

STATEMENT OF ASSURANCE ON GRI INDICATORS

Statement of assurance to the stakeholders of Telkom SA Limited

CA-Governance has again been engaged by Telkom SA Limited (Telkom) to provide independent assurance over certain key sustainability performance data, this time to be published in the Telkom integrated report for the 2013 financial year. The overall aim of this process is to provide reassurance to Telkom's stakeholders that the reported information is objective, accurate, of informative nature and reliable.

How CA-Governance did this work

We conducted the work with our normal approach of full assurance and using our standard methods, which exceed by far the requirements of Type 2 assurance as described by the AA1000 Assurance Standard (2008), as well as reasonable assurance as described by ISO 14064-3 for greenhouse gas emissions. The work included a review of performance data over the reporting period 1 April 2012 to 31 March 2013, limited to the eight GRI G3 key performance indicators where our assurance was requested: EC01, EC06, EN03, EN04, EN16, EN17, LA07, LA08.

It is a feature of our assurance work that we report to all stakeholders, and disclose a graded level of opinion on each key performance indicator to assist the user in understanding what degree of assurance we view to be appropriate.

We have investigated and evaluated the informative quality of the reported data against the CA-Governance assurance level scale. Our main considerations are whether the data, within the considerations of materiality:

- make meaningful comparisons possible,
- are clearly set out,
- are interpreted with relevance in substance,
- acknowledge both positive and negative aspects with openness, and
- are based on reliable measurement.

We applied the CA-Governance graded levels of assurance to the reported information. Information and performance data that have been subject to assurance by this firm are clearly indicated by the inclusion of the following statement on individual web, digitised or or printed pages next to the specific indicators: "These data were independently assured by CA-Governance in May 2013."

Opinion and commentary

In our opinion the eight GRI G3-defined KPIs that Telkom has requested this firm to subject to independent assurance, provide varying degrees of accurate and objective

accounts of Telkom's performance on these issues during the reporting period.

It is our opinion that in respect of the information disclosed:

EC01: Direct economic value generated and distributed by the group:

-is of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

EC06: Policy, practices, and proportion of spending on locally-based suppliers (South Africa):

-is of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

EN03: The volumes of diesel purchased for use in forklifts and generators, and the mass of refrigerant gases added to cooling plants:

- are of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders cannot be assured beyond reasonable doubt that their interests are judged very important in the disclosure, largely because they do not necessarily reflect annually comparable data. The assurance CA-Governance assigns to this indicator is at **Starter** level.

EN04: The figure for units of electricity calculated to have been used by Telkom and its South African subsidiaries Swiftnet and Trudon:

- is of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can receive the assurance that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN16: The CO₂ equivalent mass (in tonne) calculated using DEFRA factors and originating from the following sources:

- A. Directly emitted greenhouse gases from electricity, heat or steam generated (as reported in EN03), plus the transportation of materials, by Telkom or by entities controlled by Telkom; plus
- B. Indirectly emitted greenhouse gases from electricity, heat or steam generated (as reported in EN04):

- is of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can receive the assurance that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN17: The CO₂ equivalent mass (in tonne) calculated using DEFRA factors and originating from the following sources:

- A. Air travel;
- B. Car hire for business purposes;
- C. Telkom employee business travel in automobiles;
- D. Travel by outsourced courier services;
- E. Travel by Telkom automobiles;
- F. Travel by Telkom trucks in use by outsourced facility management services;
- G. Trudon business travel in automobiles;
- H. Travel by outsourced facility management services in non-Telkom vehicles;
- I. Refrigerant gases issued to offices, exchanges and other operating areas;
- J. Swiftnet business travel in automobiles:

-is of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

LA07: The figures for employee:

- A. Work-related fatalities;
- B. Absenteeism (i.e. absent from work for reasons other than normal, maternity/paternity, compassionate or study leave);
- C. Lost days (as a result of occupational injury);
- D. Occupational diseases;
- E. Rates of injury:

-are of such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

LA08: The programmes for education, training, counselling, prevention and risk control to assist employees, their families and community members in respect of serious diseases:

-are reported on with such reliability, inclusivity and responsiveness within the expectation of materiality that stakeholders can be assured beyond reasonable doubt

that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

Other KPIs that are not mentioned in this statement have not been subjected to the independent assurance processes by CA-Governance.

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General comments

Telkom started reporting on KPIs in its sustainability report for the 2011 financial year. During that year it reported on sufficient indicators to qualify for a “C” level under the Global Reporting Initiative (GRI) G3 Guidelines for sustainability reporting. During the current year it has retained this level. Based on the fact that the group has requested and obtained independent assurance for certain of its indicators, Telkom self-declares its 2012 level to be C+.

The group has intentions of further improving its reporting on sustainability matters, and there is commitment for refining certain measurements.

Matters to be considered for the future

While the volume of reporting has increased at a rapid pace since 2011, Telkom could expand on certain aspects that already form part of the report, and could enhance the informative quality of certain sections. For example the volume of diesel consumed in its generator plants could be determined in a manner that would enable comparability from year to year, and the portions of the group that are outside South Africa could be included in the reporting for future years.

Telkom self-declares a C+ level under GRI G3. It plans to expand the application of the GRI reporting guideline over time, and to seek independent assurance that confirms its level. At the same time, enhancement in measurement and full utilisation of existing internal reporting systems would streamline the process and provide intra-year management capability for the sustainability indicators. Certain such procedures could also enhance risk management to the financial benefit of the group.

At some time in the future it would be feasible for Telkom to begin reporting certain of its indicators against declared goals, which would inform stakeholders in a much more meaningful way. Inter alia, certain refrigerant gases will be under specific scrutiny as they are phased out internationally.

Inclusivity, Materiality and Responsiveness

Telkom is engaging with important stakeholders, albeit in a limited manner. This will enable greater interactive adjustment of sustainability goals over time.

The determination of materiality has improved from the 2012 year and will receive

further attention in future.

Response to the views and needs of stakeholders is a focus that is still in its infancy but will improve in tandem with the greater focus on inclusivity.

The CA-Governance assurance method

CA-Governance applies an “advocate” model – only highly experienced members serve on the assurance team, and interact with Telkom and other functionaries to discuss the breadths and bases of the indicator data, determine the most appropriate approach to gauge completeness and usefulness, and then ensure that the integrity of data can be established within the parameters of materiality. The determinant is the extent to which a stakeholder can be reassured that the informative quality of the data is aligned with the interests of the stakeholder as far as is practicable.

In practical terms our team was involved within the Telkom organisation and its main service providers linked to the specified KPIs; we discussed reporting systems and data flows, requested reconciliations and alternative determinations, interrogated variances in trend and spot numbers,

- reviewed the materiality determination process,
- reviewed external sources, recalculated aspects of the figures, revisited technical aspects of certain emissions, investigated data integrity and the potential for internal audit processes to provide additional reliance,
- analysed the Telkom reporting against the G3 guidelines, plus against the gauges of informative quality applied by CA-Governance,
- presented the findings as an assignment team to an internal committee of peers for critical evaluation and final determination.

The aspects for which we accept responsibility

CA-Governance accepts responsibility for the aspects covered in this Statement of Assurance. In arriving at our conclusions we have formed our views from information provided by Telkom group personnel, reporting systems and data in respect of the South African operations of Telkom and certain of its prominent service providers, including Total Facility Management Company and Layisha Logistics. We have assessed the results of such information flow in the light of our experience and ability to provide independent external scrutiny. We are of the view that our opinions as expressed before are appropriate in the circumstances.

CA-Governance as a provider of statements of assurance

CA-Governance is the trading name of Cheetamark (Pty) Ltd, company registration number 2011/008716/07, registered in South Africa with its office at Kiepersol House, Stonemill Office Park, 300 Acacia Road, Darrenwood, Johannesburg, South Africa. CA-Governance is a specialist firm in the field of corporate governance, with a focus on the provision of independent assurance to stakeholders. The firm provides teams of assurance experts from a pool of persons with individual experience levels

ranging from 23 to 44 years, and corporate governance experience ranging from 28 years downwards.

We take great care to provide reliable assurance opinions in the form of the present Statement of Assurance with total frankness, and to inform management of our views in respect of areas for improvement in future reporting, by way of a separate letter as well as discussion.

CA-Governance is acutely aware of the need for independence from the client as well as from any significant stakeholder, and does whatever is in its power to retain and enhance such independence not only in substance but also in appearance. Conflicts of interest are regarded as unacceptable in any form, and its code of practice is designed to enforce compliance at all levels.

CA-Governance has no commercial relationship with Telkom other than the normal business of telecommunications services offered by Telkom, and utilises such services at standard tariffs and without any preferential treatment.

This Statement of Assurance on GRI Indicators is issued in Johannesburg, June 2013.



Theo Botha
For CA-Governance