifically in the procurement recognition level, which increased from 125% to 135%. Full points were achieved for Enterprise, Supplier and Socio-Economic Development. BCX had an increase in Black female representation at Board level.

Telkom

Telkom achieved a Level 1 B-BBEE Contributor Status. Telkom improved on most of the scorecard's elements particularly Skills Development with the permanent hiring of some CoE graduates by Openserve and the inclusion of certain students who took part in the ICT Graduate Programme in Consumer Business. We now have a 135% recognition level for our procurement recognition level, up from 125%.

B-BBEE ratings

Scoring element and weighting points	FY2021	FY2022	FY2023
Telkom			
Ownership (25)	17.08	18.52	19.32
Management control (23)	16.66	17.81	18.21
Skills development (20)	17.06	19.36	23.47
ESD (50)	47.41	44.13	47.06
Socio-economic development (12)	11.92	12.00	12.00
Total (130)	110.13	111.82	120.06

BCX

Ownership (25)	17.08	18.52	19.32
Management control (23)	15.82	16.17	18.71
Skills development (20)	20.67	19.18	19.36
ESD (50)	49.47	50.60	50.68
Socio-economic development (12)	12.00	12.00	12.00
Total (130)	115.04	116.47	120.07

Procurement with black-owned businesses

Category	FY2021 R'billion	FY2022 R'billion	FY2023 R'billion
Overall spend with black-owned enterprises	29.87	28.69	28.72
Spend with black-owned small enterprises	1.51	2.09	3.08
Spend with black-owned large enterprises	28.35	27.92	25.64
Overall spend with black women-owned enterprises	7.02	11.03	11.00



Key focus areas in FY2024

Our Telkom FutureMakers Enterprise and Supplier Development Programme remains committed to diversifying and ensuring resilience in our supply chain. The following remain our focus areas:

- Increasing and supporting our partnerships and spend with diverse SMMEs, while providing them with access to market;
- Supporting SMMEs towards growing sustainable and scalable businesses through our tailored programmes and partnerships, while accelerating innovation in the technology sector;
- Providing programmes that support suppliers of the future in line with the business unit requirements and our Innovation Strategy; and
- Contributing towards development and growth of small businesses to build financial and operational capacity, while enabling job creation mainly for unemployed youth.

Natural capital



Telkom strives to create shared value for its business and society through strategic interventions that meaningfully impact the South African economy, creating social and commercial value.

Performance snapshot

KPIs
and key
measures

Scope 1 and 2 emissions

Water consumption

Key
strategic
focus areas

Energy-efficiency initiatives

Power factor correction

Tariff optimisation

Renewable energy

Smart meters

E-waste recycling

Highlights for FY2023

In April 2022, we commissioned a 168 kWp solar PV plant at our Bellville site. Other highlights for the year included:

- Completing the LED lighting installation project for Telkom Park, Bellville and 60 of our exchanges
- Decommissioning of our legacy equipment assisted in reducing our CO₂ emissions
- The ongoing installation of lithium batteries as backup power as an alternative to using diesel generators in power outages

Compliance

We monitor compliance with environmental statutes and by-laws through site inspections, audits and regular reviews of our procedures and operations.

There were two National Environmental Management Act, 107 of 1998 (NEMA) section 30 incidents reported for FY2023 for diesel spillages at Telkom New Doornfontein, Gauteng and Koelenhof ETE, Stellenbosch. The two incidents triggered the reportable threshold as per NEMA guidelines on the administration of incidents. The incidents were reported within the stipulated timeframes to relevant competent authorities/regulators and we implemented the mitigation measures as per their recommendations.

In terms of the Energy Performance Regulations¹ No 43972 of 2020 under the National Energy Act, 34 of 1998, which benchmarks the energy performance of certain buildings, 13 Telkom sites triggered the 2 000 m² threshold. Certification of these buildings is ongoing. In December 2022, the Department of Energy and Mineral Resources extended the compliance deadline by three years to December 2025.

The Department of Environmental Affairs promulgated phasing out ozone-depleting substances in 2014. The regulation outlines 2020, 2025 and 2030 requirements for phasing out and managing ozone-depleting substances. From 2016 (baseline year) to date, we reduced our R22 gas from 97 tonnes to 36 tonnes (FY2022: 39 tonnes) by decommissioning 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 4 tonnes.

Driving energy efficiency and provision of alternative energy



Power outages have become common in South Africa in recent times. As a result, the Group responded from both a tactical and strategic perspective to keep the lights on and, in the long run, minimise the adverse effects of power outages and create efficiencies.

It is important that Telkom develops a strategy to focus on crucial asset classes where business interruption would significantly impact contractual obligations and customer experience. The strategy will provide the Group with a tool for coordinating actions and efforts and promoting transparency among all interested stakeholders.

¹ Energy Performance Certificate means a certificate issued by an accredited body in respect of a building in accordance with the South African National Standard SANS 1544: 2014 Energy performance certificates for buildings, published by the South African Bureau of Standards in terms of the Standards Act, 8 of 2008 that indicates the energy performance of that building.


TCFD Refer to [page 91](#) in our TCFD report for more detail.

Reducing Telkom's carbon footprint



Scope 2 emissions relate to the energy consumed from the national grid. In South Africa, the national utility has a high grid emissions factor due to the reliance on coal-fired power generation technology. Scope 2 represents 88% of Telkom's carbon footprint.


Scope 2 emissions decreased by 22.3% due to a decrease in energy consumption as a result of terminating about 2 000 sites.

85 100 


Scope 1

Contribution to total carbon footprint per scope for Group CO₂e

53.4%




FY2022: 55 466
FY2021: 50 695

619 640  **Scope 2**

Contribution to total carbon footprint per scope for Group CO₂e

22.3%



FY2022: 797 316
FY2021: 578 225

Therefore, FY2022 has been restated at 738 255 933 kWh with a resultant adjustment to Scope 2 emissions, also restated at 797 316 tCO₂e. (9)

- Utilisation of actual consumption data, where a large part of the consumption footprint is retrieved directly from source invoices via AI programmes such as optical character recognition (OCR)
- Installation of smart check meters at the high consuming sites

Managing Telkom's water consumption



Water consumption decreased by 6.7% due to the cost optimisation termination project.


930 900 

**Total water consumption
for the Group**
kilolitres

6.7%



FY2022: 997 617
FY2021: 1 040 535

 External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.

The following water-saving initiatives are planned for FY2024:

- Telkom Park water harvesting project
- Borehole drilling at three sites in Eastern Cape Nelson Mandela Region
- Water harvesting on 5 sites in Eastern Cape Nelson Mandela Region

Responsibly managing hazardous waste



Our business activities, products and services lead to high volumes of e-waste, i.e. batteries, copper cabling, phones and electric equipment. It is our most environmentally impactful waste stream, internally and across our value chain. Telkom recycles its e-waste and there was a notable increase in FY2023 through Openserve's ongoing legacy equipment decommissioning project.

Telkom has substantial opportunities to decrease its negative impact by recycling end-of-life products, such as SIM cards.

The increased availability, affordability and consumption of electronic products have generated increased volumes of e-waste. It is the largest growing waste stream in South Africa.

We sell copper recovered from recycling processes through a third-party contractor who is paid for the services when they sell the recovered copper. We sell our cabling to a leading e-waste recycling organisation, which processes the cabling by using environmentally and socially responsible techniques (that do not use chemicals or burning).

This sensitive, labour-intensive process provides employment to an Eastern Cape rural community, where some families rely on this project as their sole source of income.

Telkom Consumer launched a Device Trade-in Programme in November 2022 with two mobile manufacturers (iPhone and Samsung). Trade-in programmes help optimise sustainability by reusing and recycling technological devices. Refurbishing devices increases the device's lifespan, and more users benefit from the same device over an extended time. The programme is gaining traction.

Telkom recorded a 188.8% increase in e-waste recycling for FY2023, mainly due to Openserve's ongoing legacy equipment decommissioning project.

5 400

E-waste recycled tonnes

FY2022: 1 870
FY2021: 1 000

188.8%



	Project	Update
1	Total building optimisation, including air conditioning and air-flow optimisation	- Project deferred to FY2024
2	Audit for water harvesting and borehole drilling at Telkom Park	- Borehole drilling was not feasible due to dolomite in the area - Rainwater harvesting was selected as preferred project
3	Power factor correction (PFC)	- Phase 2 PFC installation on 12 sites completed in FY2023
4	Battery technologies	- Installed batteries on 317 sites
5	Lighting and sensors	- LED energy-saving lights were installed at Telkom Park, Bellville and 60 high energy consuming exchanges (ETEs) sites
6	Solar photovoltaic (PV) energy plant commissioning in Telkom Park and Bellville Complex	- A 168 kWp solar PV plant for Bellville was commissioned in April 2022 and is in operation - Telkom Park's 1 MW solar PV project was deferred to FY2024 due to a delay in Small Scale Embedded Generation approval

Key focus areas in FY2024

Energy projects:

- Telkom Park's 1 MW solar PV installation will commence in FY2024
- LED lighting for 32 additional sites
- Installation of 52 water smart meters

The Telkom Park rainwater harvesting project will also be a focus in the coming year.

Interventions for day zero in the Eastern Cape:

- Borehole drilling at Linton Grange, Walmer ETE and Sidwell ETE
- Procuring water storage tanks for 15 sites
- Water harvesting on five sites

Innovation in the Internet of Things



Gyro successfully implemented the first phase of the next-gen property management strategy. This aggregated their smart devices or IoT devices onto an IoT platform for efficient management and monitoring of facilities.

The implementation of the digital infrastructure layer was a crucial component of this technology solution and architecture. It enables preventative and reactive maintenance, and efficient facility management. Despite some challenges faced during the execution of the project, the project phase was completed.

Gyro successfully onboarded over 50 000 devices and tags across 54 sites and 297 utility meters for top-consuming sites, meeting the initial targets for the acquisition and implementation of the Gyro Digital Platform solution. The migration of existing devices monitored by third parties was also successfully completed.

This strategy will allow Gyro to proactively manage its facilities, make informed property facilities management decisions and have control of data and the insights generated from monitoring devices, resulting in cost benefits derived from digital monitoring. Furthermore, this will lead towards a revenue-generating model utilising next-generation capabilities.

The next phase of the project will include operationalisation, integration with other key systems, and possible extension to other sites. This will enable further enhancements to facilities management capabilities, including upgrades to core applications, analytics and business intelligence, security and information security, finance, accounting, billing, integration, and infrastructure.

Task Force on Climate-related Financial Disclosures

The TCFD aims to improve the transparency of climate-related risks and opportunities so that investors and other financial capital providers can make informed decisions on where to deploy their capital.

Approach

Telkom needs to improve its understanding of the long-term climate-related risks and opportunities. We incorporated disclosure recommendations regarding risk, strategy and governance in FY2021. In FY2022, we adopted the metrics and targets in the disclosures, and plan to have a standalone TCFD report by FY2025.

In FY2023, Telkom signed the Science Based Targets initiative (SBTi) commitment. Telkom joined visionary corporate leaders in taking ambitious climate action by setting a net zero target in line with a 1.5°C future. Telkom is committed to setting a science-based emission-reduction target aligned with SBTi's target-setting criteria.

Governance

The Board is responsible for overseeing risk and compliance (including climate-related topics) across the Group, and climate change has been a standing topic on the Board agenda since FY2022. The Group Exco and the Risk and Social and Ethics Committees monitor and advise the Board on matters related to climate change.

The highest responsibility for climate change-specific matters rests with the Social and Ethics Committee (and Risk Committee, where applicable). The Committee monitors Telkom's activities regarding organisational ethics, responsible corporate citizenship, ESG, sustainable development and stakeholder relationships. This is done by considering any relevant legislation, prevailing codes of best practice, including safety, health and environment (including climate change), and stakeholder demands and requests on ESG disclosure. The Risk and Social and Ethics

Committees comprise various Non-executive and Executive Directors, including the Group CEO and Group CFO. Refer to [page 94](#) in our corporate governance report.

Telkom appointed Ms Ipeleng Selele, who has competence on climate-related issues, to the Board. We acknowledge the importance of having a Board with the relevant competence on climate-related matters, especially given our net zero targets.

The Board, Social and Ethics Committee and Group Exco approved the Group's ESG Strategy in FY2022. As part of the approved strategy, Telkom committed to becoming carbon neutral by 2035 and achieving a net zero status by 2040. Refer to [page 49](#) for the full ESG Strategy.

Climate change, specifically extreme weather conditions, remains a material matter following various engagements and processes within the Group Exco and the Audit Committee and approval by the Board. Refer to [page 26](#) for our material matter determination process and outcomes.

The Social and Ethics Committee facilitated Telkom's adoption of the TCFD framework and is responsible for monitoring and overseeing TCFD activities. The Risk Committee is responsible for monitoring and assessing TCFD-related risks.

Telkom has an annual disaster budget that we can use in extreme circumstances, including if a climate-related disaster occurs, as approved by the Board. The Board can also increase the disaster budget if extreme events occur during the reporting year that the disaster budget does not cover.

Strategy

Telkom's purpose is to seamlessly connect our customers to a better life. Therefore, our risk identification process considers climate change-induced changes such as changing rainfall patterns and increasing temperatures (resulting in heat stress). These negatively affect our service delivery capabilities and customer experience.

We are considering the effect of climate-related risks and opportunities on our products and services in the short term. We did not perform a scenario analysis in FY2023, as originally planned. We intend to do this in FY2024, which may extend our considerations into the medium and long-term.

Telkom has identified the following key and climate-related risks and opportunities:



Climate-related risks

- The second phase (2023 onwards) of the introduction of carbon tax legislation is expected to have an impact on Telkom due to the potential broadening of the tax base to include scope 2 emissions
- The increasing severity and frequency of extreme weather events, such as floods and cyclones, are 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, such as acute winter rains in the Western Cape, can increase our vulnerability to network down-time and faults
- A rise in temperature can increase the air conditioning energy consumption requirements in our data centre and offices, which may potentially place stress on water resources



Climate-related opportunities

- On-site solar energy generation can reduce operating costs, vulnerability to loadshedding and carbon tax liability
- Sensor technologies and LED lighting can reduce energy consumption and costs
- Increased resource efficiency can reduce operating costs and carbon tax liability, especially through improved building energy consumption. A green star rating can enhance Telkom's reputation
- Efficient water consumption can reduce operating costs, mitigate possible drought impact, and reduce possible shortages that could impact water-cooled IT infrastructure
- Arranging sustainable finance may lead to cheaper financial capital ring-fenced to sustainability projects that reduce natural capital impacts

An example of the climate-related influence on our products and services is our response to network backlogs created during the winter rainy season in the Western Cape. Telkom relocates employees from the unaffected regions to these regions during this period to service the network faults caused by prolonged rainfall periods and assist with the higher workload. If the affected regions cannot cope, service provider resources and Openserve technicians are allocated from other unaffected regions to assist with the workload. The additional support employees are paid relocation stipends for the inconvenience of working away from their homes. These additional costs are already built into the backlog plan's operational expenditure.

Sustainable cost management is a key strategic objective, including by enhancing operational efficiencies through energy-efficiency initiatives, among others. Therefore, we appointed an energy expert to develop and implement an energy management strategy and invested (and continue to invest) in various energy-efficiency projects. The online real-time energy consumption monitoring is progressing with smart meters installed at 269 sites. Online tracking is in progress. A further 200 sites will have installed smart meters in Phase 2 in FY2023. 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 commence in FY2024.

We conducted a gap analysis on implementing an energy management system at Telkom Park in pursuit of achieving ISO 50001 energy certification. We started installing power factor correction¹ at high energy-consuming sites to stabilise energy demand and reduce power system losses. Refer to [page 90](#) for further projects and focus areas.



Risk management

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 across the Group. Refer to [page 37](#) for more insight into ERM processes, accountabilities, and emerging and strategic risks. Regulatory, reputational and physical risks are identified and assessed annually and are considered three to six years into the future. Our Group integrated assurance framework identifies, assesses, monitors and reports the Group's complex risks and opportunities.

Through our ERM processes and our material matter determination process ([page 26](#)), the Board takes overall ownership of overseeing risk and ensuring compliance across the Group, with support from Group Exco and the Audit and Risk Committees.

Climate change, specifically extreme weather conditions, has been a material theme since FY2021. To protect our business and the environment, Telkom must mitigate and adapt to climate change impacts and responsibly use our resources.

Telkom manages climate-related risks and opportunities within the business functions where they are identified. However, all major climate-related risks have response plans that specify the trigger thresholds (related to the severity of the impact) where higher levels of management should get involved. Our Group Emergency Management Team (GEMT) structure reports to the Group Exco and manages risks that significantly impact business-as-usual and the execution of Telkom's strategy (i.e. the highest trigger threshold). The structure's mandate is to ensure continuity of service delivery through infrastructure, buildings, equipment, processes and human capital to guarantee the implementation and effectiveness of defined emergency management procedures.

We continued to strengthen Telkom's ability to respond to disasters, including extreme weather (i.e. effects of storms and floods on the network), as part of our risk and compliance transformation journey towards a risk-intelligent Group. This included an improvement in the Group's risk and compliance culture; an enhanced senior leadership setting of tone by demonstrating and taking accountability for any matters of governance, risk and compliance; embarking on exploring predictive analysis or a futuristic approach for risk management; and strengthened opportunity management and collaboration across the Group.

Metrics and targets

Telkom reports its carbon footprint according to the Greenhouse Gas Protocol. This is a global standard for developing an emissions inventory and carbon footprint. Refer to [page 88](#) for Telkom's Scope 1 and Scope 2 emissions disclosure.

Climate-related risks and opportunities are part of our wider ESG performance. Our focus is on managing and reducing our negative environmental impacts and improving our organisational resilience. We use a variety of metrics to measure the current and potential impacts including GHG emissions, energy consumption, water consumption and waste generation.

The Group's carbon footprint has increased due to the disclosure of our scope 3 emissions. Within the approved ESG Strategy, we have developed a reasonable three-phase approach to determine appropriate climate change-related activities. In effort to begin disclosing the Group's scope 3 greenhouse gas (GHG) emissions within both internal and external company reporting, we completed the following:


- The development of a scope 3 GHG emissions accounting methodology
- Quantification of the Group's scope 3 GHG emissions for 2022.

Telkom will carry out a risk assessment to enhance our understanding of the transition risks and opportunities in FY2024.

	FY2023 Targets	Comments
Scope 1 emissions	Reduce Scope 1 emissions by 4.2% linear annual reduction rate	Aligned with Science Based Targets initiative ambitions
Scope 2 emissions	Reduce Scope 2 emissions by 4.2% linear annual reduction rate	Aligned with Science Based Targets initiative ambitions
Water consumption	–	No actual target was set for FY2023 water consumption. The planned water-saving initiatives will be implemented in FY2024. Borehole drilling in Telkom Park (a high-water consuming site) was proposed for FY2023. The City of Tshwane did not approve the borehole drilling due to dolomite in the area.
E-waste recycled	2 068 tonnes	There was an increase in e-waste recycling (5 400 tonnes) due to the legacy equipment decommissioning project.

¹ The process of compensating for lagging current by creating a leading current by connecting capacitors.

Goal statement	Goal substatement	Progress in FY2023	Priorities in FY2024
Carbon neutral by 2035 	100% reduction in Scope 1 and 2 emissions	<p>Scope 1 emissions increased due to an increase in diesel consumption for standby generators to mitigate loadshedding.</p> <p>Scope 2 emissions decreased due to a decrease in energy consumption as a result of terminating about 2 000 sites.</p>	<p>Upgrade energy security measures for reliability using battery storage solutions rather than diesel generators and increasingly using solar PV to charge batteries rather than grid supply.</p> <p>Improved tracking and increased budget expenditure on projects identified in the sustainability roadmap.</p>
	Migration from fossil fuels to only comprise 50% of energy use by 2030	On-site solar rooftop installations are underway. Energy-efficiency measures reduce consumption. Redundant legacy equipment was decommissioned.	Increased focus on solar PV and feasibility of alternative large-scale generation such as quad generation. Ongoing energy-efficiency initiatives reduce the carbon footprint.
	100% of energy use from renewable sources by 2035		
	Migration from R22 refrigerant gases by 25% in 2025 and 100% by 2035	At year-end, there was 36 tonnes  of R22 gas in the HVAC system.	Plans are in place to further reduce R22 gas in FY2024.
Net zero by 2040 	Determine Scope 3 emissions from use of sold products	Appointed a third party to help develop a scope 3 baseline, which was completed.	Develop a target(s) for scope 3 emissions.
	Encourage recyclable and biodegradable materials	Developing a Group waste strategy that incorporates circular economy.	Finalise the Group waste strategy.
	75% reduction in waste to landfill by 2030		
	50% reduction in potable water consumption by 2030	Identified water-saving initiatives, e.g. water harvesting and borehole drilling, and the business cases are in place.	Implement water-saving initiatives as per the approved business cases.
	Carbon offsets for unavoidable emissions	Long-term initiative, to be considered once Group assets are optimised and on-site opportunities are exhausted.	Factored into long-term initiatives in the sustainability roadmap.

 External moderate assurance on selected Key Performance Indicators – Please refer to the FY2023 [Independent Assurance Report](#) available online.



TRANSPARENCY AND ACCOUNTABILITY

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Corporate governance report

The Board considers good governance to be essential in Telkom's operations to ensure efficiency, effectiveness, transparency and accountability. Telkom's governance ethos, which is reflected through our strong leadership, ethical behaviour, effective risk management and compliance with laws and regulations, assists Telkom to achieve its goals and enhances its reputation in the market.

The Directors confirm that Telkom complies with the:

- Provisions of the Companies Act, 71 of 2008 (as amended) (Companies Act)
- JSE Listings Requirements
- Codes of good corporate governance
- Memorandum of incorporation and all relevant constitutional documents

An effective Group governance framework

Our Group governance framework is reviewed as and when required to ensure that it continues to be fit for purpose, establishes clear roles and responsibilities and enables effective decision-making and strategic compliance. The framework was reviewed in March 2023 to include, among others, an updated Group structure post the carve-out of Openserve into a subsidiary, and the revised composition of subsidiary boards to achieve diversity and inclusion.

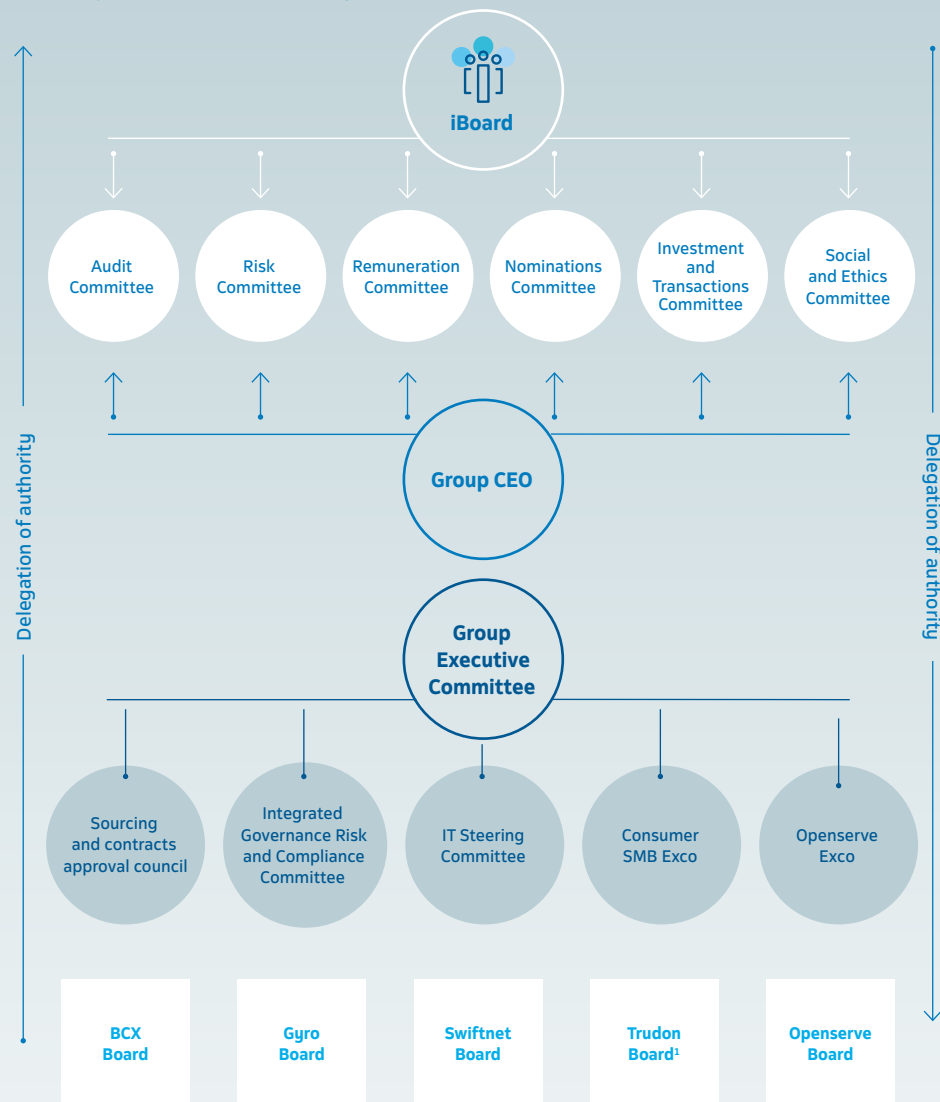
The framework is continually embedded in the Group and its subsidiaries to ensure alignment, standardisation and consistent application of sound governance principles.

The provisions and guidelines set out in the framework assist the Group in mitigating known governance breaches and possible reoccurrences. These are underpinned by:

- The focus on corporate social responsibility and enhanced responsibility towards the Group's stakeholders
- The Board's increased focus on ESG matters and embedding the ESG Strategy within operations
- The King IV governance enhancement areas, including embedding an ethical culture, IT governance, ERM and supplier contract management

The framework's content is subject to the statutory and regulatory environment where the Group operates. This includes the JSE Listings Requirements, the Companies Act, the memorandum of incorporation (MOI) and King IV. For the [King IV application report](#), refer online.

Delegation of authority



The Board understands and accepts its responsibility as the custodian of corporate governance in the Group. The governance structures provide for delegating the Board's authority while maintaining effective monitoring and oversight. The Board, through the approved delegation of authority (DoA), ensures effective coverage and legitimacy while ensuring that good performance is delivered and sustained.

The Group DoA grants management the required agility to deliver enhanced performance, the Group's strategic objectives, and provide operational flexibility. It embeds effectiveness and agility in decision-making activities within the approved risk framework. The subsidiary DoAs align with the principles of the Group DoA and are continuously monitored for efficiency. In FY2023, an Openserve DoA was developed to give effect to its new juristic personality status, and was approved by the Openserve Board for implementation.


The Board is satisfied that the provisions and parameters in the DoA support a balance of power, authority, and sufficient role clarity while promoting an agile and evolving business environment that enables management to act and perform.

¹ Trudon is in the process of being divisionalised and deregistered and will no longer be a subsidiary once the process is finalised.

The Board Committees assist the Board in discharging its duties and responsibilities. We amended each Committee's terms of reference to align with best governance practice and our ESG Strategy. From time to time, we review our governance practices against the King IV provisions and introduce further enhancements.

The Board approved amendments to the Committees' terms of reference and the Board charter in FY2023. The amendments included, among others, the application of ESG frameworks adopted by the Board and the responsibilities of the respective Board Committees regarding ESG oversight. The most comprehensive amendment was to the Social and Ethics Committee due to the maturity and evolution of its role over the years.

The Board formally established an independent Board (iBoard) as a governance structure on 18 August 2022 with the approval of its terms of reference. The iBoard was established in terms of the Companies Act and the Takeover Regulations to perform all and any acts and take all and any decisions which may be performed by an independent board pursuant to any proposed transaction that may be presented to the Company from time to time.

 To measure the effectiveness of our King IV applications, the Telkom Group's Internal Audit (TGIA) team conducted its annual governance and ethics audit, considering the King IV enhancements and implementation plan. The team issued a clean audit report.

The 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 feeds into the Board and its Committees. Group Exco comprises the Executive Directors and all CEOs of subsidiaries and operating division as Members. The Chief Audit Executive, Chief Legal Counsel, Group Company Secretary, Group Treasurer, Head of Communications, Head of Investor Relations, Head of Innovation and Transformation and Head of Strategy are permanent attendees to the Group Exco meetings.

During FY2023, Group Exco received updates and training from independent service providers on various topics such as the social and political outlook, market feedback, the economic outlook, merger processes and conditions, macro-economic view and telecommunications impact, and Telkom's investment case.

Diverse and competent leadership

The Board is adequately skilled and experienced. It is committed to practising good corporate governance principles to successfully deliver Telkom's strategy. The Directors ensure that the business activities are enhanced to foster an ethical culture, good performance, legitimacy and effective control.

From 01 April 2022, the Board largely resumed in-person meetings. However, we have a hybrid system for circumstances in which Directors cannot attend in person.

The Nominations Committee assists the Board in identifying suitable candidates for the Board and makes appointments in line with the determined appointment process, taking into consideration the Board's diversity policy and the skills requirements at any given point in time.

The former Chairperson's intention to step down as an Independent Non-executive Director and Chairperson of the Board by 31 March 2023, was announced on 23 November 2022. Subsequently, Mr Mvuleni Geoffrey Qhena was appointed as an Independent Non-executive Director on 27 March 2023 and Board Chairperson with effect from 01 April 2023.

The Directors' curricula vitae do not include all Directorships and dormant entities. We have disclosed public and JSE-listed entities where substantive time will be required. Detailed curricula vitae of the Board Members are available [online](#).

The roles of the Chairperson and GCEO are separated, and the Chairperson is classified as an Independent Non-executive Director.

Non-executive Directors

as at 31 March 2023

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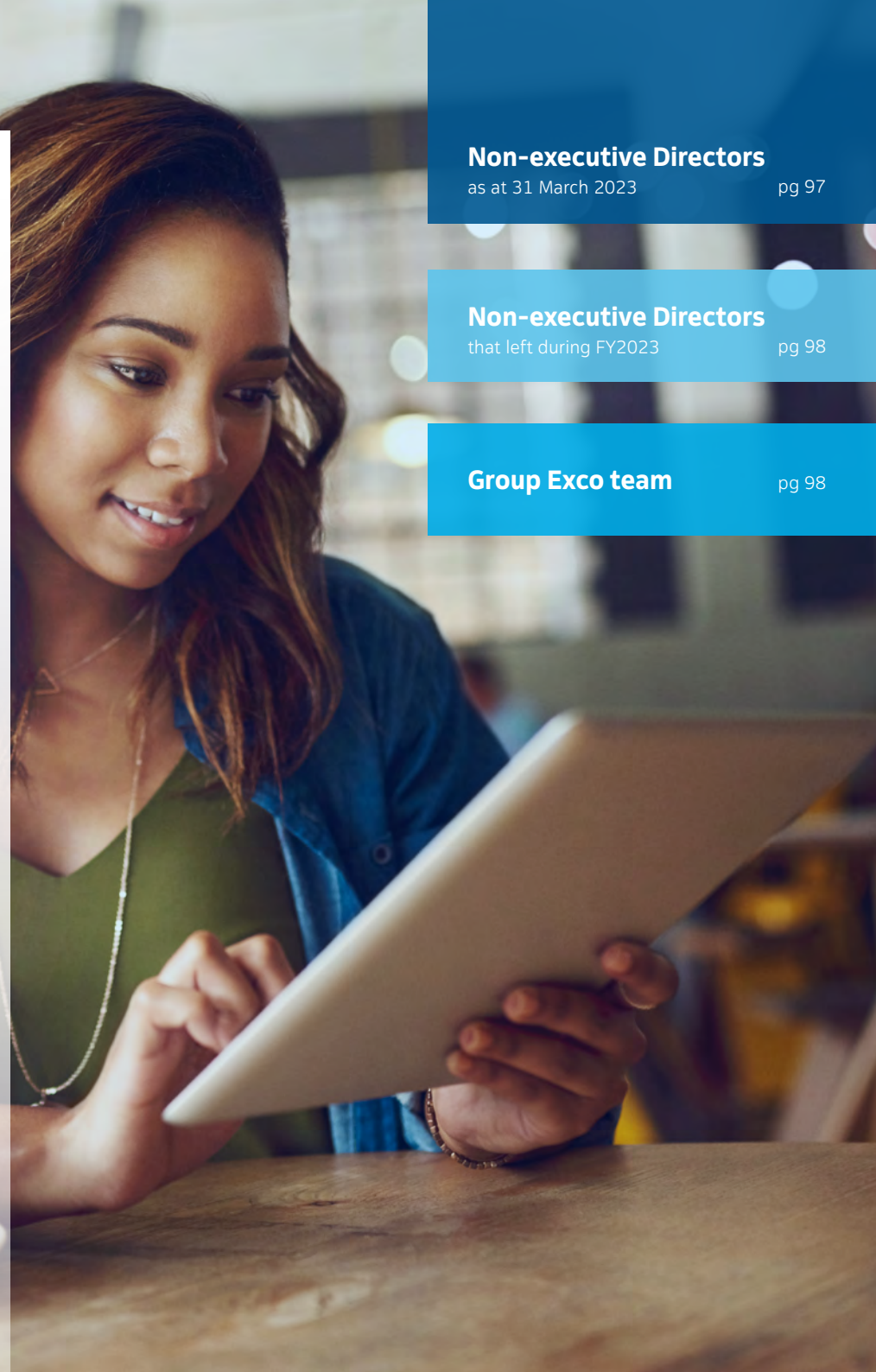
Non-executive Directors

that left during FY2023

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Group Exco team

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Non-executive Directors

as at 31 March 2023

**MS Moloko
(57)**



(Chairperson)

Appointed:
20/03/2018

Principal skills: Business leadership, investment management, and mergers and acquisitions

Other directorships: Nelson Mandela Foundation, M&G Investment, Thesele Group (Pty) Ltd, Absa Group Ltd

**MG Qhena
(57)**



(Incoming Chairperson)

Appointed:
27/03/2023

Principal skills: Accounting, auditing, business leadership, corporate finance, governance and mergers and acquisitions

Other directorships: Exxaro Resources Ltd, Investec Bank Ltd

**N Ford-Hoon
(55)**



Appointed:
01/11/2022

Principal skills: Auditing, accounting, corporate finance, governance, human resources, marketing, policy, regulatory, risk management, and strategy

Other directorships: SA Corporate Real Estate, Independent Regulatory Board for Auditors and Knysna Initiative for Learning and Teaching

**O Ighodaro
(60)**



Appointed:
01/07/2021

Principal skills: Business leadership, corporate finance, mergers & acquisitions, private equity risk management and strategy

Other directorships: Old Mutual Ltd, Old Mutual Life Assurance SA, Sabvest Capital Ltd

**B Kennedy
(63)**



Appointed:
15/07/2022

Principal skills: Business leadership, corporate banking, commercial property finance, debt and equity capital markets, e-commerce, governance, private equity, and mergers and acquisitions

Other directorships: Ecobank Transnational Incorporated, AfriSam Holdings (Pty) Ltd, African Rainbow Minerals

**KP Lebina
(42)**



Appointed:
15/07/2022

Principal skills: Accounting, auditing, business development, business leadership, corporate finance, financial reporting, governance, investor relations, private equity, risk management and stakeholder management

Other directorships: DRDGold Ltd, Growthpoint Properties Ltd

**PCS Luthuli
(50)**



Appointed:
25/05/2018

Principal skills: Accounting, auditing, business leadership, investments, corporate finance, mergers and acquisitions, and risk management

Other directorships: Mpact Ltd, Mpande Property Fund Manager (Pty) Ltd

**EG Matenge-Sebesho
(68)**



Appointed:
01/07/2021

Principal skills: Financial markets and investments, governance, international business, marketing and risk management

Other directorships: First National Bank Ghana, Distell Group Holdings Ltd, Ashburton Investments, FinMark Trust

**M Nyati
(58)**



Appointed:
15/07/2022

Principal skills: Business leadership, e-commerce, governance, human resources, innovation, international telecommunications, policy, regulatory, technology and strategy

Other directorships: Eskom Holdings SOC Ltd, Nedbank Group Ltd

**KA Rayner
(66)**



Appointed:
15/07/2019

Principal skills: Accounting, auditing, business leadership, commercial, corporate finance, ESG, governance, human resources, policy, regulatory, risk management, and strategy

Other directorships: Appropriate Process Technologies (Pty) Ltd, Nexus Intertrade (Pty) Ltd, Sibanye Stillwater Ltd

**SP Sibisi
(68)**



Appointed:
01/04/2019

Principal skills: Business leadership, e-commerce, finance, start-up ventures and business-to-business intelligence skills, and technology

Other directorships: FirstRand Bank Ltd, Liberty Holdings (Pty) Ltd

**H Singh
(62)**



Appointed:
25/09/2020

Principal skills: Accounting, auditing, business development, business leadership, e-commerce, governance, large-scale IT developments and IT innovation, marketing, risk management, and technology

Other directorships: Adcorp Holdings Ltd, Payments Association of SA, African Bank Ltd

**IO Selele
(46)**



Appointed:
15/07/2022

Principal skills: AI and innovation, business leadership, digital technology, ESG, governance, international strategy, marketing, renewable energy and supply chain management

Other directorships: Siemens Energy SA Ltd, Mahlako Financial Services

**LL Von Zeuner
(62)**



Appointed:
10/12/2012

Principal skills: Accounting, auditing, business leadership, commercial expertise, ESG, finance, governance, mergers and acquisitions, policy, regulatory and risk management

Other directorships: FirstRand Ltd, FirstRand Bank Ltd, Sappi Ltd

**S Yoon
(60)**



Appointed:
01/05/2022

Principal skills: Business leadership, corporate finance, digital transformation, e-commerce, global strategy, international telecommunications, marketing, and significant growth by turning around difficult businesses

Non-executive Directors

that left during FY2023

The following Non-executive Directors retired or resigned with effect from 25 August 2022:

- N Kapila
- KW Mzondeki
- F Petersen-Cook
- RG Tomlinson

The outgoing Chairperson, MS Moloko, resigned with effect from 31 March 2023, and is included in the Board membership statistics in this chapter.

Group Exco team

**AC Beukes
(52)**



CEO Openserve (Pty) Ltd and Group Chief Information Officer

Appointed as CEO Openserve (Pty) Ltd: 01/04/2020
Previously appointed as Group Chief Information Officer: 13/12/2018

Principal skills: Business leadership, IT, marketing, procurement, sales, technology and telecommunications

Other directorships: Openserve (Pty) Ltd

**PJ Bogoshi
(57)**



CEO: Business Connexion Group Ltd (BCX)

Appointed: 01/06/2018

Principal skills: ICT specialist, strategy, sales, and business leadership

Other directorships: Business Connexion Group Ltd

**S Taukobong
(53)**



GCEO and Executive Director

Appointed as GCEO: 01/01/2022

Previously appointed CEO Telkom Consumer: 01/06/2018

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

Other directorships: Business Connexion Group Ltd, Gyro Group (Pty) Ltd, Gyro Properties (Pty) Ltd, Openserve (Pty) Ltd, Swiftnet SOC Ltd, Trudon (Pty) Ltd

**NM Lekota
(52)**



Chief HR Officer

Appointed: 01/03/2017

Principal skills: Business leadership and HR strategy architecture

Other directorships: Business Connexion Group Ltd

**LTS Maloba
(49)**



CEO: Gyro Group (Pty) Ltd and Swiftnet SOC Ltd

Appointed: 13/11/2017

Principal skills: Business leadership, business strategy, real estate investment management and managing masts and towers

Other directorships: Gyro Group (Pty) Ltd, Gyro Properties (Pty) Ltd and Swiftnet SOC Ltd

LM Siyo (45)



CEO: Telkom Consumer

Appointed: 01/10/2021

Previously appointed as CEO Trudon: 01/05/2018

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

Other directorships: Trudon (Pty) Ltd

**DJ Reyneke
(61)**



GCFO and Executive Director

Appointed as GCFO: 14/12/2020

Previously appointed as CFO Openserve: 01/04/2019

Previously appointed as CFO Gyro: 01/06/2017

Previously appointed as Head of Integration Telkom and BCX: 01/08/2016

Previously appointed as CFO Telkom Mobile: 01/03/2012

Principal skills: Accounting, auditing, corporate finance, business strategy and execution, business leadership, corporate governance, regulatory policy and telecommunications

Other directorships: Business Connexion Group Ltd, Gyro Group (Pty) Ltd, Gyro Properties (Pty) Ltd, Openserve (Pty) Ltd, Swiftnet SOC Ltd, Trudon (Pty) Ltd, Capricorn Group Ltd

Leveraging Board diversity

As at 31 March 2023, the Board comprises 15 Independent Non-executive Directors and two Executive Directors. There were seven new appointments and five resignations/retirements in FY2023. 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.

Through its Nominations Committee, the Board reviews and considers the broad matters of the diversity policy, considering that diversity enables robust deliberations and strategic oversight. The Board reviewed and approved the updated Board diversity policy during FY2022 and implemented it in FY2023. The amendments emphasised diversity and inclusion as a strategic focus in the Board's activities. Refer to Governance [online](#).

The Board Diversity was reviewed in line with Nominations Committee recommendation to include a female representation target of 50% over a 3-year period.

The Nominations Committee continually reviews Board diversity for adequacy as part of its annual Board and Committee composition activities and makes recommendations to the Board for approval, where necessary. The Board diversity policy was reviewed in FY2023, in line with the Nominations Committee's recommendation to include a female representation target of 50% over a three-year period. Further, diversity and inclusion have become a standing agenda item for all Social and Ethics Committee meetings.

The appointment of Messrs Brian Kennedy, Mteto Nyati, Mvuleni Geoffrey Qhena and Sung Yoon and Mses Prudence Lebina, Ipeleng Selele and Naidene Ford-Hoon in FY2023 capacitated the Board regarding new skills and enhanced female representation. Their appointments also enabled succession planning activities and addressed potential succession risks identified through the annual skills assessment.

The additional female Directors further enhanced female representation on the Board to 33% as at 31 March 2023, excluding Executive Directors. This increased to 36% female representation post the resignation of Sello Moloko on 31 March 2023. Ms Ford-Hoon's and Mr Qhena's appointments are subject to the shareholders' confirmation at the August 2023 AGM. Refer to the AGM notice on [page 144](#) for the abridged CVs of these Directors.

The Group Company Secretariat ensured that all new Directors and incoming Committee Members were inducted to assist with their onboarding processes and enable them to fulfil their responsibilities in the various governance structures.

Independence and tenure

The balance of long-tenured and newly appointed Directors assists with managing continuity, institutional memory and adaptability to Telkom's regulatory and competitive landscapes.

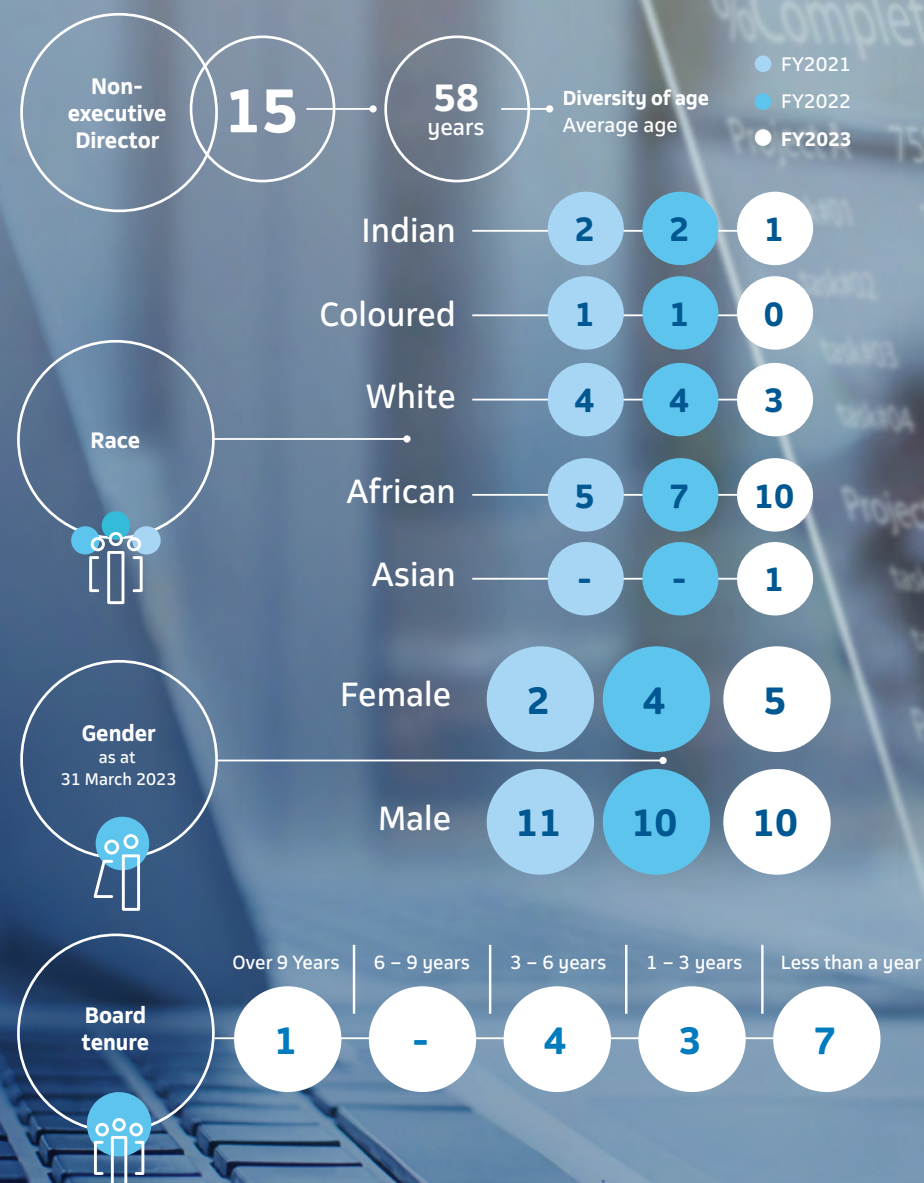
The Board had employed a strategy to deliberately increase its size in preparation for the departure of the Chairperson, or any other potential resignation. This will ensure adequate handovers and proper succession planning on resignation or retirement.

In accordance with the memorandum of incorporation, Louis Von Zeuner has exceeded his third three-year term, and was subjected to an independence assessment during FY2023 to be eligible for re-election at the August 2023 annual general meeting.

The Board conducted the independence assessment in two parts: independence in appearance and independence of character and judgement. The results of the assessments determined the Director's eligibility to stand for re-election at the upcoming AGM. The outcome of the assessments confirmed that Mr Von Zeuner remains independent in character and judgement.

Our key Board diversity statistics as at 31 March 2023 are set out below, excluding Executive Directors.

Director independence



Succession

The Nominations Committee manages Non-executive Director succession planning to ensure a sound pool of successors. It also ensures that appointments occur in a manner that promotes technical and behavioural knowledge transfer to ensure continuity and enhancements for Board diversity. Appointments in FY2023 were aligned with the approved governance prescripts.

During a Board succession workshop in January 2023, the Board reviewed the talent pool at Group Exco level, and potential successors should the need arise to consider replacements.

The Nominations Committee, with the support of the Group Company Secretariat, annually reviews the composition of the Board and its Committees to ensure all technical and behavioural skills gaps are identified and addressed. When the Committee identifies shortcomings, remedial interventions are recommended for the Board's consideration.

Training

Telkom rolled out cloud-based online training to the Board Members to support continuous training activities. The training focused on ethics, conflicts of interest, fraud and anti-corruption, regulatory compliance, information security and cybercrime tactics. However, due to the lack of appetite to engage on online training initiatives, we reverted to the traditional training methodology for FY2024.

The Board has approved a training plan for FY2024 which will cover a range of topical matters for the Board and its Committees. The training plan will be delivered by various independent service providers.

In addition, we had engagements on the following:

- The Social and Ethics Committee: diversity, equity, inclusion, and ESG Strategy and implementation
- The Risk Committee: Directors' and Officers' liability insurance cover
- The Nominations Committee: Directors' and Officers' liability insurance cover
- The Audit Committee: Matters beyond audit
- The Board: The General Laws Amendment Bill

The Group Company Secretary facilitated induction sessions for the newly appointed Directors as follows:

- Mr Yoon was inducted on 16 May 2022;
- Mses Lebina and Selele and Messrs Kennedy and Nyati were inducted on 27 September 2022;
- Ms Ford-Hoon was inducted on 08 December 2022; and
- Mr Qhena was inducted on 12 April 2023.



Effective governance processes

Board and Committee evaluations

The last external evaluation was conducted in FY2022 by the same external independent service provider used in FY2019. This ensured consistency in methodology, continuity and comparison of the findings.

The proposed key future focus areas emanating from the FY2022 evaluation results were, among others:

- Revenue and growth strategy
- Future competitive landscape
- Financial services, diversification and value unlock

These are being dealt with through various governance structures.

In FY2023, the internal evaluation was conducted by the Group Company Secretariat function. The gaps identified through the internal evaluation were extensively considered by the Board's governance structures, and the outcome of the evaluation was tabled at the respective Committees and the Board for consideration.

The recommended corrective actions were tabled to all the governance structures for adoption during the year. All the Committees will enhance

their respective annual Committee work plans for FY2024 to address any identified areas of improvement. The identified shortcomings related to, among others, the following:

- The outstanding establishment of a standalone IT Governance Committee. This was necessitated by the nature of the industry within which Telkom operates
- There was room for improvement in respect of timely submission of information submitted to the Board
- The remuneration philosophy of the Company and the implementation thereof are not fully optimal to create mutual understanding of performance and value to the different stakeholders

The Board and its Committees are satisfied that the annual evaluation outcome rating indicates their overall performance is still satisfactory. The Board remains committed to improving regarding any challenges that may arise.

Conflicts of interest management

The Group Company Secretariat actively manages the conflicts of interest process at the start of each financial year. This includes a process wherein all Directors and Group Prescribed Officers update mandatory annual declarations on our electronic platform. These annual declarations are tabled to the Group Exco or Board for noting purposes.

The declaration of interest process also extends to other employees beyond the Executive Management level and suppliers to enhance ethical practices. Suppliers must comply with the Supplier Code of Conduct as they come on board.

Telkom remains committed to promoting and embedding transparency and accountability. The ethics and governance prescripts define the conditions and process for declarations of interests. Telkom encourages continuous declarations of conflicts of interest for Executive Directors, Non-executive Directors, Group Prescribed Officers and Prescribed Executives and Executive Management should the circumstances change during the year.

The respective business unit and subsidiaries have adopted the Group's governance prescripts. There were various potential conflicts of interest recorded in FY2023. The [conflict of interests register](#) for the Board is available online and the [Group Ethics Handbook](#).

Annual general meeting

The AGM was convened virtually on 24 August 2022. In preparation for the AGM, we convened a Chairperson's Governance Roadshow to engage with our institutional investors in August 2022, post the publication of our integrated report. We addressed and closed all matters raised in the 2022 Governance Roadshow.

Most of the proposed ordinary resolutions received favourable votes at the AGM. However, all special resolutions failed, and Telkom published a SENS with the voting results on 24 August 2022. Refer [online](#).

To remedy the unapproved special resolutions, the Company issued a SENS announcement on 8 November 2022, and a Notice of a General Meeting scheduled for 9 December 2022.

Unfortunately, the Company cancelled the meeting due to the resignation of the Board Chairperson and other administrative issues. The cancellation was effected through a SENS announcement published on 02 December 2022.

Due to the fact that more than 25% of the voting rights exercised were unfavourable towards the remuneration implementation report, and as per our policy and strong commitment to good corporate governance, we issued a follow-up SENS announcement providing dissenting shareholders an opportunity to engage on 01 March 2023. We are pleased that this invitation was accepted by some of our shareholders who included Oystercatcher Investments, Differential and Excelsia Capital. We used the above engagement session to listen to the main concerns, which supplemented information we had also gathered from an analysis of the voting trends and from the FY2022 ISS proxy voting recommendation report for Telkom.

The concerns raised centred around a perceived lack of transparency with regards to the performance metrics used for our variable pay (STI and LTI) schemes, including metrics associated with executing value unlock. There were also concerns around the need to include measurable ESG targets to drive Executive accountability for the sustainable achievement of our strategy. These matters are elaborated upon in our remuneration report.

Telkom will table the special resolutions again at the upcoming 2023 AGM.

Refer to the Chairperson's report on [page 10](#). Also refer to the summary remuneration report on [page 112](#), and the full standalone [remuneration report](#) online, for more information regarding the voting outcome on remuneration-related resolutions.

Group Company Secretary

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. We believe she is competently qualified for the role.

Ayanda Ceba remained the Group Company Secretary for the period under review. Her role includes regularly engaging and supporting the Board and its Committees. She advises on their fiduciary duties, JSE Listings Requirements, disclosure obligations, good governance practices, and ethical conduct. There are arrangements in place for accessing external professional corporate governance advisors where needed. The Board is satisfied that these are adequate and effective through the office of the Group Company Secretary.

The Group Company Secretary continued to maintain an arm's-length relationship with the Directors and to oversee governance in all subsidiaries aligned to the Group governance framework.

The Nominations Committee, on behalf of the Board, evaluated the Group Company Secretary for FY2023. The evaluation covered the individual performance of the Group Company Secretary and the effectiveness of the Group Company Secretariat function. The results indicated that the Board is pleased and satisfied with the performance of the Group Company Secretary and the Group Company Secretariat function.

Resignation of the Group Company Secretary

Subsequent to the financial year end, the Group Company Secretary, Ayanda Ceba resigned as per SENS published on 31 May 2023 to pursue a career outside Telkom. The Board has embarked on succession activities to fill the vacancy that will be created from 01 September 2023.

The Board wishes to thank Ayanda for her service during her tenure, and wishes her well for the future.

An overview of key governance actions

The Board's focus areas

The JSE Listings Requirements, the Companies Act and the Board charter outline the roles and responsibilities of Directors. 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, and in the Company's best interest. This exercise of power must be done with a degree of care, skill and diligence. The Board and its Committees are satisfied that their fiduciary duties and responsibilities, as recorded in their charter and respective terms of reference, were duly fulfilled.

The Board had a combination of scheduled and special meetings. The special meetings were necessitated by a range of urgent matters, e.g. SIU investigation potential transactions activities and succession planning activities. Unfortunately, due to the unplanned nature of these meetings, 100% attendance was not always possible.

The Company continued its engagement with the Special Investigating Unit (SIU) as per the provisions of Government Gazette No. 11385, published on 25 January 2022, giving the SIU authority to investigate several matters. The SIU Investigations team received significant documentation. These matters date back as far as 2006 and Telkom reported on them in its previous integrated reports. The matter was in court on 24 and 25 November 2022, and judgment is still pending. The Company will provide further updates in due course as they become available. The Group follows robust corporate governance practices and has executed the Telkom Strategy to consolidate its operations in South Africa.

The MOI states that the Directors may appoint any number of Board Committees and delegate to such Committees any authority of the Board. As already indicated before, the iBoard was established as a governance structure on 18 August 2022. The iBoard comprises independent Members of the Board to deal with all transactions that are or could potentially be subject to the Takeover Regulation Panel. The iBoard is an ad hoc structure that convenes as and when required. It considered the proposed MTN, Rain and Axian Telecom and Afrifund transactions in FY2023.

The Members of the Board were Sello Moloko as the Chairperson, Olufunke Ighodaro, Brian Kennedy, Sibusiso Luthuli, Keith Rayner and Louis Von Zeuner. Mvuleni Geoffrey Qhena assumed the role of Chairperson of the iBoard with effect from 01 April 2023.

The iBoard Members were not compensated for the services they rendered to this governance structure, and a fee introduction will be proposed at the next AGM.





Regulatory matters

The Board approved the legal separation of Openserve, financial assistance as per the provisions of Section 44 of the Companies Act, and salient terms of the sale of business agreement. Refer to [page 12](#).

It further considered MTN's non-binding offer to allow further engagement and explore whether a suitable transaction could be agreed upon. This transaction fell through and the relevant cautionary announcements were issued.

Customer centricity

As customer service is central to the operations of the Group, the Board focused on improving service delivery and customer experience to:

- Pioneer digital solutions that assist customers in operating more responsibly and broadening access to affordable and inclusive digital connectivity
- Promote fair and ethical practices towards Telkom's customers and within the Group

Refer to [page 11](#).

Risk matters

The Board focused on adverse regulatory matters and unstable market and economic conditions. Refer to the world we operate in on [page 28](#).

The Board also focused on the ESG Strategy and its approved implementation roadmap. Refer to [page 49](#) for the strategy.

The Risk Committee approved the amended risk appetite statement to specifically address the risks related to ESG and creating value for shareholders. Refer to the enterprise risk management and compliance report on [page 37](#).

Succession planning

The Board considered Non-executive Director succession planning and appointed seven Directors, including three women. Refer to [page 99](#).

The Board considered the succession of Executive Management and supported the Group CEO's reconfiguration model for the Group. Refer to [page 100](#).

In addition, the Group continues to progress in its ESG journey. Refer to [page 3](#) for an overview of the reporting approach, [page 49](#) for the ESG Strategy and [page 91](#) for the (Task Force on Climate-related Financial Disclosures) TCFD-aligned disclosures.

Certain JSE Listings Requirements

Telkom's Debt Officer resigned with effect from 31 March 2022, and the Executive: Treasury, was designated as the Acting Debt Officer, effective 01 April 2022. A new Group Treasurer was appointed, effective 01 September 2022, and he was designated as the Company's Debt Officer with effect from 15 September 2022.

The Group CEO and Group CFO attestation statement was initially implemented in December 2019, and this has been embedded within the Group's processes. Refer [online](#) for more details on the Directors' responsibility for financial controls.

We continue to enhance this process to ensure benefits for the Group and its internal control environment.

Board Committees and their focus

The Board delegated some of its activities to its Committees to assist it in discharging its duties. The Board has six Committees, each guided by its respective terms of reference. In terms of the approved charter and terms of reference, the Board and its Committees may invite external advisors and any Executive Management to its meetings, should the need arise.

The Chairperson and Members of each Committee are set out on the pages that follow.

We review the Board charter and the Committees' terms of reference annually, or as and when required, for adequacy and effectiveness. We align them to best practice principles in terms of King IV and the JSE Listings Requirements. For FY2024, the Board approved the revised Board charter and the Committees' terms of reference on 31 March 2023.

The Board charter and each Committee's terms of reference are available [online](#).



Due to the criticality of following King IV recommended practices, the Board, the Nominations and Audit Committees invested resources in the topic. There were various submissions to all these governance structures to give an update on developments in relation to enhancing the implementation these practices. The updates are available [online](#).

Audit Committee

KA Rayner
Chairperson



Members: N Ford-Hoon***, PCS Luthuli, KW Mzondeki*, KP Lebina**, H Singh, LL Von Zeuner

The Audit Committee is a statutory Board Committee per the Companies Act's provisions. 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 controls, 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 in improving its ESG disclosures, as discussed on [page 3](#).

The Committee ensured that appropriate financial reporting procedures exist and are effective, according to paragraph 3.84(g) of the JSE Listings Requirements. These included consideration of all entities forming part of the consolidated Group financial statements. The Committee has access to Telkom's financial information to promote transparency and allow the Group to prepare and report on the financial statements effectively.

Over and above the standard activities, the Committee considered and/or approved the following key matters:

- [Integrated report for FY2023](#)
- [External auditors](#)
 - The Independent Regulatory Board for Auditors review report and inspection findings for SNG Grant Thornton Inc. and PricewaterhouseCoopers Inc.
 - The FY2023 interim and final plans, and audit fees
- [Policies and processes](#)
 - Consideration of the dividend policy
 - An update on the depreciation review process
- [Financial and budget matters](#)
 - Group performance and market expectations
 - FY2024 to FY2028 business plan and budgets
 - Financial assistance to Openserve
- [King IV implementation plan status update for FY2023](#)
- [Committee evaluation report, for FY2022 and FY2023](#)
- [Changes to the FY2023 internal audit plan](#)
- [The annual work plan for FY2024](#)
- [Terms of Reference for FY2024](#)

The Committee is satisfied that it has fulfilled its duties in terms of its mandate. For more details on the Committee's activities, refer to its report in the [annual financial statements](#) online. Also refer to the financial capital report on [page 20](#).

* Resigned 24 August 2022.

** Appointed 25 August 2022.

*** Appointed 01 December 2022.

Investment and Transactions Committee

F Petersen-Cook*
Chairperson



PCS Luthuli**
Chairperson

Members: O Ighodaro, KP Lebina**, N Kapila*, B Kennedy**, KA Rayner, SP Sibisi*, S Taukobong, RG Tomlinson*, S Yoon**

The Investment and Transactions Committee deals with any significant investment or transaction related to acquiring another business or legal entity. This includes 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.

In FY2023, the Committee considered:

- [Various strategy projects](#)
- [Telkom Group IT contract decoupling and reconfiguration of the IT operating model](#)
- [Openserve's legal separation and carve-out](#)
- [Trudon \(Pty\) Ltd \(legal divisionalisation and deregistration\)](#)
- [Swiftnet value unlock options](#)
- [The Group's strategic and value unlock rationale \(refer to \[page 12\]\(#\)\)](#)
- [Updating capex deployment and the FY2023 business plan and budgets](#)
- [Committee evaluation report, for FY2022 and FY2023](#)
- [Terms of Reference and Annual Work Plan for FY2024](#)

The Committee is satisfied that it has fulfilled its duties in terms of its mandate.

* Resigned 24 August 2022.

** Appointed 25 August 2022.

Nominations Committee

MS Moloko
Chairperson***



Members: EG Matenge-Sebesho, M Nyati**, F Petersen-Cook*, IO Selele**, RG Tomlinson*

The Nominations Committee is responsible for reviewing and making recommendations to the Board on most governance-related matters, particularly the composition of the Board and Committees. This includes all aspects of diversity. We updated the Committee mandate to include the process conducted to ascertain the fit and proper testing of Directors to be appointed. The Committee considered the appointment of a lead independent Director and will still decide on the best way forward. Although, a provision was made in the Board charter for the appointment of a lead independent Director should circumstances warrant such an appointment, the Chairperson is independent and there is currently no need for the appointment.

The Committee works closely with the Remuneration Committee on succession planning for Executive Directors and critical roles. The Committee recommended the appointment of new Board Members and ensured that they fulfilled the fit and proper test as prescribed by the JSE Listings Requirements and the Companies Act.

In FY2023, the Committee:

- Appointed Non-executive Directors to address the identified skills gaps
- Considered the Board and Committee evaluation reports for FY2022 and FY2023
- Reconfigured the Board and its Committees to address skills gaps and Board diversity
- Reviewed the King IV compliance status
- Reviewed the proposed amendments to the Companies Act
- Revised the Group governance framework
- Assessed the August 2022 AGM proxy report to understand concerns that the investment community might have regarding the proposed AGM resolutions
- Approved its annual work plan for FY2024
- Terms of Reference for FY2024
- Group CEO's KPIs: FY2023

The Committee is satisfied that it has fulfilled its duties in terms of its mandate.

Geoff Qhena became the Chairperson of the Nominations Committee with effect from 01 April 2023.

* Resigned 24 August 2022.

** Appointed 25 August 2022.

*** Resigned 31 March 2023.

Remuneration Committee

RG Tomlinson
Chairperson*



Brian Kennedy**
Chairperson



Members: O Ighodaro, MS Moloko***, KW Mzondeki*, M Nyati**, LL Von Zeuner

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

The Committee's focus areas are detailed on page 13 of the [remuneration report](#) online. In FY2023, the Committee considered the following matters:

- Swiftnet Non-executive Directors' fees
- FY2023 short-term incentive (STI) plan and level of year-end achievements against set targets
- 2023 annual share awards, including performance conditions
- 2023 share vesting following the long-term incentive plan (LTIP) and employee share ownership plan (ESOP) rules
- Reviewed the Group's variable schemes (STI and LTI) for FY2024 in line with shareholder feedback. This included linking pay to the ESG Strategy
- Committee evaluation report for FY2022 and FY2023
- The annual work plan for FY2024
- Terms of Reference for FY2024
- LTIP Plan and KPIs for FY2024
- Group and Exco Individual scorecards and KPIs for FY2024

The Committee recommended the proposed FY2023 remuneration review for:

- Management and bargaining unit employees
- Group Prescribed Officers
- Executive Directors
- Non-executive Directors

The Committee is satisfied that it has fulfilled its duties in terms of its mandate.

Geoff Qhena became a Member of the Remuneration Committee with effect from 01 April 2023.

* Resigned 24 August 2022.

** Appointed 25 August 2022.

*** Resigned 31 March 2023.

Risk Committee

LL Von Zeuner
Chairperson



Members: N Ford-Hoon***, EG Matenge-Sebesho, F Petersen-Cook*, KA Rayner, SP Sibisi, H Singh, S Yoon**

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, transversal, and IT-related cybersecurity risks. The Committee oversees ESG risks linked to the ESG Strategy and its implementation. It also oversees and monitors governance risks through the Group's ERM framework and its system of integral controls. It continues to focus on managing cybersecurity, IT governance and technology and information-related activities.

The Committee considered the following key matters, among others:

- Group ERM annual plan and the Group business continuity management framework
- The changes in the Group risk profile and approved the reviewed risk appetite statement, and the FY2023 Group strategic and aggregated risks and IT strategic risks
- Various legal matters
- Material risk matters for the integrated report
- The information security mitigating measures and their effectiveness
- BCX's internal control turnaround project
- The regulatory environment and compliance with the legislative framework
- Reviewed and had oversight of the Group Treasury reports
- Oversight of the forensics report, the physical security management report and the occupational health and safety report
- Committee evaluation report, for FY2022 and FY2023
- The annual work plan for FY2024
- Terms of Reference for FY2024

The Committee plans to increase its focus on technology and information systems risks to ensure that these are adequately identified, monitored and mitigated to enable business to achieve its strategic goals.

The Committee is satisfied that it has fulfilled its duties in terms of its mandate. Refer to [page 37](#) for ERM and compliance and [page 70](#) for IT governance.

* Resigned 24 August 2022.

** Appointed 25 August 2022.

*** Appointed 01 December 2022.

Social and Ethics Committee

KW Mzondeki*
Chairperson



EG Matenge-Sebesho**
Chairperson



Members: N Kapila*, PCS Luthuli*, B Kennedy**, IO Selele**, SP Sibisi

The Social and Ethics Committee is a statutory Board Committee per the provisions of the Companies Act. Its activities emphasise environment and social, governance and ethics-related matters. Refer to the Committee's detailed report on [page 110](#).

The Committee considered the following key matters, among others:

- The implications of the August 2022 AGM proxy report and the required interventions implemented during the year regarding ESG activities (refer to [page 49](#))
- Ethics view on the Zondo Commission findings
- Reports on social responsibility, Group ethics, ESG, forensics and health and safety
- Review of the compliance and regulatory universe
- Customer service and management and monitoring of compliance with the Consumer Protection Act
- The proposed corporate citizenship policy statement
- The Committee evaluation report, for FY2022 and FY2023
- The annual work plan for FY2024
- The proposed annual ethics Leadership Pledge for FY2024
- The integrated report for FY2023
- Terms of Reference for FY2024

Future focus areas for the Committee will be ESG-related matters and implementing the ESG Strategy for the Group.

The Committee is satisfied that it has fulfilled its duties in terms of its mandate.

* Resigned 24 August 2022.

** Appointed 25 August 2022.

Board and Committee meeting attendance

Director	Board	iBoard	Audit Committee	Remuneration Committee	Nominations Committee	Investment and Transactions Committee	Social and Ethics Committee	Risk Committee	Joint Audit and Social and Ethics Committees	Joint Audit and Investment and Transactions Committees
Independent Non-executive Directors										
MS Moloko	13/13	7/7	–	4/4	5/5	–	–	–	–	–
N Ford-Hoon ²	6/6	–	1/1	–	–	–	–	0/1 ¹	–	1/1
O Ighodaro	12/13 ¹	7/7	–	4/4	–	6/6	–	–	1/1	1/1
N Kapila ⁴	6/6	–	–	–	–	4/4	2/2	–	–	NA
B Kennedy ⁵	9/9	5/7	–	3/3	–	3/3	2/3 ¹	–	–	1/1
KP Lebina ⁵	9/9	–	3/3	–	–	2/2	–	–	–	1/1
PCS Luthuli ⁶	13/13	7/7	6/6	–	–	3/3	3/3	–	1/1	1/1
EG Matenge-Sebesho	13/13	–	–	–	5/5	–	4/5 ¹	2/4 ¹	1/1	–
KW Mzondeki ⁴	6/6	1/7	4/4	2/2	–	–	2/2	–	1/1	NA
M Nyati ⁵	9/9	–	–	3/3	4/4	–	–	–	–	–
F Petersen-Cook ⁴	3/6 ¹	–	–	–	1/1	4/4	–	2/2	–	NA
KA Rayner	13/13	7/7	6/6	–	–	6/6	–	4/4	1/1	1/1
IO Selele ⁵	9/9	–	–	–	4/4	–	3/3	–	–	–
SP Sibisi ⁴	13/13	–	–	–	–	3/3	5/5	4/4	1/1	–
H Singh	13/13	–	6/6	–	–	–	–	4/4	1/1	1/1
RG Tomlinson ⁴	6/6	–	–	2/2	1/1	4/4	–	–	–	NA
S Yoon ³	13/13	–	–	–	–	3/3	–	3/3	–	1/1
LL Von Zeuner	13/13	7/7	5/6 ¹	3/4 ¹	–	–	–	4/4	0/1 ¹	1/1
Executive Directors										
DJ Reyneke	13/13	–	6/6	4/4	–	6/6	4/5 ¹	4/4	1/1	1/1
S Taukobong	13/13	–	6/6	4/4	5/5	6/6	5/5	4/4	1/1	1/1

¹ Apology (includes unscheduled meetings).

² Ms Ford-Hoon: Appointed to the Board from 01 November 2022, and to the Committees from 01 December 2022.

³ Mr Yoon: Appointed to the Board on 01 May 2022, and to the Committees from 25 August 2022.

⁴ Mr Kapila and Mses Kholeka Mzondeki and Fagmeedah Peterson-Cook retired, and Mr Tomlinson resigned, from the Board and the Committees, from 24 August 2022. Dr Sibisi retired from the Investment and Transactions Committee from 24 August 2022.

⁵ Mr Kennedy, Ms Lebina, Ms Selele and Mr Nyati were appointed to the Board on 14 July 2022, and to the Committees from 25 August 2022.

⁶ Mr Luthuli retired from the Social and Ethics Committee on 24 August 2022, and appointed to the Investment and Transactions Committee from 25 August 2022.

The Board, Nominations Committee and Investment and Transaction Committees' meetings include scheduled and special unscheduled meetings. This sometimes poses an availability challenge for Directors. The Committees convened these special meetings to engage on various matters ranging from the SIU investigation to potential transactions and succession planning activities for the Board. In certain instances, there were joint sittings between various Committees to deliberate on common interests, like the draft integrated report and the draft business plans and budgets. We have included these in the attendance and budgets schedule for transparency.

Combined assurance

Telkom adopted a combined assurance approach to align and optimise all assurance-related activities across the Group and the various assurance providers, as described in the combined assurance framework. The framework articulates the minimum requirements for establishing combined assurance in the Group by providing a co-ordinated approach, accountability and direction to all assurance activities regarding the implementation and execution of the combined assurance.

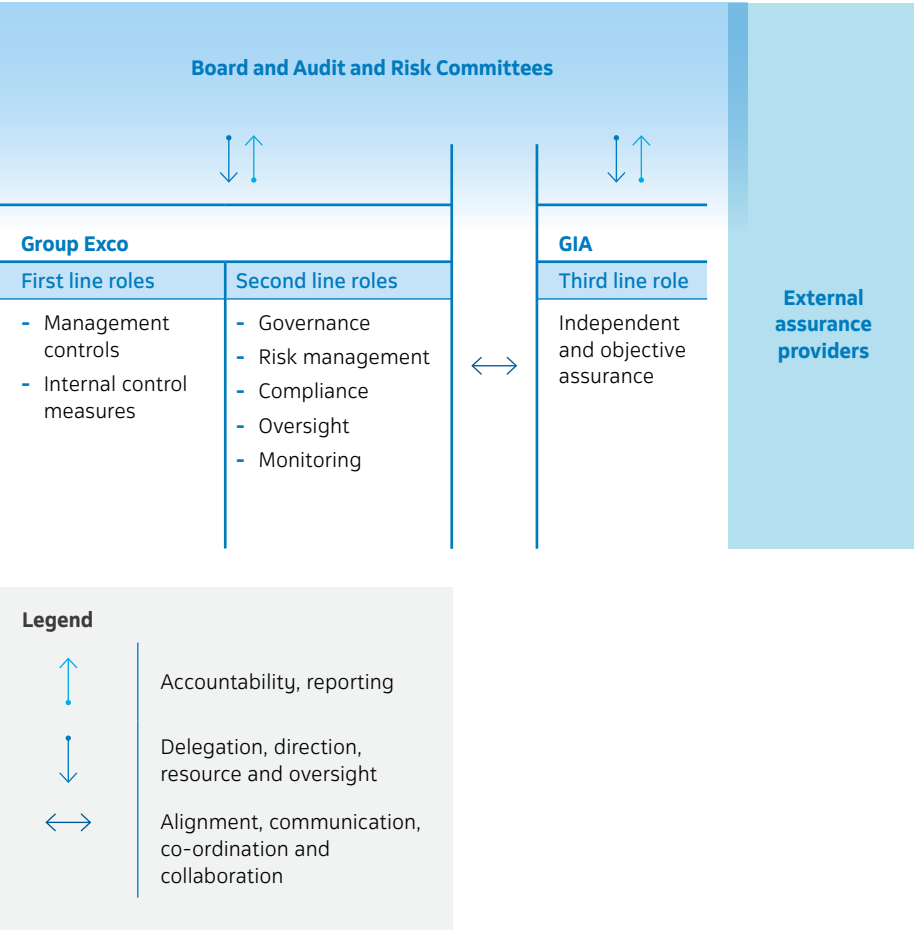
The combined assurance model aims to align and integrate all assurance services and functions so that these can work in unison to enable an effective control environment, maintain the integrity of information used for decision-making, and support the integrity of Telkom's external reports and underlying statements.

Through the Audit Committee (supported by the Risk Committee), the Board oversees the implementation of the combined assurance model and its effectiveness. It oversees that the key principal risks and opportunities inform the Group's ability to create value. The lines of assurance (consisting of Telkom's subsidiaries, business unit, functional areas, and 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.

This is enabled through assurance forums. Our regulators (for example, ICASA and the Competition Commission) may institute reviews to gain assurance that Telkom complies with regulations and applicable laws.

In collaboration with Telkom ERM, Telkom Group Internal Audit (TGIA) leads the co-ordination and facilitation of the Group's combined assurance efforts across the lines of assurance. It aligns its assurance activities with the other assurance providers, including the external auditors, so that Telkom's significant risks are adequately covered and managed. Enhancement of the Group's combined assurance activities is continually focused on, and the Audit Committee is satisfied with the effectiveness of the combined assurance arrangements.

The combined assurance framework is outlined in the diagram below.



Internal Audit

Telkom Group Internal Audit (TGIA or Internal Audit) is a Group-wide function and provides independent and objective assurance and consulting services to add value and enhance Telkom's operations. The Telkom Group Internal Audit charter guides the TGIA. The charter sets out the terms of reference for the internal audit activity. It also serves as a basis for the governance of the internal audit activity necessary for TGIA to fulfil its role and to meet the performance criteria set by the Board and Audit Committee. The Internal Audit charter was updated and approved at the November 2022 Audit Committee meeting.

The Chief Audit Executive functionally reports to the Audit Committee Chairperson, and administratively to the GCFO. The Chief Audit Executive attends the Audit and Risk Committees 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 that aligns with the Group's strategic risks, considering opportunities and challenges in the respective operating environments. It provides support to the business unit and subsidiaries 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 reviews and revises the plan every quarter as relevant to align with key business priorities and a changing business and risk environment. All changes to the plan are tabled with the Audit Committee for approval.

In FY2023, TGIA continued the execution of its internal audit plan for the year and prepared the internal audit plan for the new financial year. TGIA followed a systematic approach to evaluate and enhance the effectiveness of the Group's governance, risk management and internal control processes. TGIA assured the Group's stakeholders process by:

- Evaluating and recommending improvements to Telkom's governance processes
- Assessing the effectiveness of and recommending improvements to Telkom's risk management processes
- Evaluating the adequacy and effectiveness of Telkom's internal controls

TGIA also conducts ongoing internal quality assessments. TGIA is subjected to an external quality assurance review at least once every five years. In FY2022, an external review was performed by the Institute of Internal Auditors South Africa. The review confirmed that TGIA conforms with the International Standards for the Professional Practice of Internal Auditing and performs its services effectively. TGIA achieved the highest ratings of "Generally Conforms" and "Generally Effective".

Managing our business with integrity

Embedding an ethical culture

The Board approved the annual ethics leadership and employee commitment statement for FY2023, focusing on the commitment to gender and age diversity. The Chairperson of the Board and the GCEO signed the statement on behalf of the Board and management to set the tone from the top and demonstrate ethical behaviour and leadership. Refer to the annual ethics pledges available [online](#).

The Group Company Secretariat developed a joint ethics and governance strategy to further embed the relationship between ethics and governance to our stakeholders, which the Board approved. This is being implemented within the Group, and enhancements in the ethics environment will be visible in FY2024.

The Group Ethics Office focused on continuous ethics awareness initiatives, embedding a Group-wide ethical culture. We were continually promoting initiatives supporting the ethical behaviour of employees and suppliers with the support of the business unit/subsidiary Ethics Champions. We sent Group-wide communication to employees regarding the portions in the Group Ethics Handbook that relate to conflict of interest declarations and the receiving of gifts and entertainment. The respective business unit/subsidiary Executive Committees received training around declarations of conflict of interest and share dealing.

The most notable activity was the formal designation of Ethics Champions by the various CEOs. The designation was pursued to boost ethics capacity throughout the Group. These Ethics Champions will be responsible for ethics support at the Group, business unit/subsidiary and employee levels.

The Group Ethics Office arranged training by an independent service provider to onboard our Ethics Champions in March 2023 to ensure that the roles and responsibilities are clearly understood, and there is uniformity in executing ethics-related activities within the Group.

Group Ethics Handbook

This document continues to guide employees to promote and encourage ethical behaviour and decision-making, enabling Telkom to live its values and standards. We will review the Group Ethics Handbook to factor in amendments to the share dealing policy and the implementation of standards regarding whistle-blowing-related activities in FY2024.

A multi-disciplinary team is developing a proposed framework to consider the new ISO 37002 standards for whistle-blowers to be protected financially, legally and reputationally.

Annual ethics compliance

The annual ethics compliance statistics demonstrated commitment to ethical conduct and doing what is right, especially when no one is watching. We achieved 99.36% compliance for FY2023, with the declaration of interest compliance significantly improving to 94% (FY2022: 80%). There have been and will be a range of interventions and enhancements implemented to ensure that we achieve 100% compliance.

International Fraud Awareness Week

The Group Ethics Office participated in the annual International Fraud Awareness Week (13 – 19 November 2022), with the main theme of reputation. As a follow-up, various messages related to conflict of interests and related topics were published through TelkomOne, an internal employee publication.

Various activities were held during International Fraud Awareness Week, including:

- An updated pledge and the relaunch of the Group Ethics Handbook, focusing on diversity inclusion
- Conflict of interest awareness and education
- Discussion on whistle-blowing activities
- Discussion on cybersecurity and creating an ethical cyberspace (security, confidentiality and ethical conduct)

Process for dealing with ethical and reputational issues

We developed a process for dealing with ethical and reputational matters where, in certain instances, members of the public, employees or certain entities may report alleged misconduct by Telkom or its suppliers through the ethics reporting protocol. We amended the whistle-blowing section of the Group Ethics Handbook to deal with the matter.

Over and above these activities, the Group Ethics Office continued to provide advisory and information-based activities to the Group to deal with ethical dilemmas that may emerge in the environment and ensure that management implements ethically sound resolutions to the encountered dilemmas.

Share dealing policy

Telkom continuously reviews its share dealing policy to ensure alignment with regulatory changes or any other best practice principle. The policy is included in the Group Ethics Handbook but remains standalone 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 Group Prescribed Officers must obtain clearance from the Dealing Committee before trading. A SENS announcement must be released thereafter according to the provisions of the JSE Listings Requirements.

The share dealing policy was revised in FY2023 to cater for the following matters:

- Formalised the business unit subsidiary Dealing Committees for affected persons, which include the business unit/subsidiary's Exco Members
- Revised the business unit/subsidiary definition of Group Prescribed Officer to Prescribed Executive to avoid ambiguity with the provisions of the JSE Listings Requirements
- Included a reference to the employee share allocation policy to limit challenges with the provisions of the JSE Listings Requirements
- Formalised the five working day period for trading by affected Directors and persons

Directors and employees must adhere to the policy's provisions. We do not permit trading in the Company's securities during prohibited periods, which comprise price-sensitive periods and closed periods (financial and cautionary closed periods). The respective closed periods are communicated to affected Directors, persons and employees under the share dealing policy.

Strengthening our resolve to fight fraud

In FY2023, we invited the forensic practitioners' professional body, the Association of Certified Fraud Examiners South African Chapter, to conduct an external quality assurance review of the Telkom Group Forensics (TGF) unit. The evaluation of TGF indicated that it generally complies with some of the evaluation measures like independence, objectivity, proficiency, due professional care, reporting to Senior Management and the Board, utilisation of risk-based procedures, incident response, evidence control, report quality and others.

TGF executed the fraud risk management activities in terms of the ERM Strategy plan 2022–2025 and the fraud risk management plan, which centres on fraud prevention and detection. This approach is supported by the ACFE 2022 Report to the Nation (ACFE 2022:5), which found that organisations with anti-fraud controls have less fraud monetary losses, and the fraud is detected much quicker.

Fraud detection

We conducted the whistle-blowing improvement review based on the ISO 37002:2021 Whistle-blowing management systems – Guidelines.

We identified 10 gaps to ensure transparency on the Telkom Whistle-blowing Programme and sufficient support for whistle-blowers as the most effective fraud detection source.

We are grateful to all stakeholders who continue to report allegations of fraud and irregular conduct via the available whistle-blowing touchpoints.

As per the fraud risk management plan, other fraud detection initiatives included proactive fraud detection reviews, fraud risk assessments and fraud data analytics exception reporting.

Fraud prevention

A key action was the communication of the fraud risk management fault-line philosophy to management. This details behaviours that management must drive to ensure we enhance the ethical climate in the Group.

These behaviours include ensuring the correct tone at the top, an open environment that enables reporting of fraud and irregular conduct, and that there is decisive action against those that act outside the values of Telkom.

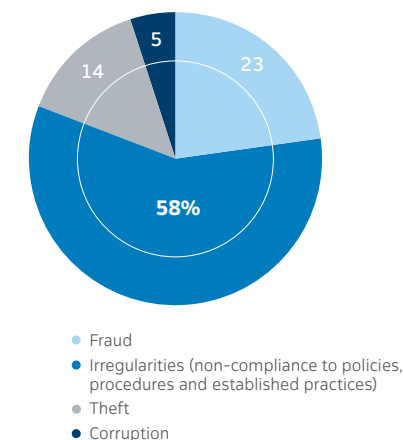
To enhance fraud deterrence, we also launched the quarterly name and shame fraud and ethics awareness article, which details an actual case of what happened (without revealing the identity of those implicated), and the action taken against those involved.

During FY2023, 1 393 incidents were reported to the Telkom Hotline through telephone, email, SMS, WhatsApp, website, intranet, and through the application (app). The calls were mainly regarding incidents related to credit management, physical security, and TGF.

The hotline is independently managed and operates 24 hours a day. Other than the hotline, some incidents are reported to TGF through walk-ins, that is, direct internal escalation to forensics. In FY2023, 92% of our whistle-blowers revealed their identity, 3% claimed partial anonymity and only 5% claimed full anonymity. No incidents of whistle-blower victimisation were reported to TGF in FY2023.

Based on the reporting to the hotline, we initiated forensic investigations. The outcomes led to improved internal controls; corrective action against employees, third-party employees and suppliers; recovery of fraud loss; opening of criminal cases; and litigation support to legal. The graph alongside shows the percentage split of incident types that were dealt with by TGF.

Incident types %



As at the end of FY2023, the following actions emanated from the forensic assignments conducted:

- 35 employees or third-party employees were dismissed
- 10 employees or third-party employees received various types of warnings
- 16 employees or third-party employees resigned because of being implicated in an investigation
- 4 third-party employees absconded because of being implicated in an investigation
- 6 employees were placed on suspension based on the allegations or findings of the forensic investigations

Several service providers were taken through the Supplier Compliance Council based on their irregular conduct, which is inconsistent with the Supplier Code of Conduct. Criminal acts were reported to the police, and where warranted, implicated internal and external people were arrested. 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.

Social and Ethics Committee report

The Social and Ethics 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. The Committee fulfilled its duties in terms of its approved terms of reference.

As it is the norm, Committee reviewed and updated its terms of reference in FY2023. The amendments were to remove repetition, enhance readability, acknowledge maturity and more accurately reflect the focus areas of the Committee.

The Committee's Membership is detailed on [page 105](#) and meeting attendance on [page 106](#). Members of the Group Exco and other senior employees are standing invitees. On occasion, various subject matter experts are invited to engage the Committee on topical matters. Some of the year's key focus areas are set out on the following pages, with cross-references to where more detailed information is included.

No material issues were identified during the year. In accordance with the Committee's terms of reference, the Committee effectively discharged its statutory duties and responsibilities in FY2023. As Chairperson of this Committee, I will be available at the AGM to respond to any enquiries regarding the statutory obligations of the Committee.

The Committee monitors the Group's activities in relation to:



While South Africa's economy rebounded as the COVID-19 pandemic subsided, it came under pressure as loadshedding escalated and the global growth picture weakened. In FY2023, the Committee guided the Group on trade-offs related to short and long-term ESG imperatives and the immediate cost considerations versus long-term capex investments.

The South African context demands that Telkom consider pathways to energy security and efficiency while pursuing decarbonisation objectives. Providing continuity of service to customers despite energy disruptions is of paramount importance. We also recognise that our energy independence measures, in the medium to long-term, must reduce our emissions and harm to the environment.

As a Committee, we have engaged management in constructive conversations about reducing emissions while weighing the cost of these renewable energy investments on the bottom line. This involves balancing our sustainability ambitions against the Group's objective to be profitable and boost shareholder returns. Here, the Committee's role is to challenge and interrogate management to ensure they have considered the various trade-offs in allocating capital and selecting projects.

A fit-for-purpose stakeholder engagement approach

Our stakeholder engagement framework guides managing all stakeholder engagements. In FY2023, Telkom updated the framework with an external service provider's assistance to incorporate participants' views at our different business units. This update aimed to respond to changes in our operating environment while considering best practices in stakeholder management.

The plan is to draft the framework through the governance structures for approval and update the Group's stakeholder engagement management policy by considering changes made to the framework in FY2024. Once this policy is finalised, the plan is to draft the operating model blueprint for the Group's stakeholder engagement function.

In FY2023, the Committee oversaw the Group's stakeholder engagement to address stakeholder concerns adequately. The Committee will enhance its focus on the Group's efforts to improve relationships with regulators in FY2024. In addition, we will guide management with the section 189 processes and communications with affected and non-affected employees.

Embedding our ESG Strategy

The Board approved our first holistic and formalised ESG Strategy on 31 March 2022. The Committee oversaw its implementation in FY2023. The strategy is executed by a small Group central team supported by ESG champions at each business unit/subsidiary. Operationalising the strategy included setting the goals for the strategy's six focus areas and communicating these internally for acceptance. Responsibility for achieving each goal and its related targets is assigned to different CEOs and business heads, supported by a steering Committee for each goal.

The Committee was impressed by the high level of execution and focus on achieving the ESG targets set for FY2023. The Group made solid progress against all of the six focus areas. A notable achievement was the 17% reduction in our scope 1 and 2 carbon emissions year-on-year. This achievement was accomplished by reducing our carbon emissions per site and terminating those sites with unacceptably high emissions. This supports our stated ambitions to be carbon neutral by 2035.

The Committee is responsible for overseeing climate-change specific matters, including Telkom's adoption of the TCFD framework. This includes overseeing how the Group integrates the TCFD pillars of governance, strategy, risk management, metrics and targets into our operations. TCFD is a global framework, and adopting its recommendation clarifies our climate-related risk exposure to the market.

Through our preferential procurement approach and enterprise and supplier development spend, Telkom positively impacted more than 150 000 lives and created 46 700 new jobs. We are proud of this achievement against a backdrop of crippling unemployment rates and inequality.

Telkom appreciates the strategic role of remuneration and reward in enabling performance and value creation. Accordingly, Telkom has incorporated ESG Strategy metrics into the performance conditions for the FY2024 STI and LTI schemes to drive accountability and execution across the Group.

Read more about our progress in executing the ESG Strategy on [page 49](#).

For the period under review, the Committee received training in ESG Strategy and implementation. It also received training on diversity, equity and inclusion, which created an opportunity for reflection on how we could mitigate the impact of biases within Telkom through simple but effective mindset and behavioural shifts. This training included, among others, exploring the neuroscience of bias and gender sensitivity. It allowed Committee Members to appreciate their own biases and blind spots better.

Diversity, equity and inclusion is an agenda item at all Committee meetings, as accepting employees of all backgrounds is important to Telkom's enduring success. Several initiatives are underway and will culminate in developing a diversity, equity and inclusion strategy. This strategy will draw on the views and experiences of our employees and is a priority for FY2024. The strategy will positively impact our gender equality goals, drive a culture of belonging and enhance our reputation as an employer of choice. This work will also support achieving our ESG ambitions.

When employees feel respected and valued for their contributions, their engagement improves, which lifts business performance and flows through to the bottom line.

Reinforcing our commitment to ethical conduct

We believe that leadership needs to set the right tone from the top. We are pleased with the progress made with the execution of our ethics strategy, as indicated by improvements in our ethics statistics.

The Board once again approved the annual ethics leadership in FY2023. This document focused on the commitment to gender and age diversity. The Chairperson of the Board and the GCEO signed the statement on behalf of the Board and management to underline leadership's commitment to high ethical standards. This pledge was introduced in FY2019 and is signed each year and published on our website. It is a core element of our ethics strategy, which was established to ensure that ethical values and principles are embedded across the Group.

We launched a Values Hub where employees pledge to live according to their selected values during the period under review. Employee adoption of this platform has been excellent, with a number of employees submitting pledges. The Group is preparing an extensive awareness campaign around this platform in FY2024.

Our ethics champions based at business unit/subsidiary received external training in FY2023 to deepen their understanding of ethics and their role and responsibilities in supporting the Group Ethics Office to entrench ethical principles across the Group.

The Committee noted improvements in ethics statistics, especially with conflict of interest declarations, which have improved from 80% in FY2022 to 94% in FY2023. The overall compliance with the Group Ethics Handbook improved from 98% in FY2022 to 99.36% in FY2023.

Our annual supplier compliance survey was successful as 98.5% of our top 200 suppliers recommitted to our Supplier Code of Conduct.

At Telkom, whistle-blowers are protected and do not face any negative repercussions. When requested, we keep the identity of whistle-blowers anonymous. However, we have been pleased by the number of whistle-blowers prepared to identify themselves. This gives our forensics team a greater opportunity to interview whistle-blowers regarding their allegations. It also indicates that we have created a space where people feel comfortable disclosing, knowing that they will not be victimised.

Read more about Telkom's ethical culture on [page 108](#).

In closing

Thank you to management and my fellow Committee Members for their support and contributions this year. I acknowledge the important work and commitment of Kholeka Mzondeki, this Committee's outgoing Chairperson. She was passionate about diversity, equity and inclusion and ensured that these matters received attention. She was especially interested in the work of the Telkom Foundation, including having the Foundation management present on their projects and making time to hear the testimonials of the students and teachers. We appreciate her leadership and wish her well in her future endeavours.

Unfortunately, FY2023 was another difficult year due to the prevailing macro-economic conditions. Yet, despite the financial constraints, we continued to invest in executing our ESG Strategy and decarbonisation journey. We look forward to further progress against our ESG goals and priorities in the year ahead.



Ethel Matenge-Sebesho
Chairperson: Social and Ethics Committee

Remuneration report summary

The Remuneration Committee (Remco or the Committee) enables the Board to execute its mandate by ensuring that competitive, fair, and responsible remuneration and reward strategies are in place. This facilitates the attraction, motivation and retention of the top talent required to achieve the Group's strategic objectives sustainably.

Remco regularly reviews the design and management of the Group's remuneration practices, including guaranteed pay (GP) structures and the short- and long-term incentive schemes required to motivate exceptional Group, business unit, and individual performance. The Committee also ensures that the Group has transparent disclosure processes that enable a reasonable assessment of the effectiveness of the Group's remuneration and governance practices by stakeholders.

The Committee confirms that it has complied with its mandate as reflected in its terms of reference¹. The Committee further adhered to the King IVTM² guidance on remuneration governance and the JSE Listings Requirements.

The Group complied with the provisions of its remuneration policy and short- and long-term incentive scheme rules, and there were no deviations.

The Committee is pleased to provide its summary report on the Group's remuneration policy and practices for the year ending 31 March 2023. This summary reflects on the performance factors that Remco considered in making its decisions for the year under review. It also outlines the measures taken in response to the below threshold (62.62%) supporting votes Telkom received for the FY2022 remuneration implementation report.

Please refer to the full [remuneration report](#) for further details on the changes made to the Group's remuneration policy for FY2024 and our enhanced disclosure of the implementation of our FY2023 policy and other post-reporting period significant events.

Performance context and factors that influenced Remco's decisions

The ongoing loadshedding, high energy and fuel prices, upward trend in interest rates, and other inflationary pressures reflect the economic challenges the Group faced during the year under review. These challenges and muted economic growth put affordability at the forefront of consumers' minds. Despite these pressures, the Group's revenue performance was steady at R43 138 million compared to the R42 756 million achieved in FY2022.

The instability of the electricity supply and the accelerated stages of loadshedding resulted in a much higher than anticipated cost to serve base. While our mobile sites are partially backed up through alternative power solutions, access network availability is materially reduced during loadshedding stages 4 and higher. The resultant increase in roaming costs further impacted the cost base. The Group also had to increase diesel spending to ensure its core and aggregation network sustained an availability factor of 99.99% during loadshedding.

The above resulted in the Group's underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) margin declining by 68.8% year-on-year. To manage the cost structure and return to a blended EBITDA margin of more than 25% from FY2024 onwards, the Group has embarked on various cost-saving initiatives, including:

- Projects to minimise the costs of legacy technologies and adopt newer technologies, which come at lower margins
- Restructuring the Group to right-size for current needs and meet future demands through the retrenchment process in terms of the Labour Relations Act, 66 of 1995.

The restructuring programme intends to materially contribute to rebasing the Group's costs as its key objective is to reduce the Group's headcount and fixed employment costs by an estimated 15%. To minimise the negative impact of forced retrenchments on affected employees, the Group offered voluntary separation packages (VSPs) and voluntary early retirement packages (VERPs) to all employees, subject to an approval process that ensured the retention of critical skills. Approved VSPs and VERPs contributed significantly towards the targeted fixed employment cost savings. This illustrates our commitment to finding solutions that consider the inputs of all stakeholders, including organised labour, and all employees.

Telkom remains well positioned to drive growth and achieve its ambition to lead in broadband by growing its customer base and products and enhancing customer service. The strategy (refer to strategy section of the integrated report) adopted to realise the intrinsic value of the underlying businesses in the Group continues to gain momentum.

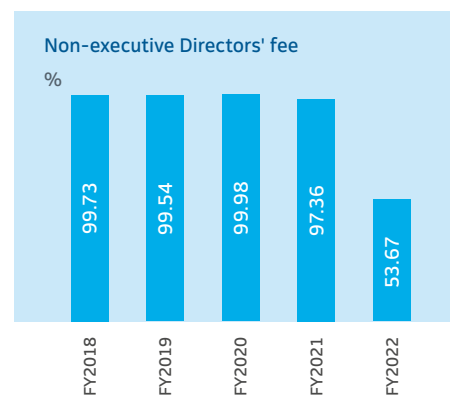
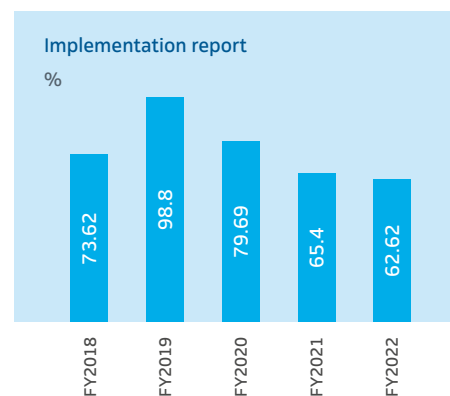
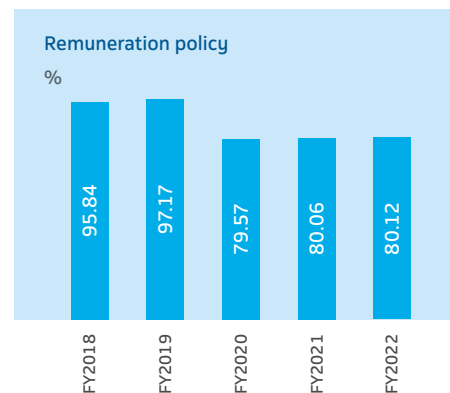
To achieve our ambitions, the Group must have a remuneration framework that enables it to attract, motivate and retain the best talent. Through the human resources strategy, talent should be deployed in the right roles to drive the execution of the business strategy within a safe and conducive work environment. Therefore, we continue to create a workplace responsive to the ever-evolving needs of a skilled and diverse technical and leadership workforce.

Telkom launched a hybrid working model (two days working from home and three days in the office subject to nature of the role), in September 2022 in response to the lifting of COVID-19 restrictions and as a foundation for a competitive and future-focused labour market. However, finding the right balance between working from the office and home in a manner that does not compromise customer service and achieves tangible productivity gains requires ongoing refinement and the management of various uncertainties.

While competitive, responsible and fair remuneration and the hybrid work model are key elements of the Group's employee value proposition (EVP), Telkom is also cognisant of the importance of a stable and effective leadership team and remains focused on retention, rigorous succession planning and development of critical leadership skills. The Group is pleased to have had a smooth transition from Siphos Maseko, the previous Group Chief Executive Officer (GCEO), who stepped down as GCEO on 31 December 2021 and exited the Group on 30 June 2022 after a six-month handover period to Serame Taukobong, who took over as GCEO from 01 January 2022.

¹ The Committee's terms of reference is available [online](#).

² King IV Report on Corporate GovernanceTM for South Africa, 2016. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.



Actions taken to address FY2022 remuneration report voting outcomes

The remuneration policy and implementation report are subject to non-binding advisory votes at every AGM, as required by the JSE Listings Requirements and recommended by King IV™.

The graph alongside reflects the non-binding advisory support votes received for Telkom's remuneration report over the past five years and the approval received for Non-executive Director (NED) fees. While Remco is generally encouraged by the support received for the remuneration policy, the downward trend regarding support for the implementation report requires corrective action.

As per the commitment to proactively engage and listen to shareholder feedback, the Chairperson of the Board and my predecessor engaged with shareholders on the Group's proposed resolutions before the FY2022 AGM, wherein various concerns were raised, acknowledged and clarified.

If either the remuneration policy or implementation report or both are voted against by 25% or more of the voting rights exercised, Remco has to engage with the dissenting shareholders and report on any implemented corrective measures in the next report.

Given that more than 25% of the voting rights exercised were against the implementation report, Remco needed to engage with shareholders in terms of the JSE Listings Requirements. Telkom duly issued a SENS announcement inviting shareholders to an engagement which was held on 01 March 2023. Remco is pleased that this invitation was accepted by some of our shareholders.

The table overleaf reflects the main concerns raised by shareholders, which supplemented Remco's analysis of proxy voting recommendation reports, and the Group's responses.

Disclosure and level of transparency

Shareholder concerns	Our response
<p>Limited disclosure on the performance metrics against which the STIs and LTIs are paid remained a key concern. There is an acknowledgement that detailed business plans cannot be disclosed. However, only disclosing “as per business plan” and providing the result post the event makes it difficult for shareholders to support the implementation report.</p> <p>The remuneration policy received a 20% shareholder dissent at the 2021 AGM. Telkom did not provide further commentary on this level of dissent, referring only to dissent against the implementation report.</p>	<ul style="list-style-type: none"> - As part of the continuous improvement of the remuneration framework, the Group reviewed the FY2024 STI and LTI schemes to ensure that their performance conditions are: <ul style="list-style-type: none"> - Clearly defined and linked to Telkom's strategy - Embed and drive accountability for achieving the Group's environmental, social and governance (ESG) Strategy objectives - An enhanced disclosure of the FY2024 performance conditions is included in the remuneration policy section of the full remuneration report <p>Remco and the Board are committed to good corporate governance, as illustrated by our pre-2022 AGM engagement and the engagement we held with dissenting shareholders post the AGM. These engagements enabled Remco to consider due inputs, which were used to revise the Group's variable pay schemes as outlined in the remuneration policy section of the full remuneration report.</p>

LTI scheme

Shareholder concerns	Our response
<p>Various concerns were raised regarding the LTI scheme's performance conditions, including the need to:</p> <ul style="list-style-type: none"> - Reference the total shareholder return (TSR) measure to an appropriate peer market benchmark - Include ESG as part of the performance conditions <p>Additionally, the following issues were raised:</p> <ul style="list-style-type: none"> - The perceived limited “skin in the game” by Executive Directors - The need to increase the percentage of guaranteed pay that Executives should hold as minimum shareholding 	<ul style="list-style-type: none"> - We reviewed the performance conditions of the Group's FY2024 variable pay schemes (STI and LTI) as part of the ongoing enhancement of the remuneration framework - For the LTI scheme, the TSR metric is referenced to an appropriate group of peer companies which has been disclosed - STI and LTI performance conditions include appropriate ESG metrics to drive accountability for sustainability from the top - The minimum shareholding requirements (MSR) policy has been updated and aligned to market practice to embed the alignment of interests between executives and shareholders <p>The review outcomes are disclosed in the remuneration policy section of the full remuneration report.</p>

STI scheme

Shareholder concerns	Our response
<p>Various concerns were raised regarding the STI scheme's performance conditions, as follows:</p> <ul style="list-style-type: none"> - The need to include ESG-related metrics that are measurable with stretched but realistic targets that are relevant to the Group and each business unit - The current practice for the STI, where the trigger is below budget (85%), was questioned as it was perceived to imply that Telkom rewards non-achievement of targets - There was concern about using EBITDA as a metric for the STI 	<ul style="list-style-type: none"> - For the FY2023 STI scheme, the trigger increased to a 95% achievement rate of the stretch EBITDA and PAT targets - We reviewed the performance conditions of the Group's FY2024 variable pay schemes (STI and LTI) per the details disclosed in the remuneration policy section of the report - The redesigned FY2024 STI scheme incorporates Group, business unit and individual scorecards with clear targets for each weighted metric to eliminate the need for triggers - We introduced a threshold payment for performance, which is set above budget and in line with the scheme's self-funding principles - The STI scheme's financial metrics at Group level are revenue, PAT and free cash flow (FCF) <p>The review outcomes are disclosed in the remuneration policy section of the full report.</p>

Employment contracts of Executive Directors and Group Prescribed Officers

Shareholder concerns	Our response
<p>The changes in the notice period and the introduction of a restraint of trade for Executives were well received.</p>	<p>This feedback was positively noted. The Group has updated current contracts and will continue to appoint all new Executive Directors and Group Prescribed Officers with a six-month notice period and conclude a restraint agreement on their appointment, effected upon termination date.</p>
<p>Good leaver provisions indicate that the Group's forfeitable shares vest on a pro-rata basis for time (retention) only, and performance conditions are not included. Dividends may also accrue on unvested forfeitable share awards.</p>	<p>Remco acknowledges the feedback in this regard. However, as dividend accrual on unvested forfeitable shares and the good leaver provisions are as per the current shareholder-approved LTI scheme rules, the Group has made enhancements to how it implements the current LTI scheme rather than introduce a new scheme for FY2024. These enhancements include clearly defined and strategy-aligned stretched performance conditions and a market-aligned approach to minimum shareholding requirements (MSR), as detailed in the full remuneration report.</p>

Strategy to be included in reward schemes

Shareholder concerns	Our response
<p>The former GCEO was paid a 12-month restraint agreement award of R32 million, which was not supported by sufficient rationale. This is in addition to the delivery of a retention award, for which a significant level of dissent against the implementation report at the previous (FY2021) AGM had been attributed. Given this context, the second part of the retention award represents a material concern</p>	<p>This matter was addressed through our various engagements with shareholders where we elaborated on the calculation basis and the payment conditions of the award.</p> <p>We also explained that the combination of a constrained market that drove harsh trading conditions with regulatory events pointed to an even stricter outlook for Telkom in 2020 and 2021. Accordingly, the Board considered it strategically important to retain Mr Maseko's services for at least two years to ensure strategic leadership and continuity. The decision at the time, was supported and approved based on the following key reasons:</p> <ul style="list-style-type: none"> - The timing of the strategy, including the restructuring that was underway to facilitate this, together with the significant shifts taking place in the telecommunications space - The implementation status of key strategic matters, such as the spectrum auction and optimisation of the business units - The competitive environment within which Telkom found itself <p>The Board believes that it made the right decision to retain Mr Maseko's strategic leadership services. Accordingly, he remained in an advisory capacity from 01 January 2022 until 30 June 2022 to complete selected strategic matters and ensure a smooth transition to the new GCEO</p>
<p>Telkom must ensure alignment of Executives' key performance indicators (KPIs), with reward linkages in the STI and LTI plans.</p>	<p>The review of the Group's FY2024 STI and LTI schemes is premised on the Group's strategy. This ensures that Group, business unit and Executives' individual performance conditions for these schemes effectively encourage the discretionary effort required to achieve key strategic outcomes sustainably.</p> <p>The performance conditions that reflect the above are disclosed in the full remuneration report.</p>

Summary of remuneration policy changes and improvement initiatives

Remco appreciates the strategic role of remuneration and reward in enabling the Group's performance and encouraging exceptional value creation for all stakeholders. Accordingly, the Committee continuously assesses the effectiveness of the remuneration policy, incentive schemes and practices to ensure they drive and result in positive outcomes for shareholders without creating undue risks. The shareholder engagements outlined above, and Remco's annual assessment, resulted in the following key policy changes.

Comparator group review

The comparator group for referencing the remuneration of Executive Directors and Non-executive Directors against a market median, through periodic market benchmarks, best practice, feedback from shareholders and other key strategic factors such as skills requirements and affordability, was last reviewed for appropriateness in 2021. Therefore, Remco reviewed and updated the comparator group in line with developments in the Group's strategy and changes in the business and competitor landscapes.

Deloitte's ExecEval™ Sizing Grid was used to select an appropriate peer group. This process included identifying an appropriate business sector, industry and company size using comparative criteria such as market cap, total assets, revenue, pre-tax profit, headcount and payroll costs.

The resultant peer group mainly includes companies within the consumer business sector. However, due to a lack of telecom companies within the South African consumer business environment, similar-sized companies from different sectors within the broader sectoral grouping were also included. Further criteria such as operation similarity, availability of disclosed data, and other relevant factors were used to narrow down companies from the telecoms, consumer discretionary, retail, healthcare, diversified real estate investment trusts (REITs), and electronics sectors.

Fourteen companies met the required criteria and were thus identified as Telkom's updated peer group, while three others were included in the reference group. The updated list of comparator companies is disclosed in the policy section of the [full remuneration report](#) online.

ESG metrics incorporated as part of FY2024 LTI and STI plans

Telkom has incorporated its ESG Strategy's metrics into the performance conditions for the FY2024 STI and LTI schemes to drive accountability for its achievement from Executive Director and Group Prescribed Officer level.

Variable pay review

Together with Deloitte's Reward Consulting team, the Group reviewed and redesigned the FY2024 STI and LTI schemes through an iterative process, including consultations with Telkom's key stakeholders and the shareholder feedback received per the abovementioned engagements. The key review processes followed included:

- Benchmarking the pay of Executive Directors and Group Prescribed Officers for total on-target performance and pay mix relative to the market to determine external competitiveness
- Ensuring consistent alignment of the Executive Director and Group Prescribed Officer deliverables to the strategy through the development of Group, business unit and individual scorecards informed by the strategy
- Reviewing and redesigning the STI scheme to ensure it effectively drives the achievement of exceptional and sustainable strategic deliverables in line with the Group, business unit and individual scorecards
- Reviewing the implementation parameters of the LTI scheme to align with market and best practices. The revised implementation parameters were done within the scope of the current rules, approved by shareholders, and included a market-aligned approach for achieving minimum shareholding requirements

The outcomes of this review are outlined in the remuneration policy section of the [full remuneration report](#).

Governance and key decisions made by Remco

Committee composition and meeting attendance

The Committee's composition and its Members' attendance at the four meetings held in FY2023 are reflected in the table below.

Name	Designation	Meeting date				Total attendance
		07 Jun 2022	16 Aug 2022	14 Nov 2022	13 Mar 2023	
RG Tomlinson¹	Former Chairperson	Yes	Yes	N/A	N/A	2/2
B Kennedy²	Current Chairperson	N/A	Yes	Yes	Yes	3/3
O Ighodaro	Member	Yes	Yes	Yes	Yes	4/4
MS Moloko	Member	Yes	Yes	Yes	Yes	4/4
KW Mzondeki¹	Member	Yes	Yes	N/A	N/A	2/2
M Nyati²	Member	N/A	Yes	Yes	Yes	3/3
LL Von Zeuner³	Member	Yes	Yes	No	Yes	3/4

¹ Resigned at the AGM of 24 August 2022.

² Attended the 16 August 2022 meeting as incoming Member and Chairperson of the Committee (the effective date of appointment to the Committee was 25 August 2022).

³ Apologised for the meeting held on 14 November 2022.

Key decisions taken in FY2023

In line with the remuneration policy and due cognisance of the factors impacting remuneration, Remco made the following key decisions in FY2023.

Guaranteed pay (GP)

Remuneration Element	Employee level	Decision
FY2023, effective 01 April 2022 The overall average GP increase granted was 6.57%	Executive Directors and Group Prescribed Officers	The average performance-based GP increase granted was 5.86%. Refer to the implementation report online in the full remuneration report for details.
	Management	The average GP increase awarded was 5%, with an additional 1% allocated to top talent and critical skilled employees who delivered great performance.
	Bargaining unit employees	<p>The Company and the Alliance (CWU and SACU) concluded a one-year substantive wage collective agreement for the period 01 April 2022 to 31 March 2023.</p> <p>The annual GP increase agreed upon was 7%, and included:</p> <ul style="list-style-type: none"> - 6% increase with reference to the 50th percentile of the business or functional area market for each employee per job grade - an additional 1% to align lagging employees to the business or functional area market's 50th percentile
FY2024 effective 01 April 2023	Management	<p>No (0%) increase was awarded to Management employees for the coming year (FY2024) in line with the cost-saving initiatives underway.</p> <p>However, investment in Executive and employee learning and development and other non-direct financial elements of the Group's employee value proposition (EVP) may be implemented to develop current and future capabilities, as well as mitigate key talent retention risks as part of the talent management processes.</p>
	Bargaining unit employees	As the one-year substantive wage agreement concluded with the Alliance (CWU and SACU) expired on 31 March 2023, the Company will engage with the Alliance in line with the constructive working relationship established over the years. The outcome of the engagements will be disclosed in the next report.

Short-term incentives (STI)

Remuneration Element	Decision
FY2022 STI payment approval	<ul style="list-style-type: none"> - In line with the STI policy, the Board approved the STI pool based on the need to achieve the two key triggers for payment, namely EBITDA and PAT targets - The STI pool was based on an equal weighting of 25% of the scheme's financial performance conditions: EBITDA, PAT, Revenue and FCF - Telkom approved the individual STI payments for the Executive Directors and Group Prescribed Officers, considering required level of individual performance over and above the Group and business performance factors (refer to details disclosed in the FY2022 report).
FY2023 STI plan approval	<p>Remco approved the FY2023 STI plan in line with the following key policy principles:</p> <ul style="list-style-type: none"> - The performance conditions that require the achievement of weighted Group EBITDA (20%), PAT (20%), Revenue (30%), and FCF (30%) targets - The EBITDA and PAT target achievement trigger for determining the STI pool was adjusted from 85% (FY2022) to 95% of the stretch targets for FY2023, in line with shareholder feedback - Business units must meet their respective financial targets to trigger a payment, and an individual must also achieve their performance targets to be eligible for an STI payment
FY2023 STI payment approval	In line with the STI policy and approved plan, Remco and the Board approved the non-payment of STIs based on the Group's performance outcomes which did not achieve the required PAT and EBITDA targets to trigger payment. The impact of this decision are shown on the single figure remuneration table and disclosed in the implementation section of the full remuneration report

Long-term incentives (LTI)

Remuneration Element	Decision
Approval of annual LTI awards including performance conditions	<p>In line with the rules of the LTI scheme, Telkom awarded 8 436 459 forfeitable shares to permanent employees who were in the Group's service on the award date of 15 June 2022.</p> <p>Due to insider information regarding the potential MTN transaction, Telkom did not award shares to Executive Directors and Group Prescribed Officers in June 2022. Instead, their shares were awarded on 24 November 2022, after the closed period relating to interim period reporting had been lifted.</p> <p>The details of the shares awarded to Executive Directors and Group Prescribed Officers and the performance conditions thereof are outlined in the implementation section of the full remuneration report.</p>
Approval of vesting awards	<p>In line with the rules of the LTI scheme, the tranche of Telkom shares vesting during the year under review (June 2022) was approved based on the tested performance conditions applicable and assurance from auditors. The details of the performance conditions achieved and the awards vesting for Executive Directors and Group Prescribed Officers are outlined in the implementation section of the full remuneration report.</p>

NED fees

Remuneration Element	Decision
Non-executive Director fee proposals	<p>Remco recommended a 5% increase in the all-inclusive fee structure for NEDs. However, shareholders did not approve this at the AGM on 24 August 2022. Therefore, Telkom did not adjust NED fees, which remained the same as per the previous financial year.</p> <p>In light of the cost containment initiatives underway, Telkom will not be proposing any fee increases for FY2024 at the next AGM.</p> <p>A proposal will be made to amend the NED Fee policy to include a special per meeting fee applicable only to the ad hoc Independent Board ("iBoard"), which was established in terms of the Companies Act and the Takeover Regulations to perform all and any acts and take all and any decisions which may be performed by an independent board pursuant to any proposed transaction that may be presented to the Company from time to time. This proposal will be made at the next AGM and only implemented if approved by Shareholders. Refer to the AGM resolution on page 139 for details.</p>

Single figure remuneration for Executive Directors and Group Prescribed Officers

Executive Directors

The following table outlines the aggregate remuneration, benefits paid and STIs approved for FY2023.

	GP	Motor Car Insurance	Funeral Benefit	STI	LTI (vested shares) 24 November 2022	Total FY2023	Pension TRF contribution of basic pensionable salary*	Total FY2022
S Taukobong	R9 450 000	R11 997	R296	R0	R1 604 942	R11 067 235	R859 950	R7 799 908
DJ Reyneke	R6 115 200	R11 997	R296	R0	R586 600	R6 714 093	R691 629	R9 051 389
Total	R15 565 200	R23 994	R592	R0	R2 191 542	R17 781 328	R1 551 579	R16 851 297

* Employees have the flexibility to determine Company pension contributions.

Group Prescribed Officers

The following table outlines the aggregate remuneration benefits paid and STIs approved for FY2023.

	GP	Motor Car Insurance	Funeral Benefit	STI	LTI (vested shares) 14 June 2022	Total FY2023	Pension TRF contribution of basic pensionable salary*	Total FY2022
AC Beukes	R5 700 000	R11 997	R296	R0	R845 036	R6 557 329	R518 700	R9 598 772
PJ Bogoshi	R5 783 355	R0	R296	R0	R1 693 667	R7 477 318	R563 877	R9 268 904
NM Lekota	R4 351 552	R0	R296	R0	R1 502 748	R5 854 596	R456 913	R8 016 723
LM Siyo	R5 608 727	R11 997	R296	R0	R584 279	R6 205 299	R325 306	R6 784 042
LTS Maloba	R4 494 000	R11 997	R296	R0	R975 378	R5 481 671	R379 743	R6 251 640
Total	R25 937 634	R35 991	R1 480	R0	R5 601 108	R31 576 213	R2 244 540	R39 920 081

* Employees have the flexibility to determine Company pension contributions.

Executive Directors' and Group Prescribed Officers' emoluments are set out in the [annual financial statements](#), which are available online.

Additional matters considered

The Committee also reviewed and noted the following:

- The project plan for the S189A restructuring processes, which included detailed implementation and change management processes and outcomes
- The Committee's terms of reference, annual work plan and remuneration report were recommended to the Board for approval



Enable

the Group to attract, motivate and retain key leadership and technical skills



Achieve

a balanced remuneration mix for Executive Directors and Group Prescribed Officers

Future focus areas

Remco will continuously assess remuneration market trends, best practice, and governance developments to ensure that remuneration policies and structures support the sustainable achievement of Telkom's strategic objectives. The Committee's remuneration policy, practices and decisions will continue to focus on ensuring that we:

- Enable the Group to attract, motivate and retain key leadership and technical skills through a competitive total reward (financial and non-financial) offering
- Achieve a balanced remuneration mix for Executive Directors and Group Prescribed Officers to continuously enhance the alignment of their interests to those of shareholders
- Achieve fair and responsible pay objectives in line with the disclosure requirements envisaged under the Companies Act Amendment Bill
- Enhance the disclosure of the Group's remuneration policy and practices so that shareholders, and other stakeholders, can assess their effectiveness and provide Remco with constructive feedback as part of the Committee's engagement policy and continuous improvement efforts

Independent external advisors

Non-executive Director fees are periodically benchmarked independently by PwC to ensure they align with the external market while considering the Group's key strategic imperatives and the work that the Board and its Committees must deliver as mandated. Remco considers the benchmark outcome as one of the factors used to recommend annual fee reviews to the Board, which then presents these for shareholder endorsement at the AGM.

Deloitte reviewed the Executive Director and Group Prescribed Officers remuneration mix as part of the variable pay project. They benchmarked this remuneration mix against Telkom's peers to ensure alignment with the market and shareholder interests. Deloitte further assisted Telkom with the development of the Group, business unit and individual performance scorecards of the Executive Directors and Group Prescribed Officers to ensure alignment with the strategy.

Remco uses Deloitte, PwC and Remchannel for management and bargaining unit benchmarking and general external advice, including leading market practice.

The advisors attended relevant Committee meetings. The Committee was satisfied that they were always independent and objective.

APPENDICES

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The basis of preparing our report


This report covers the financial year 1 April 2022 to 31 March 2023 and includes significant subsequent events up to the report's approval date.

Considerations in preparing this report

We prepared this report for our providers of financial capital and other stakeholders and used the <IR> Framework to compile the report.

The report complies with the JSE Listings Requirements, specifically the corporate governance requirements in paragraph 3.84 of the JSE Listings Requirements. The report also communicates Telkom's progress towards achieving the United Nations Global Compact regarding human rights, labour, the environment, and our anti-corruption efforts. Also refer to [page 49](#), where we provide a summary of the ESG considerations for this report.


Our report focuses on material themes that substantively impact our ability to create value for our stakeholders over time. Refer to [page 26](#) for our materiality determination process and 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 considered the disclosure guidelines of King IV while preparing the 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](#).

Combined assurance related to our integrated report

We follow a combined assurance approach ([page 106](#)), which integrates our internal audit function, TGI, other independent assurers and risk management activities across the Group. TGI assessed the completeness and accuracy of a sample of strategic, non-financial KPIs presented in this report.

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 [online](#).




IBIS ESG Assurance provided assurance over certain non-financial indicators in the report. Assured non-financial indicators are indicated with this icon . Please refer to the FY2023 [Independent Assurance Report](#) available online.

The Group Exco, Audit Committee, Social and Ethics Committee and the Board reviewed and approved this report. The Board takes ultimate responsibility for the report. Refer to the Board's approval statement on [page 2](#).



Reporting suite

Our reporting suite as outlined below can be found at [online](#).

Report	Framework	Assurance provider
 Integrated report, including the notice of AGM	<ul style="list-style-type: none"> - <IR> Framework - King IV - Companies Act - JSE Listings Requirements 	<ul style="list-style-type: none"> - Management - Audit Committee - Board - IBIS ESG Assurance - Internal audit - Social and Ethics Committee
Consolidated annual financial statements	<ul style="list-style-type: none"> - IFRS - Companies Act - JSE Listings Requirements 	<ul style="list-style-type: none"> - Management - Audit Committee - Board - External auditors
 Assurance statement	<ul style="list-style-type: none"> - King IV 	<ul style="list-style-type: none"> - IBIS ESG Assurance
 King IV application report	<ul style="list-style-type: none"> - No framework 	<ul style="list-style-type: none"> - Management - Internal audit - Audit Committee - Board
Annual results presentation	<ul style="list-style-type: none"> - Amended B-BBEE ICT sector codes 	<ul style="list-style-type: none"> - Management - Audit Committee - Board
B-BBEE certificate	<ul style="list-style-type: none"> - Factored into long-term initiative in the sustainability roadmap 	<ul style="list-style-type: none"> - 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, Capital Expenditure (capex), projected costs and anticipated cost savings and financing plans and projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to" or similar phrases. However, the absence of such words does not necessarily mean 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 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 risk section of this report, refer to [page 40](#).

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 Telkom's behalf, are qualified in their entirety by these cautionary statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, so that they conform either to the actual results or to changes in our expectations.

Any forward-looking financial information disclosed in this report for the year ended 31 March 2023 has not been reviewed or audited or otherwise reported on by our joint independent external auditors.

Pro forma information

Certain financial information presented in the results announcement released on 13 June 2023 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](#) released on 13 June 2023 was reported on by the Group's joint independent external auditors. Their unmodified reasonable [assurance report](#) was prepared in terms of ISAE 3420 and is available for inspection online.

The pro forma financial information has been prepared excluding the impact of voluntary severance package (VSP), voluntary early retirement package (VERP) and S189 costs, the impairment of assets charge in the current year and the related tax impact on results and the write-up of invested capital of BCX and Gyro to fair value (the "pro forma adjustments").

This constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated abridged financial statements for the year ended 31 March 2023. This pro forma financial information was presented to eliminate the impact of the pro forma adjustments from the audited consolidated abridged financial statements for the year ended 31 March 2023 to achieve a comparable year-on-year analysis and show the underlying performance of the business. The pro forma adjustments were determined in terms of the Group accounting policies disclosed in the audited consolidated abridged financial statements for the year ended 31 March 2023.

The joint independent external auditors' audit report by PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. does not report on all the information contained in this integrated report. Shareholders are therefore advised that to obtain a full understanding of the nature of the joint independent external auditors' engagement, they should obtain a copy of the joint independent auditors' audit report together with the accompanying [financial information](#) from Telkom's website.

The Board of Directors takes full responsibility for the preparation of this integrated report, including pro forma financial information that has been correctly extracted from the underlying audited consolidated abridged financial statements. The information contained in this document is also available on Telkom's [investor relations website](#).

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, detailed further in the report, indicated with various cross-references.

Telkom adopted an additional four SDGs (SDG 1, SDG 6, SDG 10 and SDG 16) that it can support and influence during the development of the ESG Strategy. The strategy is discussed on [page 49](#).

For Telkom's approach to SDGs, refer to [pages 126 to 128](#).

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 materially impact proficiency in mathematics and science at high school level and support the development of teachers in pedagogical and content areas (specifically science, technology, English and mathematics). The Telkom Foundation invested R64 million into education, digital skills and social development.	Social and relationship capital (page 82) <ul style="list-style-type: none"> - Learners who complete National Senior Certificate - Proficiency in mathematics and science - Investment into digital skills - Teachers empowered in improving their teaching practice in science, technology, English and mathematics (STEM)
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.	Telkom provides teachers and learners with an integrated ICT solution to bridge the digital divide and improve the quality of teaching and learning.	Social and relationship capital (page 82) <ul style="list-style-type: none"> - Teachers connected in supported schools - Learners connected in supported schools - Zero-rated education sites - Corporate social investment invested in school infrastructure - Investment into digital skills

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.	<p>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.</p> <p>Investments made in innovation and launching new value propositions that contribute to economic growth and sustainability.</p>	<p>Productive capital (page 55)</p> <ul style="list-style-type: none"> - Investment in infrastructure - Network reach - Network reliability indicators - New value propositions launched - Revenue from new value propositions launched
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.	We materially impact this target through our procurement policy with specific considerations towards B-BBEE, ESD and investment activities, and the development and support of digital e-commerce solutions to support entrepreneurship and growth of SMMEs.	<p>Social and relationship capital (page 82)</p> <ul style="list-style-type: none"> - B-BBEE procurement spend - SMMEs impacted or supported - Entrepreneurs impacted or supported - Investment in development programmes - Finance provided to SMMEs - Suppliers supported on the e-commerce platform - Direct and indirect jobs created
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.	<p>Telkom is an equal opportunity employer irrespective of gender, race or physical ability.</p> <p>Telkom's positive impact is material regarding quality education, skills development programmes, our remuneration policies, workforce breakdown and investment into ESD.</p>	<p>Social and relationship capital (page 82)</p> <ul style="list-style-type: none"> - Jobs created (direct or indirect including new hires) <p>Human capital (page 75)</p> <ul style="list-style-type: none"> - Internal promotions - Employee voluntary turnover - Employee diversity statistics (including differently abled employees) - Learnerships and internship programmes <p>Remuneration report summary (page 112)</p> <ul style="list-style-type: none"> - Remuneration and benefit disclosure - Income differentials (gender and race wage gap)
8.6 By 2030, substantially reduce the proportion of youth not in employment, education or training.	<p>We directly employ a significant number of people 11 624 and support a greater number of indirect jobs by providing business to local organisations and through our ESD Programmes (see SDG 8.5).</p> <p>Telkom is committed to developing youth through internships and training opportunities.</p>	<p>Human capital (page 75)</p> <ul style="list-style-type: none"> - New employee hires - Employee turnover - Employee diversity statistics - Training spend - Internship programmes <p>Remuneration report summary (page 112)</p> <ul style="list-style-type: none"> - 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.	<p>We provide network access and maintenance to banks, ATMs and point of sale platforms. We also provide insurance and funeral cover through our mobile products.</p> <p>Telkom Digital Wallet allows payments and receipt of money for customers.</p> <p>Telkom offers this platform to enable access to other financial services through the provision of connectivity and infrastructure.</p>	<ul style="list-style-type: none"> - 32 030 verified users accessing Digital Wallet

Industry, innovation and infrastructure



Subtargets	Our contribution	Telkom KPI
<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.</p>	<p>We have a material/positive impact on this target through:</p> <ul style="list-style-type: none"> - Extending and upgrading our infrastructure - Connecting remote, less-included communities - Stimulating economic participation - Supporting IoT-related innovation <p>Telkom can further increase its positive impact through the provision of affordable products and services, supporting equitable access to connectivity for all.</p>	<p>Productive capital (page 55)</p> <ul style="list-style-type: none"> - Mobile sites integrated - FTTH homes passed - Enhanced fibre speeds - Data centre revenue (co-location, dedicated managed services, cloud services)
<p>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.</p>	<p>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.</p>	<p>Social and relationship capital (page 82)</p> <ul style="list-style-type: none"> - Number of SMMEs impacted and/or supported - R'million finance provided to SMEs <p>Productive capital (page 55)</p> <ul style="list-style-type: none"> - Digital transformation as a KPI
<p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> - Solar photovoltaic plants expansion - Energy-efficiency initiatives - Moving from copper to fibre cables further increases the use of more environmentally friendly technologies and products - Water and energy smart meters at high-consuming sites to optimise consumption of utilities 	<p>Natural capital (page 87)</p> <ul style="list-style-type: none"> - Carbon footprint - Water consumption - Electricity usage from renewable resources - Waste recycled <p>Productive capital (page 55)</p> <ul style="list-style-type: none"> - FTTH
<p>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.</p>	<p>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 Centre of Excellence. Telkom marked a key milestone in its continued commitment to research, development, and innovation, signing a five-year strategic partnership with the University of the Witwatersrand to launch the first Industry Solutions Lab as part of the Wits Innovation Centre.</p>	<p>Human capital (page 75)</p> <ul style="list-style-type: none"> - Number of research and development learners per annum - Number of research and development interns per annum

Responsible consumption and production

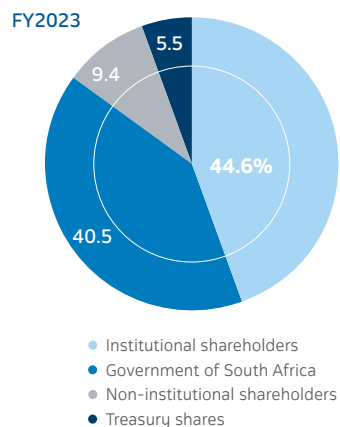


Subtargets	Our contribution	Telkom KPI
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Our business activities, products and services lead to high volumes of e-waste, such as batteries, copper cabling, phones and electronic equipment. There are significant opportunities for Telkom to decrease its negative impact through, among others, the recycling of end-of-life products.	Natural capital (page 87) <ul style="list-style-type: none"> - Volumes of e-waste disposed of
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.	Social and relationship capital (page 82) <ul style="list-style-type: none"> - Number of SMMEs impacted or supported - Procurement with black-owned businesses

Share and debt holding information

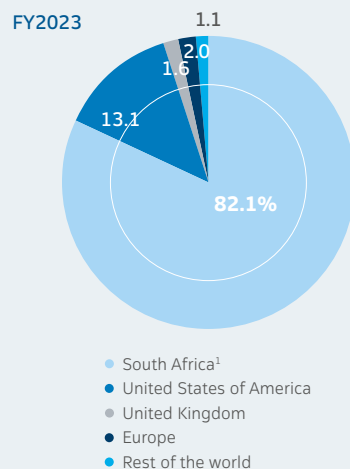
This section provides insight into our shares and debt holding for the year ended 31 March 2023.

Equity shareholding

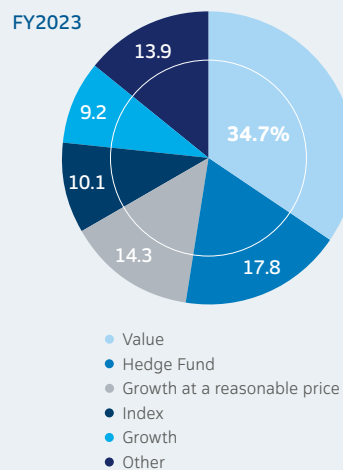


Institutional shareholding – free float

Institutional shareholding by geography



Institutional shareholding by investment style²

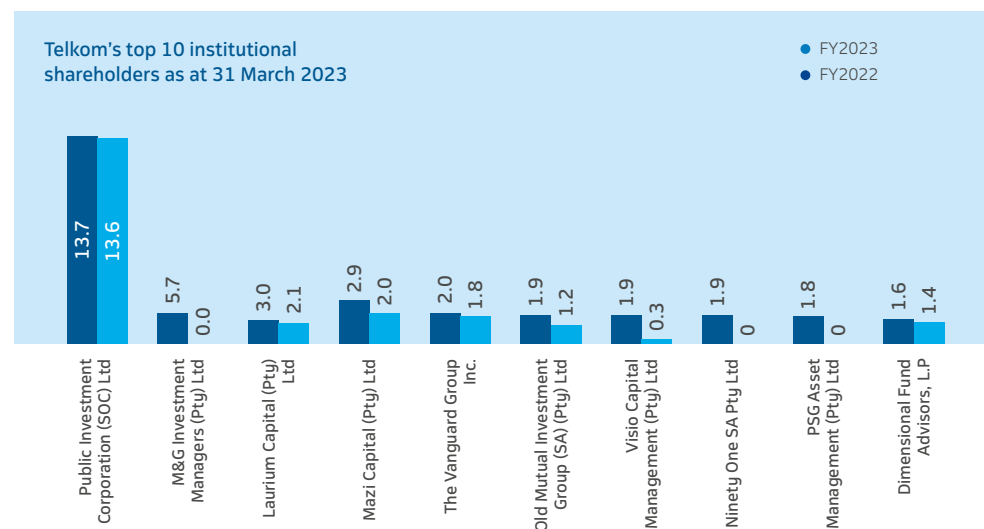
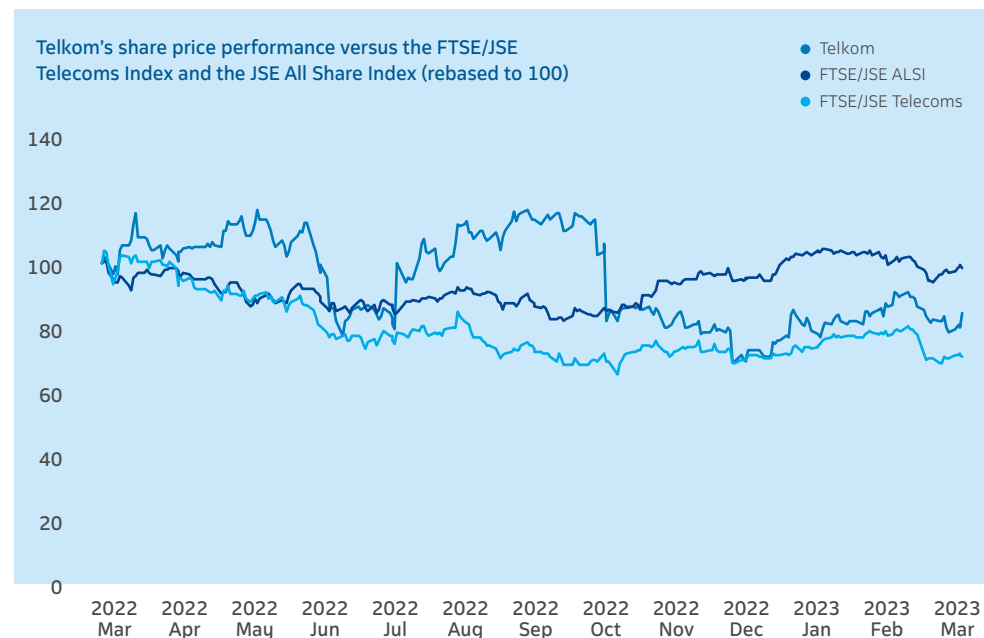


¹ This excludes government.

² This excludes the Public Investment Corporation SOC Ltd (PIC) as it has multiple investment styles.

Telkom's share price

Telkom's share price performance versus the FTSE/JSE Telecoms Index and the JSE All Share Index (rebased to 100)



Debt holding information
as at 31 March 2023

JSE Bond Code: BITEL

Issuer rating

Telkom credit ratings	Moody's Investors Service	Standard and Poor's
Long-term global scale	Ba2	BB
Long-term national scale	Aa1.za	–
Outlook	Stable	Stable
Last review date	March 2023	March 2023

South African listed debt	TL25	TL30
	TL26	TL31
	TL27	TL32
	TL28	TL33
	TL29	

Summary financial reports

Consolidated summary statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022 ² Rm
Revenue		43 138	42 756
Operating revenue		42 777	42 474
Interest revenue		361	282
Other income ¹		863	686
Insurance service result		1	(2)
Payments to other operators		(3 399)	(3 393)
Cost of handsets, equipment, software and directories	6.1	(7 089)	(5 648)
Sales commission, incentives and logistical costs		(2 522)	(2 516)
Employee expenses	6.2	(9 292)	(8 693)
Other expenses	6.3	(2 384)	(2 256)
Wholesale voice and non-voice services ²		(196)	(59)
Maintenance	6.5	(4 154)	(3 879)
Marketing	6.6	(812)	(729)
Impairment of receivables, contract assets and loans	6.7	(1 255)	(803)
Service fees	6.8	(4 080)	(3 388)
Lease-related expenses	6.9	(332)	(168)
EBITDA		8 487	11 908
Depreciation of property, plant and equipment	6.4	(5 125)	(4 713)
Depreciation of right-of-use assets	6.4	(1 274)	(1 184)
Amortisation of intangible assets	6.4	(746)	(831)
Write-offs and impairments of property, plant and equipment and intangible assets ³	6.4	(13 508)	(247)
Operating (loss)/profit		(12 166)	4 933
Investment income		148	144
Net finance charges and fair value movements		(1 484)	(1 279)
Finance charges on lease liabilities		(488)	(450)
Net finance charges – other ⁴		(972)	(662)
Foreign exchange and fair value movements ⁴		(24)	(167)
(Loss)/profit before taxation		(13 502)	3 798
Taxation	14.1	3 531	(1 167)
(Loss)/profit for the year		(9 971)	2 631

	Notes	31 March 2023 Rm	31 March 2022 ² Rm
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange gains on translating foreign operations ⁵		17	4
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains	11	98	341
Income tax relating to other comprehensive income		(27)	(79)
Other comprehensive income for the year, net of taxation		88	266
Total comprehensive (loss)/income for the year		(9 883)	2 897
(Loss)/profit attributable to:			
Owners of Telkom		(9 973)	2 630
Non-controlling interests		2	1
(Loss)/profit for the year		(9 971)	2 631
Total comprehensive (loss)/income attributable to:			
Owners of Telkom		(9 885)	2 896
Non-controlling interests		2	1
Total comprehensive (loss)/income for the year		(9 883)	2 897
Basic (loss)/earnings per share (cents)	7	(2 058.9)	536.6
Diluted (loss)/earnings per share (cents)	7	(2 058.9)	519.9

¹ Other income increased largely due to the impact of contract asset sales.² In the prior year, wholesale voice and non-voice services were included in the other expenses line item. This has been disclosed separately in the current year, due to a re-presentation at a Telkom Company level on the annual financial statements. Refer to the annual financial statements for more information.³ Write-offs and impairments of property, plant and equipment (PPE) and intangible assets (IA) include impairments to the amount of R13 236 million.⁴ Other net finance charges increased mainly due to higher debt levels and increasing interest rates. The decrease in foreign exchange and fair value movements, is largely due to a gain on the revaluation of forward exchange contracts.⁵ This component of other comprehensive income does not attract any tax.

Consolidated summary statement of financial position

as at 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022 Rm
Assets			
Non-current assets		42 307	49 893
Property, plant and equipment	8	26 178	38 319
Right-of-use assets		5 360	4 945
Intangible assets	8	4 493	4 248
Other investments		108	170
Other receivables ¹		72	–
Employee benefits	11	1 266	1 566
Other financial assets	10.1	182	113
Finance lease receivables		344	224
Deferred taxation	14.3	4 304	308
Current assets		17 317	16 124
Inventories	12	1 091	1 084
Income tax receivable	14.4	79	30
Finance lease receivables		304	183
Trade and other receivables	19.1	9 314	7 797
Contract assets	19.2	2 440	2 055
Other current assets		462	466
Other financial assets	10.1	93	69
Investment in cell captives		61	59
Cash and cash equivalents	13	3 469	3 239
Restricted cash		4	1 142
Total assets		59 624	66 017

	Notes	31 March 2023 Rm	31 March 2022 Rm
Equity and liabilities			
Equity attributable to owners of the parent		24 184	34 069
Share capital		5 050	5 050
Share-based compensation reserve		1 414	1 238
Non-distributable reserves		739	968
Retained earnings		16 981	26 813
Non-controlling interests		(23)	(25)
Total equity		24 161	34 044
Non-current liabilities		17 550	13 422
Interest-bearing debt	16	11 999	8 221
Lease liabilities		4 617	4 340
Provisions	17	368	380
Other financial liabilities	10.2	198	106
Deferred revenue		128	138
Deferred taxation	14.3	240	237
Current liabilities		17 913	18 551
Trade and other payables ²		10 419	10 339
Shareholders for dividend		25	28
Interest-bearing debt	16	2 357	3 711
Lease liabilities		1 272	1 034
Provisions	17	1 893	1 276
Deferred revenue		1 475	1 633
Income tax payable	14.4	2	3
Other financial liabilities	10.2	470	527
Total liabilities		35 463	31 973
Total equity and liabilities		59 624	66 017

¹ The other receivables relate to prepayment of services or goods that will not be received within the next 12 months. The current portion of prepayments is disclosed in trade and other receivables.

² Invoices subject to supplier finance are classified as trade payables based on management's judgement. R1 411 million of the total trade payables is subject to supplier financing. The Group continues to pay its suppliers based on the agreed payment terms and provides no guarantees to the participating funders. The arrangement does not have an impact on the Group's trade payables, net debt and cash flows.

Consolidated summary statement of changes in equity

for the year ended 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
Balance at 01 April	34 044	31 341
Attributable to owners of Telkom	34 069	31 366
Non-controlling interests	(25)	(25)
Total comprehensive (loss)/income for the year	(9 883)	2 897
(Loss)/profit for the year	(9 971)	2 631
Other comprehensive income	88	266
Exchange gains on translating foreign operations	17	4
Net defined benefit plan remeasurements	71	262
Dividend declared	(4)	(1)
Increase in share-based compensation reserve	176	203
Vesting of Telkom and BCX share scheme	2	–
Increase in treasury shares ¹	(255)	(396)
Deregistration of VS Gaming	81	–
Balance at 31 March	24 161	34 044
Attributable to owners of Telkom	24 184	34 069
Non-controlling interests	(23)	(25)

¹ Treasury shares relate to the share buy-back for the Telkom Group share scheme.

Consolidated summary statement of cash flows

for the year ended 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022 Rm
Cash flows from operating activities		5 126	8 152
Cash receipts from customers		40 422	41 614
Cash paid to suppliers and employees		(33 717)	(31 728)
Cash generated from operations ¹	22	6 705	9 886
Interest received		282	235
Dividend received		–	22
Finance charges paid		(1 456)	(1 188)
Taxation paid	14.2	(547)	(764)
Repayment of derivatives – FECs		(28)	(114)
Proceeds from derivatives – FECs		178	80
Cash generated from operations before dividend paid		5 134	8 157
Dividend paid		(8)	(5)
		(5 827)	(9 298)
Cash flows utilised for investing activities			
Proceeds on disposal of property, plant and equipment and intangible assets		92	16
Additions to property, plant and equipment and intangible assets		(6 620)	(8 031)
SMME loans advanced to external parties		(97)	–
Investments made by FutureMakers ²		(9)	(53)
Investment in equity fund		–	(9)
Repayment of derivatives – FECs		(49)	(267)
Proceeds from derivatives – FECs		317	188
Proceeds from plan assets	11	543	–
Restricted cash		(4)	(1 142)
		931	(617)
Cash flows received/(utilised) from financing activities			
Loans raised	16	25 970	1 150
Loans repaid	16	(23 650)	(193)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		(250)	(393)
Repayment of principal lease liability		(1 086)	(1 076)
Repayment of derivatives – interest rate swaps		(53)	(105)
		230	(1 763)
Net increase/(decrease) in cash and cash equivalents		3 239	5 002
Net cash and cash equivalents at 01 April		3 239	5 002
Net cash and cash equivalents at the end of the year	13	3 469	3 239

¹ The deterioration in cash is driven by the increase in trade receivables and contract debtors as a result of higher post-paid mobile handset sales. The collections derived from mobile handset sales are deferred over a 24 or 36-month contract while the cost of sales is recorded immediately. The increase in cash paid to suppliers and employees is mainly due to the increase in high-end mobile contract sales resulting in higher average handset costs and higher post-paid revenue.

² FutureMakers is an enterprise and supplier development (ESD) Programme. In partnership with Identity FutureFund (Pty) Ltd, the fund was created in terms of the Department of Trade and Industry's Code of Good Practice on Black Economic Empowerment 2007, as amended, and specifically in terms of the Information and Technology Charter.

Pro forma financial information

Certain financial information presented in the results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The pro forma financial information is presented to help the reader analyse the underlying performance of Telkom. The pro forma adjustments for the financial year ended 31 March 2023 include the impact of the impairment of R13 017 million and the related tax impact of R3 477 million, restructuring costs of R1 065 million and the related tax impact of R288 million, the invested capital write-up of BCX and Gyro of R10 479 million with no tax implications as this results in permanent differences and net debt and free cash flow which are non-defined IFRS measures.

Unless otherwise stated, the pro forma consolidated income statement and all related key performance indicators and messages in this results announcement are based on this adjusted base. The applicable criteria against which this pro forma financial information was prepared for the year are set out below.

Impairment of assets

The financial results for the year ended 31 March 2023 reaffirm the need to act with urgency to turn around the Group's performance. Significant market changes and current economic conditions – including accelerated loadshedding, low anticipated economic growth rates and a high interest rate environment – coupled with evolving technological advancements, have had an adverse effect on the Group. The impairment review was prompted by the fact that Telkom's shares have been trading at a significantly lower value compared to its net asset value for a considerable length of time. The Board decided to impair the Group's cash-generating units, namely Openserve and Telkom Consumer, in the amount of R13 017 million. This follows Telkom's strategy to accelerate its migration to newer technologies. A significant portion of the Group's copper assets were impaired in 2013.

The impairment charge is a non-cash item and will not impact the EBITDA that the Group generates from its operations. It is akin to an accelerated depreciation charge that has no impact on the Group's cash position, indebtedness or ability to fund its Capital Programme from its own resources. However, basic earnings per share has been adversely impacted by the once-off non-cash impairment charge and is therefore 2 595.5 cents per share lower for FY2023 than for the prior year. The non-cash impairment charge is excluded from headline earnings per share from continuing operations, which is 601.1 cents per share or 104.5% lower than the prior year.

Restructuring costs

The Group announced a restructuring process in February 2023 and extended voluntary early retirement packages and voluntary severance packages to all employees in the Group. More than 1 700 employees were affected, and as a result restructuring costs of R1 065 million were recorded during FY2023.

Invested capital

As a result of the headroom between the enterprise valuation when compared to the carrying value the assets of Swiftnet and BCX were written up to align their invested capital values to the rest of the group. The R10 479 million invested capital pro forma refers to the "write-up" of assets allocated to Swiftnet of R5 323 million and BCX of R5 156 million.

Extract of the audited consolidated abridged statement of profit and loss

	Pro forma March 2023 Rm	Pro forma adjustment Rm	March 2023 Rm
Operating expenses	21 440	1 065	22 505
Employee expenses	8 227	1 065	9 292
EBITDA	9 552	(1 065)	8 487
Depreciation, amortisation, impairment and write-offs	7 636	13 017	20 653
Operating profit	1 916	(14 082)	(12 166)
Taxation	234	(3 765)	(3 531)
Profit/loss for the year	346	(10 317)	(9 971)
BEPS (cents)	71.0		(2 058.9)
HEPS (cents)	134.6		(25.7)
Return on invested capital (%)	3.5		(23.3)
Operating profit/(loss) after tax	1 338	(10 317)	(8 979)
Invested capital (closing balance)	37 965		37 965
Return on invested capital at fair value (%)	2.8		(23.6)
Operating profit/(loss) after tax	1 338	(10 317)	(8 979)
Invested capital at fair value	48 444	(10 479)	37 965

The prior year ending 31 March 2022 has not been impacted by pro forma adjustments.

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")

Notice of annual general meeting

Notice is hereby given to the shareholders of the Company ("shareholders") that the 31st hybrid annual general meeting of the shareholders ("AGM") will be held through electronic communication and in person at BCX Multi-Function Room, 1021 Lenchen Avenue North, Centurion at 10:00 (South African time) on Thursday, 24 August 2023.

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 2023, a complete set of which is set out on [pages 131 to 133](#) 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: <https://group.telkom.co.za/ir/index.shtml>;
- (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, 14 July 2023
Notice of AGM distributed to shareholders on	Monday, 24 July 2023
Last day to trade to participate in and vote at the AGM	Tuesday, 15 August 2023
Record date to be recorded in the shareholders' register to participate in and vote at the AGM	Friday, 18 August 2023
Last day to lodge forms of proxy by 10:00	Tuesday, 22 August 2023
AGM held at 10:00	Thursday, 24 August 2023
Results of AGM released on SENS on or about	Thursday, 24 August 2023

Voting and proxies at the AGM

1. All shareholders are entitled to 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 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 depository participant ("CSDP") or broker, and wish to 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 complete 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 notice of AGM. 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 Tuesday, 22 August 2023.
6. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to 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 (No. 71 of 2008) as amended (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. In terms of section 63(1) of the Companies Act, before any person may attend or participate in the AGM, that person must present satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of the person to participate in and vote at the AGM, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Forms of identification that will be accepted include an original and valid identity document, driver's licence or a valid passport.
9. 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, unless otherwise stated.
10. 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.

Participation in the AGM

11. The AGM will be conducted through a hybrid method, through electronic communication and in-person, in accordance with the provisions of the Companies Act and the Company's memorandum of incorporation ("MOI"). 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 or attend in person at the address stipulated. Please refer to the guide attached to this notice of AGM for more information.

Ordinary Resolutions:

Ordinary Resolution Numbers 1.1 to 1.2 – 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, by way of separate resolutions, be elected as Directors of the Company, in accordance with the Company's MOI, with immediate effect:

- 1.1 Ms N Ford-Hoon
- 1.2 Mr MG Qhena

Explanatory Resolutions notes in respect of Ordinary Resolution Numbers 1.1 to 1.2

Ordinary resolution numbers 1.1 to 1.2 are proposed for the election of Directors of the Company who were appointed post the last AGM.

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 in [page 144](#) of this notice of AGM.

Ordinary Resolution Numbers 1.3 to 1.6 – 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, by way of separate resolutions, be re-elected as Directors of the Company, in accordance with the Company's MOI, with immediate effect:

- 1.3 Ms O Ighodaro
- 1.4 Mr PCS Luthuli
- 1.5 Mr KA Rayner
- 1.6 Dr SP Sibisi

Explanatory notes in respect of Ordinary Resolution Numbers 1.3 to 1.6

Ordinary resolution numbers 1.3 to 1.6 are proposed for 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 in [page 97](#) of the integrated report.

Ordinary Resolution Number 1.7 – 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:

- 1.7 Mr LL Von Zeuner

Explanatory notes in respect of Ordinary Resolution Number 1.7

Ordinary resolution number 1.7 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 LL Von Zeuner, and the outcome of such assessment having confirmed Mr Von Zeuner'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 in [page 97](#) of the integrated report.

Ordinary Resolution Numbers 2.1 to 2.6 – 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:

- 2.1 Mr KA Rayner
- 2.2 Ms N Ford-Hoon
- 2.3 Mr PCS Luthuli
- 2.4 Ms KP Lebina
- 2.5 Prof. H Singh
- 2.6 Mr LL Von Zeuner

Ms N Ford-Hoon will be appointed, subject to her election as a Director pursuant to ordinary resolution number 1.1.

Mr PCS Luthuli will be appointed, subject to his re-election as a Director pursuant to ordinary resolution number 1.4.

Mr KA Rayner will be appointed, subject to his re-election as a Director pursuant to ordinary resolution number 1.5.

Mr LL Von Zeuner will be appointed, subject to his re-election as a Director pursuant to ordinary resolution number 1.7.

The profiles of the Directors who are standing for election to the Audit Committee are set out in [page 97](#) of the integrated report.

Explanatory notes in respect of Ordinary Resolution Numbers 2.1 to 2.6

In terms of 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, 2011, promulgated under the Companies Act ("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. 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 3.1 to 3.6 – Election of Social and Ethics 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 Social and Ethics Committee from the conclusion of the AGM until the next AGM of the Company:

- 3.1 Ms EG Matenge-Sebesho
- 3.2 Mr B Kennedy
- 3.3 Mr DJ Reyneke
- 3.4 Dr SP Sibisi
- 3.5 Ms IO Selele
- 3.6 Mr S Taukobong

The profiles of the Directors who are standing for election to the Social and Ethics Committee are set out in [pages 97](#) to [98](#) of the integrated report.

Ordinary Resolution Numbers 4.1– Reappointment of PricewaterhouseCoopers as the external auditor of the Company

Resolved that PricewaterhouseCoopers, be reappointed as the independent registered auditor of the Company from the conclusion of this AGM until the next AGM of the Company.

- 4.1 PricewaterhouseCoopers as an independent external auditor, represented by Nana Madikane as the individual designated auditor responsible for the audit.

Explanatory notes in respect of Ordinary Resolution Numbers 4.1

In compliance with section 90 read with section 92(3) of the Companies Act, PricewaterhouseCoopers is recommended by the Audit Committee to be reappointed as the auditor for the financial year ending 31 March 2024 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 2023 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.
- 5.2 The implementation report as set out in the remuneration report.

Explanatory notes for the non-binding advisory endorsement of the remuneration policy and implementation report

In terms of Principle 14 of the King IV 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 ordinary shares 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 5% 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 5% (five 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 Employee Forfeitable Share Plan as any such issues will take place in terms of the rules of the Telkom 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 24 615 155 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 repurchase or purchase, 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 or purchase 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 5 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 JSE trading system and done without any prior understanding or arrangement between the Company or any subsidiary and the counter party (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 or purchase 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 that has been submitted to the JSE in writing prior to the commencement of the prohibited period; and
 - the Company has instructed 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 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 Board, 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, 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's integrated report, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- the major shareholders on [page 129](#); and
- the share capital of the Company on [page 129](#).

Directors' responsibility statement:

The Directors, whose names appear on [pages 97](#) and [98](#) 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 by law and the JSE Listings Requirements.

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 2023 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 24 August 2023:

	Per meeting fee	Annual Retainer Fee Non-executive Director	Annual Committee Retainer Fee (Non-executive Directors excluding Board Chairperson)
Telkom SA SOC Ltd Board	Amount R	Amount R	Amount R
Board			
Board Chairperson		2 060 000	–
International Board Member		735 000	–
Board Member		470 000	–
iBoard			
Member	21 300		–
Audit Committee			
Chairperson	–		410 000
Member	–		215 000
Investment and Transactions Committee			
Chairperson	–		250 000
Member	–		150 000
Nominations Committee			
Chairperson	–		–
Member	–		110 000
Remuneration Committee			
Chairperson	–		250 000
Member	–		150 000
Risk Committee			
Chairperson	–		250 000
Member	–		150 000
Social and Ethics Committee			
Chairperson	–		250 000
Member	–		150 000

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 resolution approved by shareholders 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.

At the last AGM held on 24 August 2022, the Special Resolution relating to the approval of the Directors' Remuneration did not obtain the requisite threshold required for it to pass. Although a fee increase had been proposed at the last AGM, the Board is of the view that there should be a 0% fee increase from the fees approved at the 2021 AGM, for the Non-executive Directors which will be paid as follows:

- The Chairperson shall receive an all-inclusive annual retainer fee. He will not be remunerated for serving on any Committees, with the exception of the iBoard.
- 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.

Due to the ad hoc nature of the iBoard, a per meeting fee of R21 300.00 is recommended. The determination of the fee considered the frequency of the meetings, and the related scope of work. The Board of Directors is of the view that the proposed per meeting fee is fair and in the best interest of the Company.

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.

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. Under sections 44 and/or 45 of the Companies Act, Telkom will however 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)
Group Company Secretary
11 July 2023

Registered Office

Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries

Computershare Investor Services Proprietary
Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

**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 and in-person, on Thursday, 24 August 2023 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 and vote or provide their CSDP or broker with its/his/her voting instructions should it/he/she not wish to attend the AGM. 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 _____

or failing him/her, the Chairperson of the AGM as my/our proxy to represent me/us at the AGM to be held on Thursday, 24 August 2023 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 N Ford-Hoon as a Director.			
Ordinary Resolution Number 1.2: Election of Mr MG Qhena as a Director.			
Ordinary Resolution Number 1.3: Re-election of Ms O Ighodaro as a Director.			
Ordinary Resolution Number 1.4: Re-election of Mr PCS Luthuli as a Director.			
Ordinary Resolution Number 1.5: Re-election of Mr KA Rayner 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 LL Von Zeuner as a Director.			
Ordinary Resolution Number 2.1: Election of Mr KA Rayner as a Member of the Audit Committee, subject to his re-election as a Director pursuant to ordinary resolution 1.4.			
Ordinary Resolution Number 2.2: Election of Ms N Ford-Hoon as a Member of the Audit Committee, subject to her election as a Director pursuant to ordinary resolution 1.1.			
Ordinary Resolution Number 2.3: Election of Mr PCS Luthuli as a Member of the Audit Committee, subject to his re-election as a Director pursuant to ordinary resolution 1.4.			
Ordinary Resolution Number 2.4: Election of Ms KP Lebina as a Member of the Audit Committee.			
Ordinary Resolution Number 2.5: Election of Prof. H Singh as a Member of the Audit Committee.			
Ordinary Resolution Number 2.6: Election of Mr LL Von Zeuner as a Member of the Audit Committee, subject to his re-election as a Director pursuant to ordinary resolution 1.7.			
Ordinary Resolution Number 3.1: Election of Ms EG Matenge-Sebeshe as a Member of the Social and Ethics Committee.			
Ordinary Resolution Number 3.2: Election of Mr B Kennedy as a Member of the Social and Ethics Committee.			

Resolution	For	Against	Abstain
Ordinary Resolution Number 3.3: Election of Mr DJ Reyneke as a Member of the Social and Ethics Committee.			
Ordinary Resolution Number 3.4: Election of Dr SP Sibisi as a Member of the Social and Ethics Committee.			
Ordinary Resolution Number 3.5: Election of Ms IO Selele as a Member of the Social and Ethics Committee.			
Ordinary Resolution Number 3.6: Election of Mr S Taukobong as a Member of the Social and Ethics Committee.			
Ordinary Resolution Number 4.1: Reappointment of PricewaterhouseCoopers as the auditor 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 ordinary shares 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 _____

2023

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 initialled 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 Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) to be received by no later than 10:00 on Tuesday, 22 August 2023. 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 by at least 09:30, which is 30 minutes prior to the time appointed for commencement of the AGM).

Chairperson of the AGM

Registered Office

Telkom Park
61 Oak Avenue
Highveld
Centurion, 0157
(Private Bag X881, Pretoria, 0001)

Transfer Secretaries

Computershare Investor Services Proprietary
Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

Resume



MG Qhena

Mr Mvuleni Geoffrey Qhena is former Chief Executive Officer of the Industrial Development Corporation ("IDC") of South Africa. During his tenure, he grew the IDC's asset base from R31 billion in 2004 to R137 billion in 2018. Mr Qhena has experience serving as a Non-executive Director and Chairperson on Boards of listed and unlisted companies. He currently serves on the Boards of Investec Bank Ltd and Exxaro Resources Ltd as a Non-executive Director and Chairperson, respectively.

Mr Qhena holds an Honours Degree in Accounting Science and is accredited as a Chartered Accountant (South Africa) with SAICA.

As part of Mr Qhena's appointment as Telkom's Chairperson, he was appointed to chair the Nominations Committee and as a Member of the Remuneration Committee, with effect from 01 April 2023.



N Ford-Hoon

Ms Naidene Ford-Hoon holds a BCom and B Compt Hons. (Certificate of theory in accountancy) and is accredited as a Chartered Accountant with SAICA. Naidene has over 25 years working experience, mainly in Finance Divisions as Head of the finance functions, ensuring sound governance and accountability. She has 16 years' experience in the Financial Services Sector. She has served as the Group CFO of the South African Reserve Bank and Alexander Forbes Group Holdings Ltd, the Financial Director of AFGRI Financial Services and serves on the Boards of SA Corporate Real Estate Ltd, Independent Regulatory Board for Auditors ("IRBA") and Knysna Initiative for Learning and Teaching.

Ms Ford-Hoon was appointed as a Member of the Audit Committee and the Risk Committee with effect from 01 December 2022.

Virtual meeting guide

Meeting name:

Telkom SA SOC Limited AGM 2023

Date:

24 August 2023

Time:

10:00 (SAST)

Location:

Online

Step 1 | Registration Platform



We will be conducting an AGM, giving you the opportunity to attend and participate using a smartphone, tablet, laptop or computer.



Shareholder

To register for the meeting:

- Visit <https://smartagm.co.za>
- Select the Telkom SA SOC Limited's logo
- Select REGISTER
- Complete the registration process



Computershare will verify the details and will reply via email (Please check the spam folder too).



Guest

Guests do not need to register. Please see next Section.

Step 2 | Meeting Platform (on the day of the meeting) Access



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 meeting platform:

- Visit <https://web.lumiagm.com>
- Enter the meeting ID 120785661
- ACCEPT the Terms and Conditions

The latest version of Chrome, Safari, Edge or Firefox is required.

Please ensure the web browser is compatible.



Shareholder

In the "Meeting Access" email, look for the unique login credential (It will be sent from smartagm-sa@lumiengage.com).

To access as a shareholder:

- Select "I am a Shareholder"
- Enter the **username**
- Enter the **password**



Computershare will verify the details and will reply via email (Please check the spam folder too).



Guest

To access as a guest:

- Select "I am a Guest"
- Enter "First name", "Last name" and "Email" address

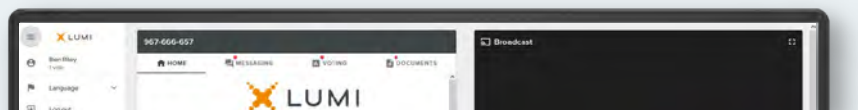
Meeting Platform**Features****Navigation**

When successfully authenticated, the home screen will be displayed. You can view company information, ask questions, view relevant documents and watch the webcast.

Note:

- Guests will only have access to some features
- The broadcast screen will either appear on the right (laptops and computers) or at the bottom of the screen

(smartphones and tablets). Once the meeting starts, the broadcast will start automatically. If the broadcast does not appear automatically, contact the support team.

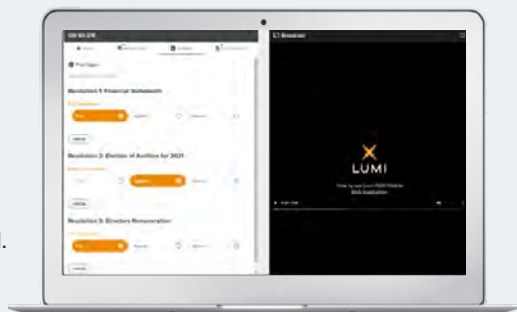
**Voting**

Once the poll/s has opened, the **VOTING** icon will appear on the navigation bar at the top of the screen. From here, resolutions or motions will be displayed.

To vote, select the VOTING icon and select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

If you wish to change your vote, simply select an alternate choice while the voting is open or select cancel if you wish to cancel your vote.

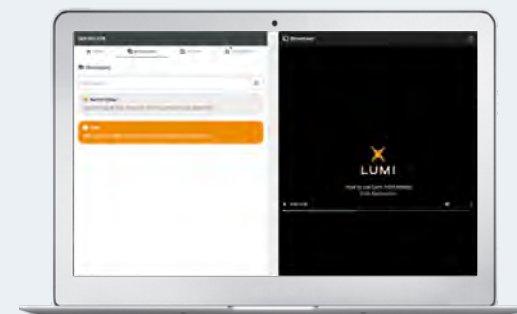
Once opened, voting can be performed at anytime during the meeting until the Chairman closes the voting. At that point, your last choice will be submitted.

**Messaging**

The **MESSAGING** icon can appear on the navigation bar at the top of the screen. In this section, you can ask questions and comment on items discussed at the meeting and view your and other participating members' questions and comments.

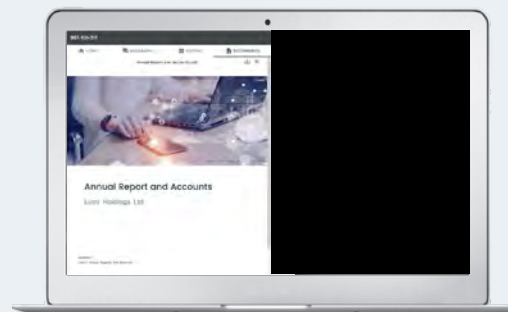
To ask a question or comment, select the MESSAGING icon.

Type your message within the chat box and then press send (the arrow button).

**Documents**

If there are documents pertaining to the meeting, the **DOCUMENTS** icon will appear on the navigation bar at the top of the screen. You can view, download and print the pdf documents.

Select the DOCUMENTS icon and then select the document.



Email
smartagm-sa@lumiengage.com
if you require
any technical
assistance.

Acronyms

4G	fourth generation
5G	fifth generation
ADSL	asymmetric digital subscriber line
AGM	annual general meeting
AI	artificial intelligence
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
CEO	Chief Executive Officer
COBIT	Control Objectives for Information and Related Technologies
CoE	Centre of Excellence
Companies Act	Companies Act, 71 of 2008 (as amended)
COMRIC	Communication Risk Information Centre
COSO	Committee of Sponsoring Organisations
CPE	customer premises equipment
CSI	Corporate social initiatives
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
FLDP	Female Leadership Development Programme
FRM	Fraud Risk Management
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
GEMT	Group Emergency Management Team
GP	guaranteed package
GRI Standards	Global Reporting Initiative Standards
GSMA	Global System for Mobile Communications Association
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
IoT	Internet of Things
<IR> Framework	Integrated Reporting Framework
IRBA	Independent Regulatory Board for Auditors
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
LTI	long-term incentive
LTIP	long-term incentive plan
MNO	mobile network operator
MOI	memorandum of incorporation
NERSA	National Energy Regulator of South Africa
NICD	National Institute for Communicable Diseases
NMBM	Nelson Mandela Bay Municipality
NPS	net promoter score
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
PwC	PricewaterhouseCoopers Inc.
RAN	radio access network
REMT	Regional Emergency Management Teams
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
SIU	Special Investigating Unit
SMB	Telkom Small and Medium Business
SME	small and medium-sized enterprise
SMME	small, medium and micro-sized enterprise
STEM	science, technology, engineering and mathematics
STI	short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TGF	Telkom Group Forensics
TGIA	Telkom Group Internal Audit
TRIFR	total recordable injury frequency rate
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

Administration

Company registration number

1991/005476/30

Head office

61 Oak Avenue
Centurion, 0157

Postal address

Telkom SA SOC Ltd

Private Bag X881
Pretoria, 0001

Telkom register helpline

0861 100 948

Group Company Secretary

Ayanda Ceba (FCG) (F.Inst.D)

Tel: +27 12 311 0345
secretariat@telkom.co.za

Investor relations

Nondyebo Mqulwana

Tel: +27 12 311 1041
telkomir@telkom.co.za

Joint auditors

PricewaterhouseCoopers Inc.

4 Lisbon Lane, Waterfall City
Jukskei View, 2090
Tel: +27 11 797 4000

SizweNtsalubaGobodo Grant Thornton Inc.

20 Morris Street East
Woodmead, 2191
Tel: +27 11 231 0600

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Private Bag X9000,
Saxonwold, 2132

Sponsor

Nedbank Corporate and Investment Banking a division of Nedbank Ltd

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