

Procurement Policy

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1 PURPOSE AND OBJECTIVES

This is the Procurement policy for Telkom SA SOC Limited (hereinafter referred to as “Telkom”). The Policy aims to ensure that procurement activities and processes meet the following key objectives:

- I. To ensure that procurement activities follow a process which is sustainable, effective, efficient, competitive, ethical and commercially responsible.
- II. To promote a culture of professional conduct that is respectful, trustworthy and honest in dealing with suppliers throughout the entire procurement process.
- III. To maintain transparent, auditable and accountable procurement processes, to focus on maximising Telkom’s relationships with suppliers and to meet the expectations of partners, shareholders and customers.
- IV. To achieve excellence in procurement underpinned by common processes, practices and systems in an integrated uniform manner and in line with Telkom’s strategic goals.
- V. To ensure that procurement processes complies with the applicable legislative requirements in order to support Telkom’s drive to be a responsible corporate citizen through Environmental, Social and Governance (ESG), Broad-Based Black Economic Empowerment (B-BBEE) and Enterprise Supplier Development initiatives (ESD).
- VI. To ensure compliance with the Ethics Handbook and the Whistle Blowing section in relation to procurement processes, and to prevent any irregularities in the processes.

2 APPLICABILITY AND SCOPE

This policy sets out the minimum standards that shall be adhered to in relation to procurement activities and is binding on employees, including, but not limited to, temporary staff, agents and suppliers. The policy must be read together with the Delegation of Authority, the Procurement Governance Framework and the Procurement Manual.

3 TELKOM PROCUREMENT GOVERNANCE STRUCTURE

The purpose of the Procurement Governance Framework is to articulate and give effect to the Procurement Delegated Authorities as envisioned in the Delegation of Authority. Deviations from the framework shall be supported by the Head of Procurement and approved jointly by the Group Chief Financial Officer (CFO) and the Group Chief Executive Officer (CEO).

4 RESPONSIBILITIES OF THE HEAD OF PROCUREMENT

The Head of Procurement is responsible to discharge procurement responsibilities in line with the Delegation of Authority, deploy appropriate measures to ensure that procurement processes are conducted in compliance with the policy, And enforce reasonable measures for the prevention of fraud, corruption, favouritism and irregular practices in the implementation of the policy.

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5 GENERAL PRINCIPLES OF THE PROCUREMENT POLICY

Activities covered by the policy shall be conducted by Procurement Services, appointed agents (or partners) and relevant delegated Telkom employees. Procurement processes shall be performed in compliance with the Delegation of Authority, the policy as amended from time to time and the procurement manual which sets out the detailed scope and standards for procurement activities. The provisions of the manual shall comply with the policy.

6 ETHICS

- I. In addition to the Ethics Handbook, employees and agents engaged in procurement activities shall, behave equitably and transparently, and discharge duties and obligations timeously and with integrity.
- II. Employees will comply with applicable legislation and regulations, the policy and manual and ensure that Telkom resources are administered responsibly and cost-effectively.
- III. Employees will be fair and impartial in the performance of their functions and at no time afford any undue preferential treatment or unfairly discriminate against any group or individual.
- IV. Matters of a confidential nature will be dealt with confidentially as required by law, where required, with the guidance of Legal Services to avoid conflicts of interest.
- V. Employees will not unlawfully gain any form of compensation or gratification for either themselves or a family member, whether directly or indirectly.
- VI. No employee will place themselves under any financial or other obligation individuals or firms that might seek to influence them in the performance of their duties and they will not abuse the power vested in them and impact Telkom's reputation.
- VII. Employees will not use their position for private gain or to improperly benefit another person, and will not tamper with any submission, tender or contract in any manner whatsoever.

7 CONFLICT OF INTEREST

Any person involved in a procurement process shall disclose any conflict of interest that may exist and recuse him or herself and withdraw entirely from the procurement process concerned, and if not expressly stated by a person involved in a procurement process, it will be assumed that no declaration of interest has been disclosed. Any special considerations or approved deviations from a competitive procurement process shall not absolve a person involved in that procurement process from their obligations under the Ethics Handbook and their obligation to disclose any conflict of interest should it exist.

8 CONFIDENTIALITY

Persons involved in any procurement process or serving on any adjudication council or committee shall sign a Telkom non-disclosure agreement (electronically or otherwise) on an annual basis as well as on a per project or meeting basis, as required and applicable.

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9 INTERFACE BETWEEN TELKOM AND SUPPLIERS

Procurement Services shall be the interface between suppliers, business units and end-users with regards to procurement processes. End-users shall not make any commercial or contractual commitment to any supplier or engage in any negotiations with any supplier, without the involvement of Procurement Services (except for sensitive or critical business projects as provided for in the policy).

10 GIFTS AND INDUCEMENTS

No employee involved in any procurement processes, may accept any gift, business courtesy, hospitality or any other inducement that may influence them in their decision-making responsibilities, or that may be perceived to influence them in their decision-making responsibilities. Employees shall report incidences of a supplier who directly or indirectly offers a gratification to them to the relevant line manager without delay.

11 IMPROPER CONDUCT

Employees and agents shall promptly report any suspected improper conduct which they may become aware of, including any alleged fraud or corruption, to the line manager, the Head of Procurement or the Crime Hotline, depending on the nature of the incident. Any suspected improper conduct that implicates the Head of Procurement or the members of any adjudication committee must be reported to Telkom Group Forensics (TGF) who will be responsible for the investigation and handling of the matter. Employees and agents shall have access to the Whistle blowing process as per the Ethics Handbook.

12 PREVENTION OF FRAUD AND CORRUPTION

A requirement for compliance to the provisions of the Prevention and Combatting of Corrupt Activities Act 12 of 2004 (PCCA) shall be incorporated in contracts and the PCCA compliance questionnaire as well as the Supplier Code of Conduct will be included in tender invitations and must be completed by suppliers and included in their tender submission. The relevant Procurement Services representative must submit a copy of the supplier's completed PCCA compliance questionnaires to Enterprise Risk Management for review.

13 PERSONAL INFORMATION AND DATA STORAGE

Information obtained during any procurement process shall be treated in compliance with the terms of the Protection of Personal Information Act 4 of 2013.

14 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Telkom promotes the principles of Broad-Based Black Economic Empowerment (B-BBEE) and the development of black owned and black woman owned enterprises that are Exempted Micro Enterprises (EME), Qualifying Small Enterprises (QSE) or Suppliers with a minimum Level 3 B-BBEE contribution level. The procurement manual sets out the detailed scope and application of the B-BBEE tender evaluation process. Any deviation from the B-BBEE provisions shall be supported by the relevant CFO and approved by the Head of Procurement.

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15 LOCAL CONTENT

Telkom supports and promotes local procurement to foster greater participation of domestic industries in the Information Communications and Technology (ICT) supply chain through the inclusion, where practical and feasible, of relevant local content considerations and provisions in applicable strategic sourcing initiatives.

16 SENSITIVE OR CRITICAL BUSINESS PROJECTS

Procurement processes where sensitive information cannot, by virtue of a non-disclosure agreement, be disclosed to Procurement Services or employees not directly involved in the particular project, shall be conducted in terms of the specific delegation provided, where designated as such a matter by the Group CEO.

17 APPROVED LIST OF SUPPLIERS (OR PANEL OF SUPPLIERS)

The decision to strategically source an Approved List of Suppliers or Panel of Suppliers (including Enterprise Development Agreements), must be approved in line with the Procurement Governance Framework and Delegation of Authority, based on the aggregated envisaged spend over the anticipated contract period or anticipated project spend as applicable to a specific project. The approved list of suppliers shall be strategically sourced through the normal tender processes with pre-defined qualification and evaluation criteria. The recommendation for appointment of an approved list to the designated bearer of authority shall include proposed terms of reference, a framework which prescribes how business will be allocated to individual suppliers that are appointed the supplier governance processes and procedures to be implemented.

18 PROOF OF CONCEPT

A Proof of Concept (field trial or any other similar arrangement) is an exercise focused on determining the feasibility and practical potential of a certain process, method, technology, theory or idea, or to verify that the initiative will provide the benefits and functionality as envisioned. Successful completion of a proof of concept project shall not guarantee any award of business to the potential supplier and the recommended next steps including potential award of business shall be reviewed, motivated in detail and submitted for approval to the designated bearer of authority upon completion of the proof of concept project.

19 PROCURING OF PROFESSIONAL OR CONSULTANCY SERVICES

Professional or consultancy services shall be procured through the relevant procurement processes and must be assessed on a case by case basis and in line with the authority to appoint consultants as indicated in the Delegation of Authority.

20 DEVIATIONS FROM A COMPETITIVE PROCUREMENT PROCESS

- I. Approvals for any special dispensations, deviations or waivers in respect of compliance to the normal procurement processes and standards are as a rule not permitted and may only be considered under exceptional circumstances, such as where it is impractical or

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inefficient (in light of business or other imperatives) to follow a competitive procurement process (or for other similarly justifiable reasons).

- II. The emergency procurement process shall only be used where, due to unforeseen circumstances, it is not feasible to act in terms of the standard procurement process, and only in instances where a delay in sourcing the required works, goods or services, will most likely result in for instance the interruption of essential or business services, or where speed is of the essence to deliver or achieve strategic business objectives.
- III. The governance approval for an emergency buy must be in line with the provisions of the Delegation of Authority and care should be taken to limit the value and length of the purchase order to be concluded to only address the immediate emergency.
- IV. A Restricted Tender or Single Source Negotiation process shall only be used when there is a specific requirement that can only be provided by an exclusive number of suppliers. The request for a restricted tender process shall where applicable include a benchmark, best practice or research information to justify the use of a restricted tender process in the instance concerned.
- V. Telkom is not obliged to consider any unsolicited tenders received outside the normal competitive tender process. Unsolicited bids or value-added proposals, irrespective if there is no financial value associated therewith (i.e. solutions, products, goods or services offered free of charge), may only be accepted at the reasonable discretion of the designated Bearer of Authority after careful consideration.

21 CONTRACT ADMINISTRATION

Any contractual or commercial change request shall be dealt with by the procurement representative in consultation with Legal Services and the contract manager as applicable. Any contract amendments or addendums and corresponding instructions shall be issued to end users and relevant operational departments in respect of changes or addendums to the original contract.

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22 APPENDIX A: DEFINITIONS, ACRONYMS, REFERENCE DOCUMENTS, LAWS & REGULATIONS

22.1 Definitions

Definitions	Description
Adjudication Committees	Means a committee or council established to award and adjudicate on tenders or to perform such functions as are required of them in terms of this policy or the Delegation of Authority
Agent (or partner)	Means any person other than an employee of Telkom who acts on behalf of Telkom with the relevant authority
Approved List of Suppliers or Panel	Means an approved list or panel of suppliers selected as the preferred source of supply for specific works, goods or services
Business Unit	Means the individual business units or subsidiaries within Telkom who adopted this policy
Consultancy Services	Means services of an advisory and intellectual nature provided by consultants using their professional skills to study, design, organise, and manage projects, encompassing multiple activities and disciplines
Company or Telkom	Means Telkom SA SOC Limited, a listed company with registration number 1991/005476/30, including Business Units and subsidiaries in which Telkom has a controlling interest
Council or Committee	Means a group of employees established as a body to perform a designated function for a specific purpose
Contract or Agreement	Means a legally binding agreement between two or more parties which may also include other binding legal documents or a valid Telkom Purchase Order
Delegation of Authority	Means the delegation of authority from the board recording the nature and extent of the Delegated Authorities required by management to take certain actions by or on behalf of the company
Delegatee or Delegate	Means the person or body to whom authority has been delegated by a Bearer of Authority
Framework	Means the Procurement Governance Framework
Framework Agreement	Means an agreement with suppliers to establish terms governing future contracts that may be awarded during the life of the agreement
Governance Framework	Means an established structure aimed at considering and dealing with specific matters as outlined in its terms of reference or charter
Group or Telkom Group	The Telkom Group of Companies comprises Telkom and its Business Units and subsidiaries
Head of Procurement	Means the head of Procurement Services leading the procurement function in Telkom
Manual	Means the Procurement Manual
Policy	Means this Procurement Policy
Procurement	Means the activities required to procure or obtain products, materials, works, goods, services or infrastructure delivery for Telkom
Procurement Activities	Means the strategic, management or administrative activities relating to procurement in Telkom including but not limited to category strategy development, strategic sourcing, transactional sourcing, contract administration, contract and supplier performance management, supplier relationship management, supplier contraventions and dispute

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Definitions	Description
	management, procurement analytics and performance management, and risk management
Procurement Process	Means the process or system, as set out in this policy or the procurement manual performed by or under control of Procurement Services
Procurement Services	Means the Procurement Service Department
Procurement System	Means the digital application that is used to regulate and execute the procurement processes
Proof of Concept	Means in respect to any product or service, the demonstration of the reasonable technical and commercial efficacy and feasibility of such product or service for its intended application
Restricted Tender or Single Source Negotiation	Means a tender process restricted to one supplier or a limited or exclusive number of suppliers
Supplier	Means any natural or juristic person that provides works, goods, products, materials, labour or services, including consultants, contractors and service providers as may be applicable (including potential future suppliers)
Tender or Bid	Means the process (including associated documents and supplier responses thereto) whereby Telkom invites potential suppliers to submit an applicable response to one or more of the following: <ul style="list-style-type: none"> i. Request for Quotation (“RFQ”) ii. Lump Sum or Flat Rate Tenders iii. Request for Information (“RFI”) iv. Request for Proposal (“RFP”) v. Request for Bid (“RFB”) vi. e-Auction event
Terms of Reference	Means those terms that define the purpose and structures of a project, committee, meeting, negotiation, or any similar collection of people
Unsolicited Bids	Means an offer submitted by any person at its own initiative without having been invited by Telkom to do so

22.2 Acronyms

Acronyms and Abbreviations	Description
B-BBEE	Broad-Based Black Economic Empowerment
ERM	Enterprise Risk Management
ESD	Enterprise Supplier Development
ESG	Environmental, Social and Governance
EME	Exempted Micro Enterprises
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
HR	Human Resources
ICT	Information Communications and Technology
PCCA	Prevention and Combating of Corrupt Activities Act 12 of 2004
QSE	Qualifying Small Enterprises

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Acronyms and Abbreviations	Description
RFB	Request for Bid
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quote
TGF	Telkom Group Forensics

22.3 Reference Documents

- I. Group Governance Framework
- II. Delegation of Authority
- III. Procurement Governance Framework
- IV. Procurement Manual
- V. Contracting Policy
- VI. Ethics Handbook
- VII. Disclosure Policy
- VIII. Supplier Code of Conduct

22.4 Laws and Regulations

- I. Constitution of the Republic of South Africa, 1996Companies Act 71 of 2008
- II. Competition Act 89 of 1998
- III. Broad-Based Black Economic Empowerment Act 53 of 2003
- IV. Prevention and Combatting of Corrupt Activities Act 12 of 2004
- V. Protection of Personal Information Act 4 of 2013
- VI. Promotion of Access to Information Act 2 of 2000
- VII. Protected Disclosures Act 26 of 2000