

PEOPLE AND THE ENVIRONMENT

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OUR PEOPLE

SUSTAINABILITY PHILOSOPHY

An organisation's long-term financial viability is inextricably linked to the economic wellbeing of the society and environment it operates in. As such, Telkom's approach to sustainability is to provide connectivity to all to enable a better life for South Africans while protecting the environment.

A primary objective for the year under review was to ensure that sustainability practices were further embedded and integrated into the organisation. Doing so required the implementation of the relevant governance structures, sustainability strategy and corporate citizenship policy as well as the identification of KPIs and targets. These activities will remain priorities for the 2014 reporting cycle.

For the majority of the reporting period, no formalised governance structures were in place. Such structures are critical to effective management and implementation of sustainability initiatives within the organisation and accordingly, establishing the proper structures was a priority in the year under review.

These structures were established in November 2012 in alignment with existing structures within the Group, including the Board, Exco and the Social and Ethics Committee. Continuous engagement and regular reporting with the established governance structures will assist entrench sustainability in Telkom's core business and in the year ahead, further feedback will be provided to the decision-making structures on sustainability-related issues.

During the year under review, we sought closer alignment between Telkom's sustainability strategy and that of the Group. Doing so required a review of the strategies for each business unit to ensure their alignment to the overall strategic direction of the Group. The outcome of this exercise is a sustainability strategy that lays out the requirements that Telkom needs to meet to succeed from an economic, environmental and social perspective.

The strategy was designed to address Telkom's economic targets and its environmental and social responsibilities. Telkom has identified the following flagship key performance indicators (KPI) in support of its sustainability goals to:

- Achieve a healthy balance between economic, social and environmental performance;
- Drive and improve internal and external stakeholder engagement; and
- Build governance structures that support monitoring, evaluation and reporting.

Telkom is committed to responsible corporate citizenship and will continue to implement sustainable development initiatives that are aligned to business and cost strategies.

Telkom has made huge strides in ensuring that sustainable business practices are considered as opportunities to enhance the overall performance of the organisation. Sustainability will continue to be one of the key enablers for the business strategy.

In keeping with the goal of improving stakeholder engagement, Telkom renewed its affiliation with the National Business Initiative (NBI) and will continuously engage in the forums and events hosted by the NBI to ensure that Telkom stays abreast with the developments in the sustainability space. The Telkom Group identified four strategic human resource objectives for the 2013 financial year: developing leaders and catalysing change; transforming skills; creating a high performance culture; and human capital rebalancing.

The key challenges in achieving these objectives are:

- Ensuring that Telkom has a culturally diverse and adequately skilled workforce to deliver on its strategy;
- The development and implementation of skills development programmes that keep pace with technological evolution;
- Managing trends including an ageing workforce and transformation; and
- Ensuring a sustainable leadership pipeline.

Telkom's ability to deliver on its strategy rests not only on staying abreast of evolving technologies, but also on ensuring that the utilisation of these technologies is optimised to provide the best products to its customers. Achieving this rests heavily on the ability of Telkom's people to deploy and manage technology. Our employees are therefore a key enabler of our strategy.

We believe that driving transformation and developing of our workforce is essential to create the corporate culture and values associated with a high performing company. The Group's entropy levels are tracked on a yearly basis to monitor the impact of a changing corporate culture on our performance. The entropy level fell from 30% to 25% in the year under review, indicating that the current culture is shifting in the desired direction.

Another key material issue for Telkom is the development and implementation of skills development programmes that remain relevant to constant technological evolution. Telkom has undertaken to provide staff with the requisite training for its NGN technology, and to address the broader skills shortage within the ICT sector. On a permanent employee base of 21,209, a total of 92,751 facilitator-led training days were delivered. This means that some employees completed more than one day of training during the financial year.

Staff per business unit

Telkom currently operate seven business units, supported by the Corporate Support Centre. The headcount per business unit is shown below:

Business unit	2013	2012
Corporate Centre	1,785	1,791
Networks and Wholesale	14,115	14,265
Telkom Business	837	821
Consumer Services and Retail	3,378	3,144
Telkom Mobile	480	355
Telkom Data Centre Operation	603	538
Telkom International	11	25
Total	21,209	20,939

Table: Number of permanent staff per business unit.

Strategic workforce and cost planning

The Strategic Workforce and Cost Planning (SWCP) methodology uses the group strategy as the point of departure to identify the gap between our current workforce and future needs. As a result of international trends affecting traditional fixed line operators (e.g. flat/declining revenue due to increased competition, migration of voice to mobile, commoditisation of voice, growth in

data and the need for high-speed networks) our workforce needs are declining. However, we endeavour to minimise the impact of this on our employees and thus commenced with a voluntary separation offer to employees towards the end of the 2013 financial year.

The SWCP process and methodology is repeated annually as illustrated in the update cycle on the following page:

OUR PEOPLE

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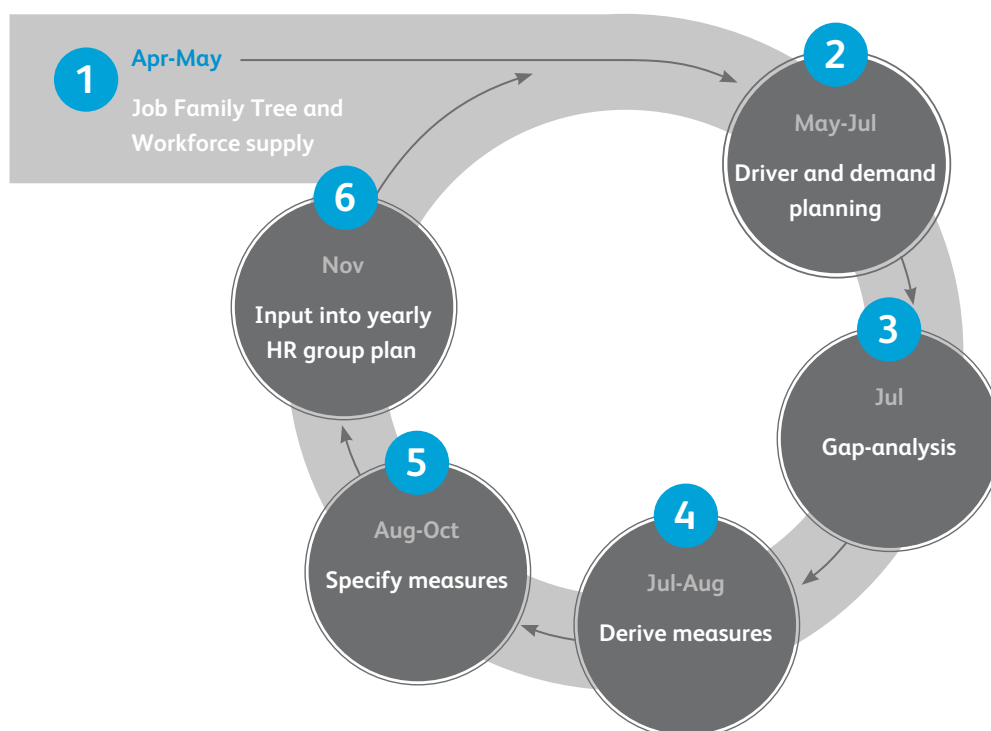
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HOW SWCP INFORMS BUSINESS AND BUDGET DECISIONS

The result of this process is a solid indication of workforce requirements that allows us to plan accordingly. Strategic workforce planning helps to achieve the transparency needed to facilitate the development of detailed, measurable initiatives that inform budget requirements. These initiatives are incorporated into the group business plans.

WORKFORCE MOVEMENTS

Description	2009	2010	2011	2012	2013
Opening balance	24,879	23,520	23,247	22,884	20,939
Employee gains	1,047	592	439	435	915
Appointments	1,034	584	428	428	906
Re-instatement	13	8	11	7	9
Employee losses	2,406	865	802	2,380	645
Voluntary reduction (employee initiated)	10	1	191	1,873	(#)55
Early retirement	5	1	110	1,013	49
Severance	5	0	81	860	6
Natural attrition	2,396	863	611	507	590
Closing balance	23,520	23,247	22,884	20,939	21,209
Other employees*	4,307	3,557	2,550	3,028	2,938
Total headcount	27,827	26,804	25,434	23,967	24,147

Table: Staff trends at Telkom: 2009 – 2013.

* Refers to contract or temporary employees but excludes board members, learnerships and bursary students (Telkom SA employees only).

(#) Employee retrenchments took place more specifically in the manual exchange environment where it has been phased out.

OUR PEOPLE

EMPLOYEE TRENDS IN SUBSIDIARIES

Description	Trudon	Swiftnet
Opening balance	520	107
Employee gains	69	29
Appointments	69	29
Employee losses	80	23
Employee retrenchments (employee initiated)	3	0
Natural attrition	77	23
Closing balance	509	113
Other employees	22	49
Total headcount	531	162



Please refer to the full sustainability review online for workforce demographics, www.telkom.co.za/ir

Culture revitalisation

Culture revitalisation across the Group was identified as a priority in our transformation process. The Barrett Culture Tools and transformation process are being used to advance the Group to a value-based performance culture. Following the 2009 Culture Values Assessment (CVA), five core values – Continuous performance improvement, Honesty, Accountability, Respect and Teamwork (CHART) – were identified.

Employees then identified five desired behaviours associated with each of the core values. Interventions to entrench these new values and the associated behaviours were then put into place through the use of an online awareness tool, workshops, discussion sessions, and cultural fit assessments.

ENTROPY

Entropy is the identification of non-productive or limiting aspects of Telkom's organisational culture. It is encouraging that the level of entropy decreased by 5% to 25% in the year under review. An entropy level of 10% is regarded as healthy.

Companies with highly engaged employees usually have low levels of cultural entropy that, in turn, results in:

- Improved financial performance;
- High levels of customer satisfaction; and
- Improved overall company performance.

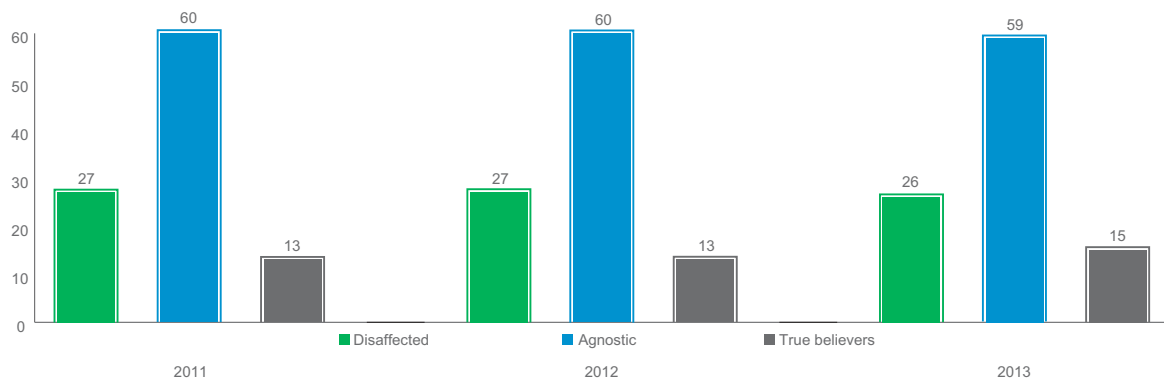


Diagram: entropy levels for the Group.

Diversity and transformation

We were able to positively influence the Group's workforce demographics during the financial year.

Status of workforce demographics at 31 March 2013 – Telkom SA

Grades	Black		White		Foreign nationals		Grand Total	Black	Female
	Male	Female	Male	Female	Male	Female		Total	Total
Top management	3 38%	2 25%	2 25%	0 0%	1 13%	0 0%	8	5 63%	2 25%
Senior management	51 35%	26 18%	56 38%	13 9%	0 0%	0 0%	146	77 53%	39 27%
Middle management	858 34%	347 14%	968 39%	294 12%	20 1%	6 0%	2,493	1,205 48%	647 26%
Junior management	8,066 46%	3,679 21%	4,228 24%	1,528 9%	24 0%	2 0%	17,527	11,745 67%	5,209 30%
Operational	302 30%	395 39%	71 7%	236 23%	0 0%	1 0%	1,005	697 69%	632 63%
Support	11 37%	16 53%	1 3%	1 3%	1 3%	0 0%	30	27 90%	17 57%
Total	9,291 44%	4,465 21%	5,326 25%	2,072 10%	46 0%	9 0%	21,209	13,756 65%	6,546 31%



Please refer to the full sustainability review online for employment equity statistics, www.telkom.co.za/ir

Performance management

All employees undergo regular performance assessments. This is a process that involves regular feedback and review sessions, which provide performance and development plans.

A short-term incentive plan to reward the achievement of group and business unit performance targets has been in place for a number of years. In addition, we embarked on a process to develop a differentiated reward model, which is intended to link remuneration to market related salaries and also differentiate pay based on performance.

For more information refer to the remuneration report commencing on page 126 of this report.

TALENT, TRAINING AND RETENTION MANAGEMENT
During the financial year, R255 million (2012: R245 million) was invested in training.

We recently completed the first phase of the installation and commissioning of a new training network. This dedicated training network is a protected simulated learning environment that poses very limited security risks to the production network. This network will enable high-quality training at a significantly lower cost than would be possible through the use of external vendors.



OUR PEOPLE

Levels	Permanent employees (31 March 2013)	Facilitator led training days	Average training days
Top management	8	1	0.1
Senior management	146	35	0.2
Middle management	2,493	7,234	3.0
Junior management	17,527	21,170	1.2
Operational	1,005	64,302	63.8
Support	30	9	0.3
Total	21,209	92,751	4.4
Training days per employment category		Trudon	Swiftnet
Management		3.56	4.20
Specialists		8.48	0.63
Operational		3.32	1.69

Table: Comparison of training days (Telkom SA only)

Executive leadership development

The development of a sustainable leadership pipeline is critical to Telkom's continuity from a human capital perspective. This has become increasingly pertinent to the organisation following the resignations of senior leaders during the 2013 financial year.

A revised succession planning process was implemented in April 2012. A phased implementation approach was followed, commencing with succession planning for the GCEO and Exco roles. Further to this, we have identified frontline leadership and critical skills positions to ensure that successors are identified and developed for those specific areas of the business.

Please refer to the full sustainability review for more information on people development, www.telkom.co.za/ir



IMPACT OF THE NGNEC ROLLOUT

To ensure staff are prepared for the migration to an IP network, we commenced training of field staff in NGN skills to facilitate a smooth transition from legacy technology in which they were trained and to which they are accustomed. Since February 2012, 1,267 candidates were trained, amounting to 6,335 training days. Training is planned in a just-in-time manner to occur alongside the planned network rollout over the next three years.

PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING

CENTRE OF EXCELLENCE PROGRAMME

This is a collaborative programme between Telkom, academia, the telecommunications industry and government to promote research in communication technology and associated sciences. Sixteen Centres of Excellence have been established across the country,

making it the largest co-ordinated research effort in ICT in South Africa. Telkom participates in this collaborative programme by granting full-time bursars the opportunity to continue their studies and research via the Telkom Centre of Excellence programme. At present there are 34 individuals conducting research at the various Centres of Excellence.

In addition, Telkom provides sponsorship to three universities (University of KwaZulu-Natal, North West University and the University of Limpopo). This commitment assists previously disadvantaged students who fail to meet the university entrance requirements in gaining eligibility to study engineering via the bridging programme.

Please refer to the full sustainability review online for information on graduate development schemes, www.telkom.co.za/ir



Change management

Telkom carried out various change management initiatives over the past year at the individual, group and organisational level to ensure business projects and initiatives are implemented successfully. Examples are the implementation of shared services and customer experience projects as well as other initiatives prompted by technological, structural and system changes. These change initiatives help employees to deal with and understand change.

Telkom established a change management philosophy, methodology, process and tools based on the Prosci's Change Management Model.



GRI

Employee relations

The table below records the percentage of employees covered by collective bargaining agreements.

Type of employees	Union	Total	%
Bargaining unit	CWU	7,161	38.58
	S.A.C.U.	3,819	20.57
	Solidarity	2,880	15.52
	No union	4,702	25.33
Bargaining unit total		18,562	100.00
Management	CWU	201	7.59
	S.A.C.U.	275	10.39
	Solidarity	194	7.33
	No union	1,977	74.69
Management total		2,647	100.00
Grand total		21,209	

Table: union membership as at 31 March 2013



Please refer to the full sustainability review online for Telkom's consultative framework, www.telkom.co.za/ir

LOST DAYS DUE TO INDUSTRIAL ACTION

In December 2012, 56 man-days were lost as a result of the Cosatu organised e-toll strike. Man-days are counted on an individual employee basis, meaning that 56 employees went on strike for one day.

OCCUPATIONAL HEALTH AND SAFETY

Telkom has implemented occupational safety as a cross-disciplinary responsibility protecting the safety of employees at work, as well as the safety of co-workers, family members, customers, service providers, nearby communities and other members of public who are also affected. Over the past few years Telkom has introduced many campaigns, policies, procedures and programmes to prevent Occupational Health and Safety (OHS) related incidents.

During this reporting period, our health programmes focused on a reduction in healthcare costs and absenteeism. This resulted in improved productivity and contributed towards the creation of a more supportive and sustainable working environment. OHS also seeks to assist employees making choices that facilitate work-life balance and a more sustainable workforce.



Please refer to the full sustainability review online for information on meeting GRI LA7 and LA8, www.telkom.co.za/ir

Telkom has education, training, counselling, prevention, and risk-control programmes in place to assist employees, their direct dependents and contract workers with serious diseases. Telkom believes that employees who are physically and emotionally well, and have a positive and committed attitude, are more motivated to achieve business success.

This, in turn, can greatly influence productivity, which is a key aspect in ensuring the sustainability of our business.

It is therefore the objective of Telkom's Thuso HIV/AIDS and Wellness Workplace programme to keep employees healthy. This is accomplished by highlighting the importance of good health through education and regular screening. The programme also assists employees that are already at risk of developing chronic lifestyle conditions to adapt their lifestyles.

The Thuso HIV/AIDS programme is in place across Telkom's South African operations to educate, train, counsel, prevent, and manage the risk of employees contracting serious diseases.

The programme includes:

- A series of wellness days that aim to:
 - Educate and provide information concerning healthy living and prevention of serious diseases including HIV/AIDS, tuberculosis, PSA (prostate antigen screening test), high blood pressure, obesity, type II diabetes, high cholesterol and cardiac conditions.
- On-site health risk assessments covering HIV, tuberculosis, diabetes, cholesterol, blood pressure and body mass index (BMI):
 - In the reporting period, 5,903 employees (3,621 in 2012) were tested for HIV and 6,455 employees (3,952 in 2012) participated in the on-site wellness screenings.
 - The number of employees and dependants tested for HIV since the programme's inception in 2004 is 37,930 and the actual HIV tested prevalence rate for all those tested is 3.21 %.

- The Thuso 24-hour medical call centre provides counselling, care and support to Telkom employees and their immediate dependants in relation to any health matter, including HIV/AIDS and tuberculosis treatment. The call centre is staffed by qualified medical professionals that can assist individuals in any health matter.

As part of our education and awareness strategy, the Thuso Workplace Programme is included in Telkom's induction programme for all newly appointed or recently promoted employees to educate them about its objectives, roles and benefits.

Telkom's HIV/AIDS prevention strategy includes a nationwide free condom dispensing programme.

In addition, the Telkom Foundation provides funding to a number of programmes that have education, training, counselling, prevention, and risk-control programmes in place to assist communities with serious diseases, primarily HIV/AIDS. The total Telkom Foundation spend on programmes that address serious diseases amounts to R1,435,100 (total Telkom Foundation spend is R42 million for the financial year).

Please refer to the full sustainability review online for details on the above mentioned programmes, www.telkom.co.za/ir



WORKPLACE SAFETY

Telkom's OHS management system is OHSAS 18001 certified and aligned to the Telkom Health and Safety Policy (OHSP). Telkom has a detailed OHS policy which takes a holistic approach towards ensuring overall compliance with the legal requirements of the Occupational Health and Safety Act (OHS Act), 85 of 1993. To maintain compliance with applicable legislation and the Telkom OHSP, it is imperative that Telkom initiates OHS performance targets which drive a more specific approach in managing certain identified legal requirements and emerging statistical trends. The OHS performance targets are reviewed periodically to address any current OHS needs. The respective service organisations within the Group ensure the implementation and achievement of the Telkom OHS performance targets on a quarterly basis. The safety, health and environment (SHE) management division monitors these targets accordingly and provides support where intervention is required.

During this reporting cycle, internal OHS legal compliance audits were carried out on operational managers to determine a baseline compliance rating for the Group. The methodology used during the audit programme took a slightly different approach whereby the audit team utilised each individual audit session to identify compliance gaps and to coach, train and support line managers immediately. The response from line management indicated that the exercise was extremely well received.

The ultimate goal of this exercise is to maintain an overall compliance rating of at least 85% and to improve the incident frequency rate of 2.66 per 100 employees and a lost time incident frequency rate of 1.42 per 100 employees. This will ultimately contribute to an improved lost time and productivity performance for the Group.

Please refer to the full sustainability review online for information on Telkom's OHS performance targets, www.telkom.co.za/ir



As stipulated in the OHS Act and associated ISO 18001 Standard, periodic reviews of a company's performance against the requirements of the OHS Act are imperative in determining overall compliance and effectiveness of the OHS management system. The audits incorporated an assessment of OHS compliance and achievement towards the Telkom OHS performance targets as listed above.

During this reporting period a stratified sample of 492 operational managers was audited. The findings of the collective audits yielded an 82% compliance rating, an improvement of 3% when compared with last year's performance results.

OVERALL OHS COMPLIANCE AND TELKOM SHE PERFORMANCE TARGETS

An overall compliance rating of 82% indicates that Telkom is committed to ensuring the health and safety of its employees. The quality of Telkom's OHS document management system website also demonstrates its support towards assisting both the employer and employees by providing online access to methods, procedures, guidelines, policies and the necessary forms to successfully implement a sustainable OHS management system.

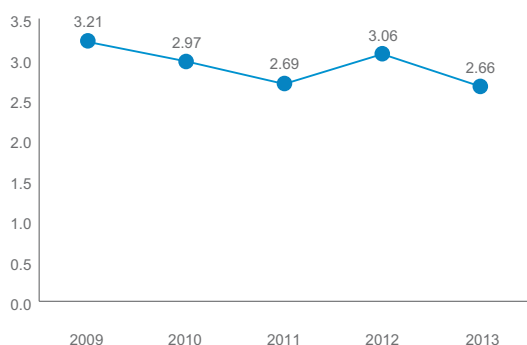
SECTION 16(2) ASSIGNEES TRAINED

During the 2013 financial year, 53 selected executive management employees were appointed as Section 16(2)'s by the GCEO to assist with the requirements of the OHS Act. The Section 16(2) appointees have undergone formal training provided by an external training institution.

In the period under review, the Incident Frequency Rate (IFR) improved by 13%, while the Lost Time Frequency Rate (LTIFR) experienced only a marginal improvement. The Group aims to maintain an LTIFR below 1.5 and to improve IFR to below 2.5. Data excludes Trudon and Swiftnet.

IOD description	2009	2010	2011	2012	2013
Bitten by dog	44	49	43	35	39
Fall/trip/slipped/from ladder	295	292	255	273	248
Insect stings	60	43	28	46	31
Struck by object/against	210	120	126	129	135
Lifting/pushing	65	82	77	84	62
Vehicle accident	117	112	103	96	65

Table: injuries on duty (IOD) 2009 to 2013



Graph: incident frequency rate

The newly appointed Telkom GCEO will undertake to appoint designated Section 16(2)'s executives to assist with the implementation of his OHS Act mandate in the next period. Further training opportunities will be provided to ensure compliance.

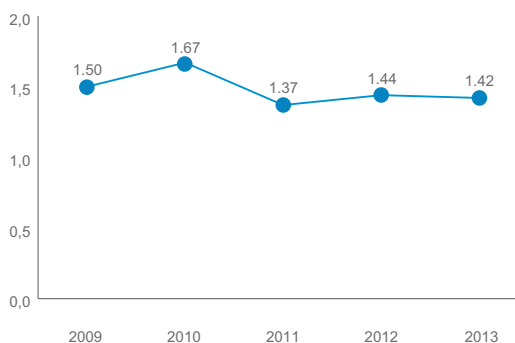
Injuries on duty (IOD)

It is with deep regret that we report that two Telkom employees lost their lives as a result of a vehicle accident. The Telkom board and executive management extend their condolences to the employees' families and colleagues. Through Telkom's Retirement Fund the necessary financial support to the families of the deceased, as per rules of the fund, was made available and bereavement support was also offered through the Company's Employment Assistance programme. Their names and details are recorded below:

Name	Region	Cause of fatality
CP Phenya	North Eastern region	Vehicle accident
MP Swarts	North Eastern region	Vehicle accident

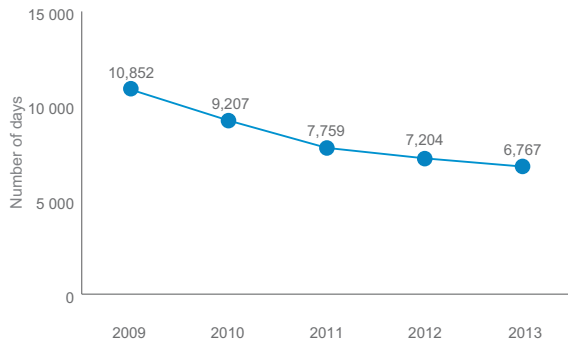
No fatality on duty is acceptable and Telkom will continue to work with all employees, unions and stakeholders to reduce the number of fatalities to zero.

The following tables and graphs exclude Trudon and Swiftnet:

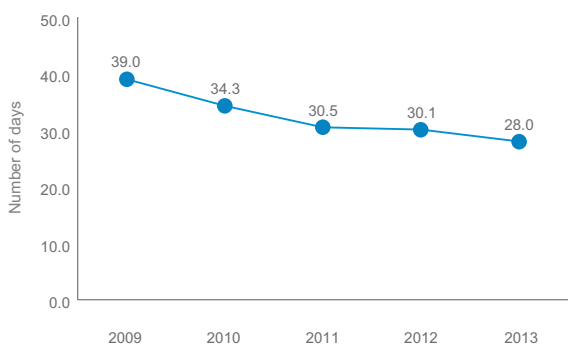


Graph: lost time incident frequency rate

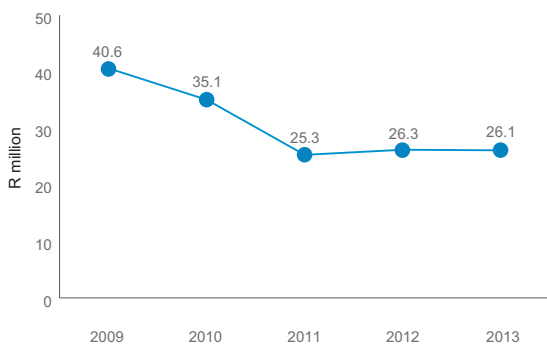
OCCUPATIONAL HEALTH AND SAFETY



Graph: number of lost days as a result of IOD



Graph: number of lost days per 100 employees



Graph: IOD costs (Rm)

Over the past five years we have observed a significant reduction in the number of days lost as a result of incidents on duty (28%) and in days lost per 100 employees (39%).

This resulted in a 3.8% decrease in the total cost-to-company of incidents on duty.

Fall injuries are the leading cause of IOD at Telkom. Our challenge will be to drive behavioural change to reduce the incident rate further.

OCCUPATIONAL HEALTH MEDICAL SURVEILLANCE PROGRAMME

The purpose of Telkom's Medical Surveillance programme is to identify medical conditions that could lead to an occupational disease. Risk based medical surveillance fit-for-duty medicals are conducted at the following intervals:

- Pre-placement;
- Periodic/transfer;
- Return to work after injury or prolonged illness; and
- Exiting employment at Telkom.

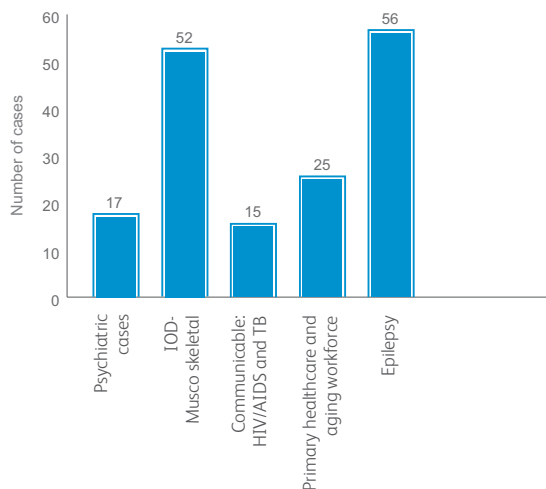
The following information is taken into consideration when determining the type of medical surveillance programme required:

- The type of work an employee is performing;
- Duration of the task;
- The materials being used; and
- The potential for exposure.

The specific test results and other medical information revealed through testing are confidential and stays between the employee and the occupational medicine practitioner.

Clinical case management

A total of 165 cases were seen by our occupational medical practitioner between April 2012 and March 2013. The graph on the following page illustrates the most prevalent diagnoses of clinical case referrals in the 2013 financial year:



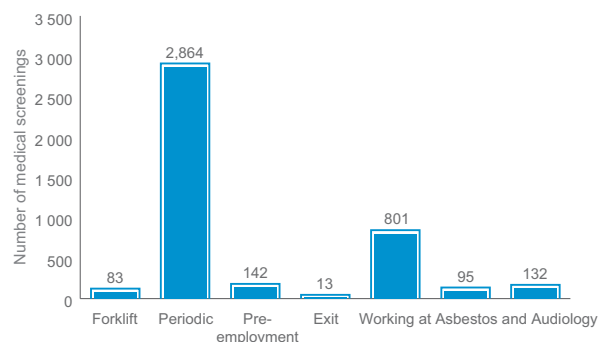
Graph: Clinical Case Management: 165 cases

Medical surveillance, or screening, is a statutory requirement. Medical screening takes place at timed intervals that are determined by risk based criteria to ensure that employees are medically fit to perform their inherent duties and are not subjected to health hazards. This demonstrates preventative action being taken to avert future incidents. The frequency of the medical surveillance is based on the applicable laws and regulations as well as determined by Telkom's occupational medical practitioner. Thus, not all employees will be screened in terms of medical surveillance during the course of any given year; this will also depend largely on an employee's risk profile.

The following different types of medical screening are performed on site by occupational health practitioners:

- Pre-employment;
- Working-at-height medicals (mast and towers);
- Periodic medicals, which include medical screening for occupational diseases (depending on the risk exposure, the frequency can vary from annually to every two years);
- Exit medicals;
- Transfer (departmental) medicals;
- Forklift medical screening;
- Audio screening (call centre environments) as a result of exposure to sound levels that exceed an eight-hour time weighted average of 85 dBA – initial baseline exam);
- Biological monitoring – Lead exposure; and
- Asbestos – AR:9.

A total of 4,130 medical examinations were performed in the different risk categories during the year.



Graph: types of medical screening for the period April 2012 to March 2013

The table below indicates the medical screening trends at Telkom:

Trends	Concerns
Obesity	Weighing above 110kg – no weight management programme enforced
Hypertension	Uncontrolled, defaulters and lack of follow-up to ensure the effective management of the condition
Psychological problems	Employees using anti-depressant without follow-up care from the treating doctors and Telkom OMP
Diabetes	Type II and insulin-dependent – lack of follow-up and monitoring of employees suffering from diabetes. Programme is important for all climbers and drivers
Ageing workforce with chronic medical problems	Above 50-year olds allowed to climb masts and towers
No enforcement of medical recommendations by OHP	Line managers seem to not be taking responsibility for ensuring that employees with medical condition adhere to recommendations

EXPOSURE TO HAZARDOUS SUBSTANCE AND ELECTRO-MAGNETIC FREQUENCY (EMF) RADIATION
 Telkom has an extensive EMF radiation exposure prevention programme in place to protect employees and communities at risk of exposure. All radiation zones on Telkom premises are demarcated to warn employees.

A further mitigating action put in place is to switch off power before employees enter these danger zones.

OCCUPATIONAL HEALTH AND SAFETY

Telkom also has a well-defined audit programme in place which audits radiation patterns to ensure third parties are not be affected by Telkom's EMF operations. Readings are taken annually and stored on a database for future reference. Where third parties have raised concerns, new tests are taken and the results reported back to the concerned party via Telkom's Legal Services. There were no reported cases of EMF radiation levels exceeding the prescribed limits as per the International Commission on Non-Ionising Radiation Protection (ICNIRP) specification.

Occupational hygiene

SURVEY PROCESS

Occupational hygiene surveys were conducted as part of Telkom's responsibility to provide a healthy and safe working environment.

Three types of surveys are conducted as part of our programme:

1. *Ad hoc* – These surveys are requested by Telkom employees or health and safety representatives. Telkom's service provider call centre is contacted directly to conduct surveys including: temperature, dust, illumination, water and diesel fumes surveys.
2. *Scheduled surveys* – Buildings are identified and a list is sent to Telkom's service provider. The service provider contracts the appointed vendors to conduct these scheduled surveys, which include: Indoor Air Quality (IAQ), water, and temperature surveys.
3. *Pre and Post-surveys* – These surveys are conducted as part of the service providers' statutory contract with Telkom. These are performed prior to the relocation of employees or construction of a building, and then again after the employees have been relocated.

The following types of surveys are conducted by Approved Inspection Authorities:

Type of survey	Description
IAQ <ul style="list-style-type: none"> • Carbon dioxide • Carbon monoxide • Relative humidity • Air temperature • Volatile organic compounds 	<p>The main purpose of the survey is to:</p> <ul style="list-style-type: none"> • Quantify employee exposures to specific occupational health hazards; and • Comprehensively assess the risks associated with all significant occupational health hazards to which employees are exposed as a result of their work.
Water <ul style="list-style-type: none"> • Water quality: pH, turbidity and total dissolved solids • Macro determinants: chloride • Micro determinants: iron • Bacteriological limits: ecoli 	<p>The main purpose of the survey is to:</p> <ul style="list-style-type: none"> • Determine the quality of the drinking water supplied to Telkom employees; • Evaluate and check whether the distribution system performs correctly; and • Propose the necessary recommendations to ensure compliance to statutory requirements. <p>Water samples are analysed by a SANAS accredited Micro Laboratory and according to SANS 241 –1 and 2:2011 (Edition 1).</p>
Illumination <ul style="list-style-type: none"> • Lux levels 	<p>The main purpose of this survey is to:</p> <ul style="list-style-type: none"> • Assess the lighting levels in accordance with the schedule as stipulated in the Environmental Regulations for Workplaces under the OHS Act, 85 of 1993.
Ergonomics	<p>The goal of ergonomics is to:</p> <ul style="list-style-type: none"> • Create an environment that is well-suited to a user's physical needs; and • Ensure compliance to the OHS Act, 85 of 1993.
Noise	<p>The main purpose of this survey is to:</p> <ul style="list-style-type: none"> • Assess whether noise levels emitted at a source exceeds exposure limits in accordance with the OHS Act, 85 of 1993, as well as recommended SANS Standards; and • Prevent hearing impairment by proactively identifying excessive exposure.

Most of the parameters tested for by these surveys were within acceptable levels, apart from the turbidity levels for some of the water quality surveys that were conducted. However, elevated turbidity levels do not make water unsafe for human consumption.

Corrective action is being taken to resolve the material non-compliance issues identified through these surveys.

THUSO HIV/AIDS AND WELLNESS WORKPLACE PROGRAMME

Telkom's Thuso HIV/AIDS and Wellness Workplace programme is a comprehensive and holistic programme which provides assistance at no cost to permanent employees and immediate families as well as contractors. The programme initiated in 2004 is regarded as one of the flagship initiatives in the Employee Wellness and SHE domain as well as the Telkom employee value proposition. It encapsulates Telkom's wellness philosophy to care for and support its employees.

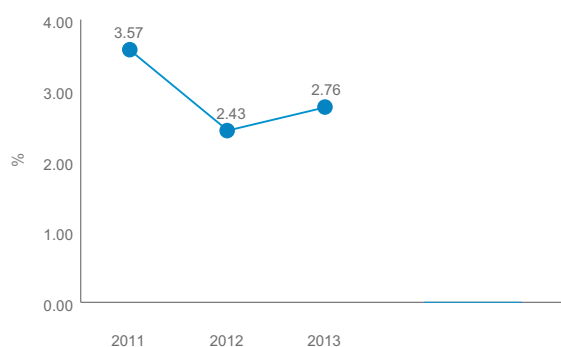
The Thuso value offering has been designed to measure lifestyle factors across inter-related health risk areas (diabetes, cholesterol, blood pressure and BMI as well as HIV, TB and PSA). These on-site health risk assessments are offered during on-site Wellness Days to all employees, their families and contract workers.

Through these interventions certain high cost, high risk conditions are identified and managed by providing employees access to care, counselling and treatment through the Thuso Employee Wellness and HIV/AIDS Workplace programme. In addition to these services, health data is collected from voluntary participants in the annual Telkom Lifestyle Survey and evaluation of the programme is done through regular monthly reporting on the outcomes of the programmes, as well as an Annual Absenteeism Analysis and a KAP Survey amongst the recipients of the services of the Thuso programme.

During the year under review 6,455 employees participated in the on-site wellness events (an increase of 2,503 employees from the previous year).

HIV/AIDS AND TUBERCULOSIS WORKPLACE PROGRAMME

Since its inception in 2004, the Telkom Thuso Programme has touched the lives of 37,173 individuals who submitted to voluntary HIV testing. During the year under review 5,862 employees (5,311 permanent employees and



Graph: employee HIV tested prevalence rate

The above graph excludes Trudon and Swiftnet

551 contractors) were tested with 162 employees (139 permanent employees and 23 contractors) testing HIV positive. This equates to a HIV Tested Prevalence of 2.76% for permanent and contractor employees combined and 2.61% for permanent employees and 4.17% for contractors.

The combined HIV Tested Prevalence rate is illustrated in the graph and although there has been a slight rise from 2.4% to 2.7% since last year the general trend is decreasing, with more employees being tested in this financial year compared to the two previous years.

TUBERCULOSIS SCREENING

All employees that undergo Wellness Screening also undergo tuberculosis (TB) risk screening. Individuals that are at risk of having TB are referred for TB diagnosis and treatment.

6,347 employees (5,733 permanent and 614 contractors) were screened of which 95.75% reported no symptoms of TB. 3.54% of individuals screened reported one or more symptoms and 0.20% reported receiving TB treatment.

These percentages have remained stable since 2009 with a minimum of 95% of Telkom employees reporting no TB symptoms.

TREATMENT PROGRAMME

The Thuso programme's comprehensive value offering also includes pathological laboratory testing, individual clinical case management via the Thuso 24/7 Call Centre, screening, treatment of opportunistic infections such as TB and H1N1, post-exposure prophylaxis, mother-to-child transmission, psychological counselling, and the provision of nutritional supplements and drugs to an address of choice, which is what makes it so successful. This service offering is extended to spouses, partners, and dependent children who are regarded as immediate family. These services are available, at no cost, to Telkom permanent and contract and temporary employees.

Highly Active Antiretroviral Therapy (HAART) treatment is offered to those individuals registered on the Thuso Programme with a CD4 count of below 350 cells/ml, which is in line with the governmental and non-governmental organisation (NGO) norms.

Treatment profile of individuals	Number
Total number of individuals on Thuso programme	765
Number of individuals receiving treatment through Thuso	425
Number of individuals on Pre-HAART*	165
Number of individuals on HAART	258
Number of individuals on PMTCT	2
Number of individuals on PEP	0
Number of individuals that have stopped their anti-retrovirals	0
Number of individuals receiving treatment through other programmes	236
Number of individuals not yet on treatment	104

* HAART refers to highly active anti-retroviral treatment

OCCUPATIONAL HEALTH AND SAFETY

The successful Thuso Post-Exposure Prophylaxis (PEP) programme provides 24-hour assistance via the call centre for people with any HIV risk exposure, such as rape or condom bursts. Individuals that become exposed have immediate access to the clinical call centre for advice and support and referrals for HIV testing, and starter packs for prophylaxis. We are proud to report that through this intervention we have had zero HIV transmissions since its inception.

We are also able to report that our extensive counselling provided to pregnant HIV-positive women on prevention of mother-to-child transmission has ensured that, since the programme's inception, no HIV positive babies have been born.

EDUCATION

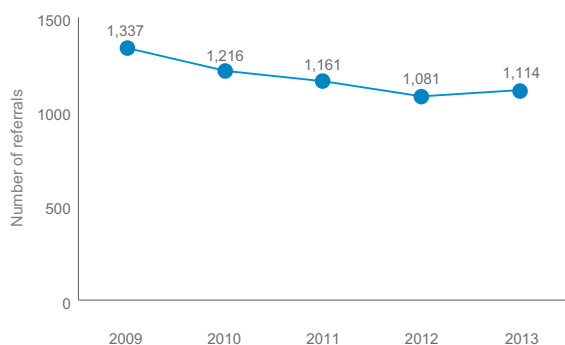
Condom distribution is an important component of any HIV/AIDS prevention strategy and, as such, forms part of our workplace prevention programme. For the year under review we distributed 2,157,502 condoms nationally, which is an increase of 1,903,215 from the previous cycle.

EMPLOYEE WELLNESS PROGRAMME

Telkom hosts a series of Wellness Days across its operations on a regular basis. During the year under review, we also targeted specific functional units and regional sites with the objective of providing business-specific health profiles. The regional sites included remote or rural sites (less than 10 employees) that could not previously be reached due to distance and cost. These employees were afforded the opportunity to participate in the Thuso programme through the service of locally based medical practitioners.

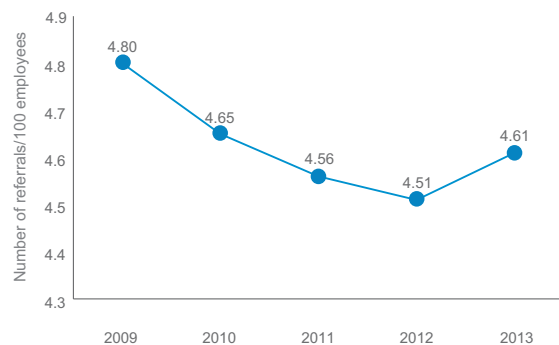
Employees are also able to participate in Telkom's annual Lifestyle Survey, which focuses on issues such as alcohol consumption, smoking, physical activity, stress and chronic diseases.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)



Graph: EAP referrals

The above graph excludes Trudon and Swiftnet



Graph: EAP/100 employees

The above graph excludes Trudon and Swiftnet

Telkom provides psychological care and support to its employees and their families to help them deal with personal, family and work related psycho-social problems, and to optimise psychological wellbeing. Research indicates a positive correlation between psycho-social wellness and productivity, and therefore demonstrates the strategic importance of the EAP as a management tool.

Numerous factors can influence the psycho-social well-being of an individual. In the past year, high levels of personal stress, marital and family difficulties, depression and finances were among the problems that were referred to the EAP for care and support. Employees experiencing trauma caused by hijacking, robberies, accidents and other crises were also referred to the EAP for counselling and therapy. These are the main causes for the rise in EAP referrals for this reporting cycle.

During the 2013 financial year, 983 individual and 131 group counselling requests were received. On average, 93 referrals were recorded each month. A total of 3,896 individual sessions were conducted at a cost of R2,115,440 for the period. As in the previous financial year, the majority of the referred cases were crises and trauma related (27%), while 21.5% were attributed to marital and family related challenges.

Due to the sensitivity of many cases (medical conditions, personal finances, unwillingness to indicate the kind of problems experienced) 30.6% of the referrals did not specify the reason for the request for counselling.

Psychological problems such as stress, anxiety and depression made up a further 12.7% of the referrals received by the EAP office. Poor performance, absenteeism and incapacity accounted for a further 5.6% of the referrals and the remaining 2.6% were for substance abuse and other psycho-social related issues.

Network Field Operations (36.8%), Customer Services (9.1%), Network Infrastructure Provisioning (7.5%), Network Core Operations (6.4%), Consumer Markets (4%) and Telkom Direct Shops (3.8%) were the predominant users of Telkom's EAP services.

The EAP is not only responsible for the psychological care and support of its employees, but also strives to equip them with the necessary competencies to counteract the stresses and strains of daily living. Financial and stress management workshops, as well as psychological resilience and work-life balance interventions, were conducted as preventative and enabling interventions during the past year.

EMPOWERMENT

At Telkom, our commitment to Broad-Based Black Economic Empowerment (B-BBEE) goes beyond transforming the organisation’s culture and staff profile. Through our business dealings, our procurement and our engagement with stakeholders, we aim to promote a sustainable empowerment process that benefits South Africa and the ICT sector as a whole.

We are certified as a level 3 B-BBEE contributor by the National Empowerment Rating Agency. Recognition as a value-added supplier ensures that our clients and customers can recognise 137.5% of all procurement spent with us.

The categories listed below show how we scored against our transformation objectives over the 2013 financial year.

Employment equity, skills development and preferential procurement targets have been set at business unit level – Telkom South Africa, Telkom International, Data Centre Operations and the Corporate Centre. All targets are monitored monthly at business unit level and quarterly at group level via an internally-developed BEE system across all B-BBEE ownership scorecard elements.

Telkom Group B-BBEE sustainability performance

ELEMENT	Weighting score for 2012		Score for 2013
Ownership	20	5.19	4.64
Management control	10	11	11
Employment equity	10	5.52	5.81
Skills development	17	10.64	8.08
Preferential procurement development	20	23.90	24.46
Enterprise development	11	11	11
Socio-economic development	12	12	12

The Telkom subsidiaries, Trudon and Swiftnet, achieved level 5 and level 6 contributor statuses, respectively. Telkom will continue to work with the management teams of both companies to support their efforts in improving their overall scores going forward.

Ownership points

Ownership						
Achievable	Achieved					2013
	2008	2009	2010	2011	2012	
20	7.24	15.39	6.37	5.39	5.19	4.64

Our equity ownership contribution declined marginally from 5.19 points in 2012 to 4.64 points in 2013 as a result of share dealing by black beneficiaries holding Telkom shares, directly or indirectly.

Management control points

Management control						
Achievable	Achieved					2013
	2008	2009	2010	2011	2012	
10	11	9.63	9.13	10.83	11	11

Telkom has maintained its score of 11 points on the management control element.

Employment equity points

Employment equity						
Achievable	Achieved					2013
	2008	2009	2010	2011	2012	
15	7.86	9.41	9.97	10.17	5.52	5.81

Our employment equity performance for 2013 improved to 5.81 points, from 5.52 points in 2012 as a result of increased recruitment at middle management level as well as a marginal improvement in the female to male employee ratio at this level. We will continue to focus on these areas while particular attention will need to be placed on the disabled employee category as we continued to score poorly in this area.

Skills development points

Skills development						
Achievable	Achieved					2013
	2008	2009	2010	2011	2012	
15	10.48	9.36	9.65	10.41	10.64	8.08

Our skills development score has deteriorated from 10.64 points in 2012 to 8.08 points in 2013.

Enterprise developments points

Enterprise development						
Achievable	Achieved					2013*
	2008	2009	2010	2011	2012*	
15	0	5.3	15	15	11	11

*ICT Sector Code

We maintained a maximum score of 11 points for enterprise development, spending a total of R119 million on enterprise development initiatives during the 2013 financial year. This equated to enterprise development spend of 7.97% of net profit after tax against a target of 5% net profit after tax (NPAT) in line with ICT Sector Code. For more details refer to Procurement and supply chain section on pages 91 to 95.

Preferential procurement points

Preferential procurement						
Achievable	Achieved					2013*
	2008	2009	2010	2011	2012*	
20	18.19	19.2	19.67	19.79	23.90	24.46

*ICT Sector Code

We were very pleased to record that our consistently high score on the preferential procurement element of the scorecard improved from 23.9 points to 24.46 points out of a possible 20 (excluding the bonus points). Telkom performed exceptionally well in this area during this reporting period. For more details refer to Procurement and supply chain section on pages 91 to 95.

EMPOWERMENT

Socio-economic development points

Socio-economic development						
Achievable	Achieved					
	2008	2009	2010	2011	2012	2013
5	3.6	5	5	5	12	12

We maintained our maximum score in the socio-economic development category. The Telkom Foundation spent a total of R42 million on CSI projects in 2013. This equated to socio-economic spend of 2.57% of net profit after tax against a target of 1.5%. For more details see the CSI and value to society section on pages 96 and 97.

Telkom's commitment to transformation is exemplified by the continued efforts to further our contribution to the country's socio-economic objectives by improving our contribution level. Telkom has an approved B-BBEE policy and implementation plan which guides our transformation journey. In the 2013 reporting year, Telkom aimed to achieve a level 3 contributor status, which was determined by continuous benchmarking against competitors and companies across various industries.

Numerous changes to the B-BBEE legislative environment surfaced during the current reporting period. The Information Communication and Technology (ICT) Sector Codes were gazetted in June 2012 and were made applicable with immediate effect. Telkom was measured against the ICT Sector Code and achieved a level 3 B-BBEE rating for the 2013 financial period. The ICT Sector Codes enforce higher targets for the ownership, employment equity, skills development and preferential procurement elements with which Telkom must comply.

Telkom's challenges remain the ownership, employment equity and skills development elements. Through various stakeholder engagements, research and benchmarking, we are continuously finding ideas to minimise some of our transformation challenges.

We continue to excel in our management control, preferential procurement, enterprise development and socio-economic development elements as we were able to achieve 76.98 points on the scorecard.

In October 2012, the Department of Trade and Industry launched the proposed amended Codes of Good Practice for public comment. Telkom, like many other companies, assessed its standings against the proposed changes.

Going forward

We will continue to engage with internal and external stakeholders on issues relating to Telkom's transformation and underperformance in certain areas within the B-BBEE scorecard. We remain intent on maintaining or improving our high scores in all other categories.

The changing legislative environment poses significant challenges to compliance but also brings about opportunities for transformation. Our implementation plan will be reviewed and updated as needed to suit the current environment and to ensure that our targets and action plans for the 2014 financial period are achievable.

PROCUREMENT AND SUPPLY CHAIN

During the year under review, Telkom Group including subsidiaries Trudon and Swifnet has spent a total of R21.3 billion on the procurement of capital items, goods and services. Telkom remained committed to upholding solid corporate governance in terms of fair, transparent, responsible and accountable tendering processes, which ensured that, where appropriate, tender requests were published weekly on our tender bulletin on the Telkom website. During the past year we launched a stand alone e-sourcing/auction platform, which resulted in more competitive bidding, improved efficiencies as well as a reduction in the use of paper as part of the administrative process.

With the exception of requests for quotations (RFQs) and emergency purchases, in the majority of cases the tender process is initiated at business unit level where the specification of goods or services required are formulated. The most suitable sourcing processes are determined by subject matter specialists from whom the appropriate pre-qualification criteria, high-level criteria and associated weightings are set by the Subject Matter Expert Evaluation Team (SMEET). Prior to publication, a recommendation to publish is channelled to the relevant Category Sourcing Team (CST) for their support before being approved by the Group Procurement Council (GPC). The evaluation process is fully aligned to and meets the requirements of the Preferential Procurement Policy Framework Act (PPPFA).

Upon receipt of the tender responses the SMEET compile a shortlist of potential suppliers based upon the evaluation of the pre-qualification criteria. A suitable recommendation to short-list and proceed with full paper evaluations is submitted to both the CST and the GPC for approval prior to proceeding with final evaluation. Following the selection of the successful bid or bidders, a recommendation to award is made to the CST, GPC and other designated authority for their support and approval in terms of the Telkom delegation of authority. The subject matter specialists debrief the unsuccessful bidders in order to address any concerns regarding their responses to the tender.

During the period under review there were approximately 8,000 trade vendors on the Telkom database. The number of active contracts was in the order of 600.

Engaging with suppliers and building their capacity

To ensure continuity in delivery, pricing and quality throughout the supply chain, Telkom interacts with its supplier base to improve performance through collaboration and discussion of operational issues. Such collaboration is designed to better anticipate challenges and manage supply chain risks.

On a quarterly basis Telkom's procurement services department evaluates the performance of the top 40 to 50 suppliers (based on strategic importance and spend volumes) in terms of their delivery, quality and Black Economic Empowerment. A full assessment of late deliveries is performed and suppliers are engaged to resolve any operational issues. Penalties for non-delivery or late delivery are consistently imposed to ensure on-time delivery is achieved. Telkom has aligned its payment policies for procurement to enable quicker payments to Exempted

Micro Enterprise (EME)/Qualifying Small Enterprise (QSE) suppliers. During the period under review, payment was made within 10 days of receipt of invoice to 88% of active Black EME/QSE suppliers.

Where possible, Telkom seeks to diversify supplier risk by using at least two suppliers for critical network related products. Where diversified risk is not required, measures are put in place to encourage the entrance of new, preferably local, suppliers into the market. For this purpose, Telkom offers regular training for potential local suppliers. We also hold annual supplier engagement sessions aimed at resolving technical issues with mainly medium-spend suppliers. Telkom also trains and educates suppliers in SHE issues as well as supplier quality requirements associated with doing business with Telkom.

Among the topics addressed with our suppliers during the various feedback sessions and general engagement are:

- Timely delivery;
- E-auctions and their impact;
- Litigation issues;
- Guidance on ethical business practices;
- Correct and timely payments;
- Strategic partnerships and B-BBEE compliance;
- Guidance on procurement governance issues;
- Supplier development with specific focus on quality assurance through a programme called PCR (process controlled release); and
- Telkom's supplier code of conduct.

In line with the Group's broader developmental mandate Telkom continues to expand its implementation of BEE commitment plans to ensure that our suppliers are contracted on all seven pillars of B-BBEE aspects to achieve meaningful transformation in the industry.

In order to transform Telkom's procurement services into a world class operation, various memberships with international and local bodies are in place. These assist in ensuring that opportunities such as category management are brought to the fore and fully utilised.

Preferential procurement: a tool for economic transformation

Preferential Procurement is one of the main elements on the B-BBEE scorecard driving transformation in organisations. This element has a weight of 20 points on the B-BBEE scorecard (ICT codes), excluding six available bonus points. Over the past decade, Telkom has demonstrated best practice in the area of Preferential Procurement, creating a new generation of pioneering black businesses in the country's ICT sector.

During the 2013 financial year, Telkom procured R4,602 million from black-owned companies, equating to 27.89%, R1,746 million from QSE/EME companies, R925 million from black female-owned companies and R14,463 million from B-BBEE compliant companies, this amounts to 87.66% of the Group's total measured procurement spend.

PROCUREMENT AND SUPPLY CHAIN

Telkom is pleased to record that a consistently high score on the Preferential Procurement element of the scorecard of 18.46 points out of a possible 20 (excluding the bonus points) was achieved. Telkom performed exceptionally well during this reporting period, achieving a total Preferential Procurement score of 24.46 points, inclusive of bonus points. This is an achievement that few South African companies could match. During the 2013 financial year Telkom procured 82.97% of all goods and services locally compared to 82.53% in 2012.

Years	Local Procurement %	International Procurement %	Total %
2013	82.97	17.03	100.00
2012	82.53	17.47	100.00

Enterprise development: core to social engineering

A key pillar of Telkom’s preferential procurement strategy is the creation of world-class black-owned companies. This requires strong partnerships and commitment to create sustainable enterprises by continuously building the capacity of its black suppliers through multiple Enterprise Development Initiatives. For Telkom, supplier development is part of our development mandate to encourage black production, stimulate the growth of small and medium enterprises, create jobs and provide critical ICT intensive skills for the economy. It is a transformative tool intended to stimulate economic and social development in a broad

context. We seek to shift procurement from established companies and bring new players into our supply chain. This is a long-term sustainable strategy that embraces the principles of economic growth and development. Furthermore, in line with the country’s macro economic objective to increase employment, Telkom encourages multinational suppliers to partner with local black suppliers. These partnerships will lead to job creation and an improvement in the country’s GDP.

Telkom maintained a maximum score of 11 points for Enterprise Development, spending a total of R119 million on Enterprise Development initiatives during the 2013 financial year. Telkom initiated various supplier development initiatives to ensure sustainability of Black Qualifying Small Enterprises (QSE) and Exempt Micro Enterprise (EME) through:

- Five days early payment after presentation of the correct invoice;
- Sponsoring of 20 leading Black QSE/EME suppliers to exhibit their products and services at the Smart Procurement, Enterprise Development Expo 2012;
- Regional Information Sessions “Empowering Business with Success Basics”;
- Launch of ICT incubation programme facilitated by The Bandwidth Barn;
- Free professional Supplier Quality Management support;
- Entrepreneurial and technical training;
- Financial and professional support to Delta Florist.



CASE STUDY: SIBONGILE SECURITY SERVICES

Two trailblazers illustrate the benefits of this approach. In an inspiring story of personal transformation, Sibongile Mphilo, a black female entrepreneur has progressed from petrol attendant to security-mogul-in-the-making in one decade. Along the way, this Telkom supplier has also transformed the lives of the more than 1,000 people that she employs.

In 2002, Mphilo registered a company, Sibongile Security Services, using the money she received from tips to rent a small office in Polokwane. Her break came when she was awarded a six-month contract at the Sekhukhune Magistrate's office. Other contracts followed. By 2004, she was well-established in Polokwane and was awarded a large contract by the Department of Education. She then established an office in the North West and sourced work in the province.

As the company grew she opened an office in Pretoria in 2008, and was awarded a tender at the South Africa Social Security Agency. "As the year progressed, I decided to open offices in other provinces. I used the company profits to pay the rent of the new offices and to employ administrators to do marketing. Deciding to expand nationally was a huge risk financially as most of the profits went to operating costs and travelling to different provinces. This meant many nights sleeping in a car as I did not have the funds to pay for accommodation," she says.

Her success in a male-dominated industry was met with disbelief by competitors who accused her of being a front for major security

companies. "This motivated us to work even harder and learn as much as we could to prove we are capable of running a successful security business; one that is even better than the male-owned companies," she says.

The hard work paid off in 2011 when Sibongile Security Services was awarded a contract by Telkom. "Very soon we discovered that this would not be like any other contract we had. The Telkom team wanted to develop our company into a more professionally managed and well-equipped business, not just with infrastructure but also knowledge and experience," Mphilo says.

New challenges followed after she landed the Telkom contract. The contract required a huge capital outlay. Banks refused to provide loans for vehicles, uniforms and equipment such as control rooms and firearms. "Eventually, the Telkom team helped us and the banks were able to provide the loans. Today we have 50 cars and 150 firearms," she says. In the first year, Telkom assisted Sibongile Security Services to develop and implement a quality management system that is ISO 9001:2008 compliant. Sibongile Security Services has graduated from being an Exempt Micro Enterprise (EME – companies with turnover of less than R5 million) to Large Black supplier (LBS – company with a turnover of over R35 million) within a period of less than two years! She is ploughing back to the communities by using some of her proceeds from Telkom's contracts as part of her socio-economic development initiatives.



PROCUREMENT AND SUPPLY CHAIN

CASE STUDY: TELECOM SOUTHERN NETWORKING (PTY) LIMITED

A further success story is that of Telecom Southern Networking (Pty) Limited (TSN) under the leadership of Stan Sibeko, which provides a classic case study in social entrepreneurship, combining the principles of entrepreneurship with those of economic development.

TSN provides ICT services such as HDSL and Wi-Fi network installation to various clients including Telkom, Mustek, Central Johannesburg College, Mangosuthu University of Technology and the Customs service of the Democratic Republic of Congo (DRC). Since 1997, TSN has had a contract with Telkom to supply HDSL/HSDSL. But the TSN team is not motivated by profit alone. TSN invests its profits into Right Entry, an innovative Midrand community based electronics school which Telkom once sponsored in 2010.



TELKOM SHOWCASES BLACK-OWNED SUPPLIERS AT ENTERPRISE DEVELOPMENT EXPO 2012

Telkom sponsored 20 of its leading black suppliers to exhibit their products and services at the Enterprise Development Expo 2012, held in Midrand in November. These suppliers are involved in areas such as installation and maintenance services, network technologies, IT services and security.

While the Enterprise Development Expo was an opportunity for these suppliers to gain valuable exposure to other large South African organisations by networking with their peers, it held multiple benefits for Telkom as well:

- Telkom was able to showcase its preferential procurement strategy and its leading black-owned suppliers;
- The expenditure on the Expo contributed towards the Enterprise Development element of Telkom's B-BBEE scorecard; and
- The Expo provided Telkom with an opportunity to market its Telkom Business offering to all the attending suppliers and procurement professionals.

Telkom has also taken out a one-year subscription for each supplier on the Supply Chain Network e-portal. This means that their contact information will be at the fingertips of many more South African companies over the coming year. Telkom's procurement team will utilise the e-portal to gain access to verified company profiles, which will assist in increasing the pool of Black QSE/EME and black female-owned companies in all sectors.

The feedback from the suppliers chosen for the Expo has been enthusiastic:

"We made use of every minute we spent on the exhibition floor to market ourselves. Our interaction with fellow exhibitors has re-ignited our passion and drive to cooperate with each other on projects and share expertise," said Lesedi Rakgokong, MD of Puisano Telecom, which supplies Telkom and others with specialised ICT services.

"Your initiative has certainly helped us in marketing our company and opening us up to new opportunities. Even as I write this letter, we are already processing an order from one of the other companies hosted by Telkom," said Buti Kgobisa, CEO of AFT Optiroad, a supplier of microducting technology to terrestrial telecommunications companies operators in the country.

Over the next few years, Telkom will be addressing a number of continuing challenges in the area of B-BBEE within the ICT Sector.

COMPLIANCE

During the reporting period Telkom formed the Supplier Code of Conduct, which is to be applied when engaging with suppliers. The code will be implemented by the Procurement division once it has gained approval from Exco. All suppliers are required to adhere to the code through our annual supplier commitment plans. The Procurement division will monitor and compile progress reports on supplier Code of Conduct commitment. Any matters identified on non-conformance with the code will be referred to TARPS or the Ethics office. Telkom encourages external surveys to be conducted in order to test adherence to the Code.

The Procurement Services Policy serves as a standard for Telkom as and when goods and/or services are procured. This includes requirements for consultancy services and the sourcing of competitive bids in relation to possible joint ventures or partnerships. Subject to Telkom's Delegation of Authority, the policy applies to all Telkom employees and/or end-users that participate and/or are involved in the procurement of goods and/or services.

Bidding companies are obliged to comply with all applicable occupational health and safety and environmental management legislation and corresponding regulations in terms of all tenders. Bidders are required to complete the necessary statement of compliance relating to the relevant policy, procedure and legislation.

The quality of goods and/or services to be supplied and/or rendered by the bidders may be benchmarked against the standard as required by Telkom and the bidder will be graded accordingly. Telkom is committed to the promotion of the principles of B-BBEE when procuring goods and/or services. Bidders are evaluated in accordance with the applicable and relevant Telkom policies, for example the Preferential Procurement Policy.

Procurement Services supports local businesses in the supply chain through a deliberate and committed effort toward promoting the purchase of locally manufactured goods and services where available and practical. In cases where the supply of goods is deemed vital to production, dual supply strategies are adopted around local suppliers in order to ensure continuity and least cost. The spending against these suppliers fluctuates in accordance with their ability to deliver. Monthly spend reports provide an indication of the total spend between local and international suppliers.

CSI AND VALUE TO SOCIETY

We are able to fulfil our commitment responsible corporate citizenship through the Telkom Foundation. The Foundation is responsible for the implementation of Telkom's CSI initiatives across the country. Telkom believes in going beyond the selling of products and services to communities by caring for their needs and investing in them as well. Our initiatives provide sustainable development solutions to community challenges, and in building communities for future generations.

The initiatives implemented by the Foundation are in line with government imperatives of Broad-Based Black Economic Empowerment which promotes social responsibility to previously disadvantaged communities. Through the Foundation, Telkom is able to create awareness around the importance of corporate social responsibility among employees, clients, suppliers and communities at large.

Telkom is committed to the development of sustainable programmes aimed at equipping communities with key skills, knowledge and resources. The main objectives are to address social inequalities and provide access to the previously disadvantaged. Within these objectives, the core focus areas are education, community relief programmes (health and poverty alleviation) and strategic development of community entrepreneurs.

FOCUS AREAS

In considering the needs of communities and government priorities, the Telkom Foundation committed to making a contribution to sustainable development in the following focus areas: education, entrepreneurship, social development, and staff volunteerism.

Socio-economic landscape

Department of Basic Education statistics revealed that the 2011 national percentages of grade 3 learners who did not achieve the minimum scores in literacy and numeracy were 53% and 66%, respectively. Only 30% and 34% of students achieved a pass rate of 40% and above for Maths and Science, respectively, in the 2011 National Senior Certificate examination. These results signal major challenges regarding the quality of teaching and learning in schools.

The unemployment rate was reported at more than 20% in 2011 with over 50% represented by 17 to 25 year olds, including graduates. The number of people living in need and in receipt of government grants in 2011 was 15 million out of a population of 52 million. The affected communities also required support through community based organisations.

Initiatives

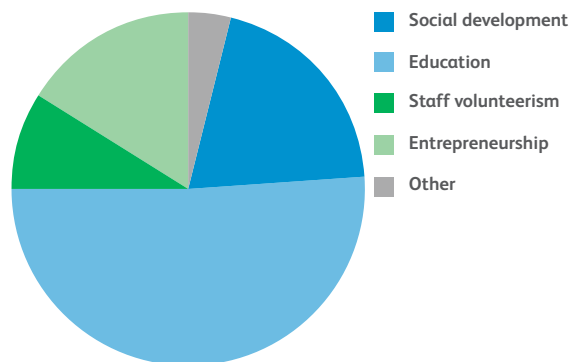
To contribute toward the improvement in the quality of teaching and learning, the Telkom Foundation partnered with the Department of Basic Education, various non-profit organisations and schools to implement learner and teacher development programmes. Learner interventions focused on providing extra tuition in maths, science, and literacy and on improving access to educational resources, with a strong focus on ICT. Teacher development focused on improving content knowledge, pedagogics, mentorship and ICT.

The Foundation also contributed to job creation initiatives for youth and women by providing entrepreneurial training to unemployed youth, aspiring entrepreneurs, women and unemployed graduates. This training and mentorship initiative was rolled out in Gauteng, Free State and the Northern Cape.

The Foundation contributed to social development and health through its Social Development and Staff Volunteerism programmes. The Foundation was able to partner and provide funding support to organisations working in the fields of home based care, orphans and vulnerable children, terminal illnesses, disability, income generation and welfare.

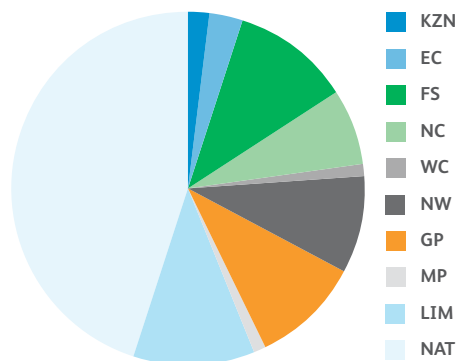
Spend by focus area

R42 million was spent on projects during the 2013 financial year and the breakdown per focus area is shown below:



Spend by province

The Telkom Foundation has a national footprint and the financial contribution in each province is shown below based on a total spend of R42 million:



Project highlights

EDUCATION

Educator Mentorship and Development Programme
The Educator Mentorship and Development Programme (EMDP) is a partnership between the Telkom Foundation and the Central University of Technology (CUT) to develop, empower and mentor educators in science, technology, english



GRI

and mathematics (STEM). The EMDP consists of training and mentorship for 25 STEM educators in three primary schools in Mangaung in the Free State province. The EMDP utilises retired educators to provide critical support that enhances the quality of teaching and learning. The programme will enter its final year in 2013 and continues to stimulate the interest of learners in subjects and careers within the fields of ICT.

Schools Connectivity

The Telkom Foundation is in partnership with the Department of Basic Education to enhance the quality of teaching and learning in rural schools through the provision of computers and interactive boards. The Telkom Foundation has donated computers and Internet connectivity to more than 700 schools, with more schools being added to the list every year. In 2011, 45 schools were provided with full computer labs and in 2012, 21 schools were provided with full labs and more than 60 schools were given interactive white board packages. All the schools that have received full computer labs have also been provided with furniture for the ICT laboratories. In addition, as of 2011, each school that has received ICT equipment has also been offered an opportunity for training on computer literacy for two teachers.

Partnership with Mindset Network

To maximise the use of the ICT labs, Telkom Foundation works with its partners to provide content that is relevant and aligned to the curriculum. As part of the schools connectivity project, the Foundation partnered with Mindset Network, a non-profit organisation that specialises in digital content to install satellite dishes and digital equipment with content to 45 schools in five provinces. The content is purely on Maths and Science.

Multi-grades Mobile Units

The Telkom Foundation, through its partnership with the Department of Basic Education, implemented the ICT and Literacy Mobile Units project to assist 50 multi-grade schools in Limpopo, Eastern Cape, KwaZulu-Natal, Mpumalanga and North West provinces. This project provided multi-grade classrooms with a mobile trolley fitted with laptops, books, LCD TV, DVD and educational materials and content.

Rally to Read

To contribute to improving literacy, the Foundation partnered with Read Educational Trust and Bidvest in the Rally to Read programme which provides literacy resources and educator training to rural disadvantaged schools across South Africa. The main target for the project is Grade R and other Foundation grades. The Rally to Read programme has reached over 37,000 learners. The Foundation is the sole sponsor of the programme in the Limpopo province and supports 14 schools in the Vhembe district, reaching more than 10,000 learners.

National Teaching Awards

As part of its strategy around teacher development, the Foundation partnered with the Department of Basic Education and sponsored the 2012 National Teaching Awards. The National Teaching Awards promote excellence in teaching by recognising the hard work of teachers in various categories. The National Teaching Awards had 13 categories for 2012 including the following that were sponsored by the Foundation: Excellence in Grade R Teaching, Excellence in ICT Enhanced Teaching, Prof Kader Asmal Lifetime Achievement Award.

Entrepreneurship Programme

Training and Mentorship

The Foundation partnered with the University of Pretoria to deliver a range of entrepreneurship training programmes to youth and women in particular. The programme has benefited 350 youth and women, unemployed graduates, entrepreneurs, and aspiring entrepreneurs in Gauteng, Free State and Northern Cape. The programme offers training and mentorship to ensure that beneficiaries establish and grow sustainable businesses that also provide employment.

Social Development

The Foundation supports organisations that work with the disadvantaged and vulnerable communities in deep rural areas of our country through the Social Development programme. It has provided support of more than R5 million within the 2013 financial year to community-based organisations supporting needy communities in various focus areas including: poverty alleviation, chronic diseases, HIV/AIDS, orphaned and vulnerable children, and people living with disabilities.

Staff Volunteerism

Adopt-A-Project

Adopt-A-Project is a voluntary programme for the senior leadership of Telkom to participate in community development and empowerment through the donation of funds from the Telkom Foundation and being patrons of deserving community development projects of their choice. Through this programme, the senior leadership also avail their time, skills and resources to their projects. During the 2013 financial year, the programme contributed approximately R3 million to more than 30 projects.

Going forward

The Telkom Foundation will continue to work with CSI and supported projects. Visibility will be enhanced through continued pursuit of strategic partnerships that enhance the impact and outcomes of the Foundation's investments. The Foundation is repositioning itself to ensure that its projects are designed to deliver maximum impact and transform, in a meaningful way, the lives of the disadvantaged.

ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL POLICY STATEMENT

Telkom's Environmental Policy Statement (EPS) demonstrates Telkom's commitment and due regard towards ensuring a sustainable future for generations to follow. Telkom's geographical footprint is significant, albeit the nature of its impact is considered as negligible. Due to technological advancement and changing business trends, the Telkom EPS is due for review during the 2014 reporting cycle and will be endorsed by the newly appointed GCEO.

ISO 14001 certification

Telkom's Environmental Management System (EMS) is currently ISO 14001 certified. The purpose of complying with this international standard is that it specifies requirements for an EMS which enables an organisation to develop and implement a policy which defines objectives and targets while at the same time ensuring compliance with legislated requirements. It also provides for the opportunity to clearly define and quantify significant environmental aspects and their potential impacts. From this, control measures are implemented, monitored and measured to constitute a continual improvement cycle. As the ISO 14001 standard is designed to ensure continual improvement, certification is awarded over a three-year cycle. In the 2014 financial year, Telkom will apply for recertification to ensure a sustainable commitment to ongoing environmental consideration towards the way we conduct ourselves throughout our business imperatives to continually support our reputation as a responsible corporate citizen.

In order to sustain the ISO standards, annual surveillance audits are conducted by the external verification authority each year during the three year accreditation period. Telkom's EMS achieved the ISO 14001 second surveillance audit requirements.

Environmental training

Telkom's EMS incorporates training and awareness as an ongoing process in which both formal training and awareness campaigns are provided. Telkom supports the South Africa environmental calendar from which one campaign per quarter is communicated and employees are encouraged to participate.

Compliance

There were no significant fines or sanctions for non-compliance with environmental laws and regulations during the reporting cycle.

Telkom did not encounter any environmental management related fines or sanctions for non-compliance, which demonstrates that the EMS methods, procedures and applicable protocols are meeting the desired conformance requirements.

Biodiversity

Biodiversity management in Telkom is defined as those interventions which ensure that the impact of our infrastructure causes minimal impact relative to the protection of species and natural ecosystems of our country's environment. A holistic conservation approach is paramount to Telkom's EMS. Over a number of years Telkom has actively involved itself in various biodiversity initiatives, namely:

- The management of red billed buffalo weaver occupancy on mast infrastructure in the Mpumalanga area;
- The preservation of the sociable weaver nests on telephone routes in the Northern Cape;
- The prevention of blue crane collisions on telephone routes in the Free State;
- The successful relocation of Angolan free tailed bats from Telkom network facilities in Mpumalanga;
- The rescue and relocation of black eagle chicks from towers in the Northern Cape; and
- The relocation of a telephone route crossing a migratory bird wetland in Mpumalanga.

The Telkom environmental management team have over the past few years developed methods and controls to manage the encroachment of various species on Telkom infrastructure. Line managers are now in a position to manage such interventions independently.

During this financial year, Telkom successfully engaged in an environmental/social responsibility project in the Wakerstroom town of Mpumalanga, internationally recognised as a haven for migratory birds. The project entailed working with two local NGOs the Wakerstroom Natural Heritage Association and BirdLife South Africa. The objective of the project was to relocate a telephone route from a wetland which would significantly enhance the wetland biodiversity and aesthetic value of the surroundings. The removal and relocation of the route was undertaken successfully. The Telkom Foundation also contributed a significant amount to fund the refurbishment of a walkway that leads to a bird hide situated adjacent to the wetland. The project generated significant interest and was selected by Telkom to be screened on national TV as part of e-TV's 'Kaelo stories of hope' which illustrates South African businesses commitment to social upliftment and sustainability within the communities in which they operate.



CLIMATE CHANGE AND ENERGY

In spite of the fact that the telecommunications sector is a relatively low-impact industry when it comes to energy usage and carbon emissions, there are significant opportunities to reduce costs and achieve carbon savings from energy efficiency, thereby ensuring a sustainable future. In addition, the telecoms sector has the unique potential to enable significant carbon savings across many sectors through communications technology offerings (such as creating opportunities for customers to dematerialise their businesses and reducing the need for travel by providing alternative communication methods).

The telecommunications sector is also an expanding sector, with energy demands that will continue to grow. Nevertheless, Telkom is working to balance its current energy requirements with the necessity of ensuring a sustainable future as it relates to climate change and energy security. Security of energy supply in South Africa is a major issue. Furthermore, we recognise the environmental, social and economic threat posed by climate change and the need for co-ordinated global action to reduce greenhouse gas emissions. As such, Telkom acknowledges the importance of their contribution to reducing South Africa's carbon emissions, in line with the draft National Energy Efficiency Strategy, in order to ensure a sustainable future.

CARBON FOOTPRINT

As part of managing our contribution to addressing climate change, Telkom has measured and calculated its carbon footprint for the third year. The Greenhouse Gas Protocol (GHG Protocol) was used as the basis for calculating the carbon footprint. In order to improve the credibility of our

reporting, we obtained reasonable assurance in a statement of verification by independent assurance providers CA-Governance, using the ISO 14064-3 standards.

The boundary for the carbon footprint is Telkom South Africa; as well as the South African operations of the subsidiaries Swiftnet and Trudon.

The carbon footprint includes the following scopes as per the GHG Protocol:

- Scope 1: Direct greenhouse gas emissions (GHG) from sources owned or controlled by Telkom;
- Scope 2: Indirect GHG emissions from the generation of electricity consumed by Telkom; and
- Scope 3: Other indirect GHG emissions as a consequence of the activities of Telkom, but not from sources owned or controlled by Telkom.

The carbon footprint was calculated using emission factors provided by the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA). Our overall scope 1, 2 and 3 carbon footprint is 769,216 tCO₂e. The table on the following page provides a breakdown of emissions per scope.

ENVIRONMENTAL MANAGEMENT

	2012 Emissions (tCO ₂ e)	2013 Emissions (tCO ₂ e)
Scope 1		
Diesel consumed in generators ¹	5,979	6,923
Refrigerant gases ²	44,964	44,619
Swiftnet delivery trucks	84	42
Forklifts – Stannic fleet ³	54	64
Scope 2		
Electricity consumption (Telkom SA) ⁴	662,543	652,050
Electricity consumption (Trudon)	3,092	3,108
Electricity consumption (Swiftnet)	292	307
Scope 3		
Air travel ⁵	3,387	3,198
Car hire ⁶	234	199
Business travel in employee owned cars ⁷	8,011	8,502
Stannic fleet card ⁸	3,387	4,740
Debis fleet ⁹	32,766	31,467
TFMC fleet ¹⁰	4,973	4,964
Layisha logistics	3,637	3,372
Trudon delivery trucks ¹¹	3,312	5,661
Total Scope 1, 2 and 3 emissions (tCO₂e)	776,715	769,216

¹ Diesel used in generators is based on issued quantities for use in generators and forklifts.
² The refrigerant gas value provided is the total consumption (kg) from several different types of refrigerant gases, each of which have their own global warming potential (GWP).
³ Forklifts – Stannic Fleet – Stannic fleet cards value provided is the total litres of petrol or diesel consumed in Telkom owned motor vehicles.
⁴ Electricity consumption for the 2012/13 financial year is calculated using the Eskom 2012 generation emission factor of 0.99 tCO₂e/MWh.
⁵ 2012 Air travel has been restated due to a previous calculation error. The air travel value provided is the total passenger kilometres travelled, which is split between long-haul and short-haul flights and the specific flight class when calculating the associated carbon emissions.
⁶ The car hire value provided is the total kilometres travelled in hire cars, which is split according to fuel type and engine size when calculating the associated carbon emissions.
⁷ The Telkom employee business travel value provided is the total kilometres travelled in employee owned motor vehicles, which is split according to fuel type and engine size when calculating the associated carbon emissions.
⁸ Stannic fleet cards value provided is the total litres of petrol or diesel consumed in Telkom employee owned motor vehicles for business travel.
⁹ The Debis vehicle fleet value provided is the total kilometres travelled by Telkom employees in Debis fleet vehicles, which is split according to fuel type and engine size when calculating the associated carbon emissions.
¹⁰ The TFMC fleet value provided is the total litres of fuel used in TFMC, Telkom’s facility management provider’s fleet motor vehicles, which is split according to fuel type when calculating the associated carbon emissions.
¹¹ Trudon delivery trucks has been restated due to a previous calculation error.

Initiatives to reduce Greenhouse Gas emissions and reductions achieved

We are aware that as a growing sector, and as a solutions provider to other sectors, our energy demands will increase. Nevertheless, we recognise that we need to manage our energy usage and carbon emissions in order to ensure a sustainable future. Telkom has therefore put the following in place to minimise our carbon footprint and educate and create awareness among our stakeholders:

- We reported for the third year to the Carbon Disclosure project on our carbon management and emissions. This demonstrates our commitment to reducing emissions and provides investors and other stakeholders with insight into the meaning of climate change for our business.
- We signed the NBI’s Energy Efficiency Leadership Network Pledge. As such we have publically pledged to plan for energy efficiency improvement supported by

an energy management system, develop company level targets to help deliver on the National Energy Efficiency Strategy, and clearly report on progress in reaching the targets. In addition, we have committed to carbon reduction skills development and capacity building.

- During 2012 we adopted a board-approved sustainability strategy that formalises and gives direction to our carbon management.
- Over the past five years Telkom has embarked on a national rollout of energy efficiency initiatives in Telkom facilities, known as Project Neon. This has included a phased rollout of energy efficient lighting interventions, using Eskom’s Performance Contracting Funding Model.
- Telkom has begun implementing an initiative to phase in upgraded digital primary and secondary switching units which use less power.
- In order to increase awareness of climate change, newsletters are sent to Telkom employees, highlighting



initiatives that employees can take part in to reduce energy consumption. In addition, employees are encouraged to email suggestions for energy efficiency initiatives to TFMC (the facility management company used by Telkom).

- Telkom's subsistence and travel policy requires employees to consider video-conferencing or tele-conferencing as an alternative to travelling. The policy also encourages sharing car rental and shuttle services and using public transport where possible.
- Another travel related initiative is Project Falcon, which allows for smarter dispatching of vehicles and improved management of technician related travel, thereby reducing emissions.
- Telkom has replaced approximately 100 one-ton-vehicles with half-ton light delivery vehicles, thereby reducing travel related emissions.

Going forward

Telkom will continue to consider climate impacts in our business decisions and improve energy efficiency, in order to ensure a sustainable future.

Some potential initiatives include:

- Telkom will replace an additional 850 one-ton-vehicles with half-ton light delivery vehicles, thereby reducing travel related emissions.
- A driver scoring programme is being planned for Gauteng and the North East regions to assist with monitoring driver behaviour, which we will roll out nationally. One of the added benefits of this programme will be more efficient driving styles, and therefore reduced travel related emissions.

WASTE

Telkom recognises that the responsible disposal of waste is a key way in which we can minimise our impact on the environment. Due to the strain placed on South Africa's

landfill sites, and the impact of hazardous waste on the environment, Telkom encourages recycling and resource efficiency. We further recognise the important revenue generating potential of certain waste streams such as copper.

Waste is a key issue in the telecommunications sector for two reasons. Infrastructure components wear out and must be replaced. New technology is constantly developed, and as a consequence, products are constantly being upgraded and replaced.

Due to the dispersed nature of much of Telkom's infrastructure, the scope for waste management falls into two areas:

- The waste managed by TFMC, which includes the normal office waste streams and non-telecommunication waste. TFMC manages the collection, separation and disposal of all the non-telecommunications waste types as well as all recycling initiatives pertaining to such waste.
- Telkom managed revenue generating waste streams, which include copper cable, optic fibre, batteries, e-waste and other redundant telecommunication waste. These products are consolidated at Telkom around the country. It is from these centres that the revenue generating waste is picked up by appointed vendors for processing.

Formal policies and procedures detail Telkom's requirements for the handling of waste streams as well as the recycling of materials where this is possible. Telkom consistently aims to dispose of waste in an environmentally responsible manner by using accredited vendors who collect and dispose it. Disposal certificates are obtained from suppliers to ensure that waste is not dumped illegally and processed according to environmental governing legislation.

For the current reporting period, Telkom's recycled waste has consisted of the following streams (Trudon and Swiftnet do not contribute to these waste streams):

Waste stream (tonnes)	2009	2010	2011	2012	2013
Copper	1,301	2,210	1,387	1,279	1,231
Optic fibre	282	234	203	251	281
Batteries	349	344	348	293	477
E-waste	–	–	–	297	383



GRI

ENVIRONMENTAL MANAGEMENT

It is important to note that while these materials constitute the majority of Telkom's recyclable revenue generating waste stream by volume, their quantity is not necessarily influenced primarily by our resource efficiency initiatives. In the case of copper and optic fibre recycling volumes are driven primarily by the amount of damage inflicted upon our infrastructure during the theft of copper cable. Batteries are used at sites where direct current power is needed as an alternative source to alternating current power.

- **Batteries** are scrapped by technical staff in the regions and brought to the different Reverse Logistics yards for selling. Batteries are only scrapped when they are not further suitable for recharging or are damaged. Batteries are sold to specific buyers with a disposal certificate supplied to Telkom for every lot sold.
- **E-waste** is consolidated at our Boksburg yard and is sold via auctions.
- **Copper** – The majority of the recycled copper is recovered from the field after dead-line route recoveries. Copper is sold to Sindawonye and reworked into other products.
- **Optic fibre** is sold to Sindawonye through an existing contract. It is granulated and reworked into PVC, Kevlar, or optic fibre. These are then either reworked into other products or sold individually. Kevlar and optic fibre are used at the Thembani social upliftment project. This initiative is an outstanding example of what social commitment is and in so doing creating work opportunities as well as supporting the special needs of the Bedford community or families especially women and children using the redundant Telkom cable.

- **Other recycled waste** (steel, wood, tools, leather, furniture, etc.) is sold to Telkom staff or externally via tender or offer to purchase.

WATER

Telkom recognises the potential limiting effect that water could have on economic expansion. It is of utmost importance that this resource be optimally utilised to the benefit of all current and future consumers and users.

Our aim as a responsible water consumer is to maximise the value we obtain from our water resources while seeking to avoid long-term net harm. We recognise that we act within a broader strategic water-resource framework. Hence Telkom strives to protect the quality of our water resources, use water wisely and aims eventually to develop alternative water resources.

During the reporting period, Telkom has facilitated an awareness programme and application of functional, efficient techniques to assist in the reduction of water consumption that will ultimately modify effective behavioural changes. These techniques will support Telkom's ongoing commitment towards the philosophy of environmental sustainability.

An understanding of the potential benefits associated with conservative water management, will ultimately enhance Telkom's commitment towards environmental sustainability of the organisation and within the South African context, while also committing itself to support and to work together with the Department of Water Affairs in managing South African water resources for an equitable and sustainable future.

PRODUCT RESPONSIBILITY

The business sustainability of Telkom depends on our management of the aspects of our services and products that directly affect our customers including health and safety, information and labelling, marketing, and privacy. Customer satisfaction is a key concern for Telkom, and we aim to tailor our products and services to meet the customer needs while considering sustainable health and safety related matters.

Product and service labelling

CONSUMER PROTECTION ACT

In terms of the Consumer Protection Act, 68 of 2008 (“the Act”), consumers have the right to fair value, good quality and safety. Section 61 of the Act states that a producer, importer, distributor or retailer of any goods is liable for any harm caused by the supply of goods or product failure which result in the death or injury or illness or loss/physical damage to property and any economic loss arising from such injury, death or losses or physical damage to property. As a retailer of goods and products, it is imperative that Telkom ensures that it does not supply unsafe or defective goods and that there are adequate warnings to the consumer pertaining to any hazard arising from or associated with the use of the goods.

During the reporting year Telkom was not involved in any litigation or pending litigation relating to any harm envisaged under Section 61 which arose as a consequence of any product/goods supplied to a consumer. Telkom has not been found guilty of breaching any of the provisions relating to non-compliance with the provisions of Section 61, during the reporting period.

END-USER AND SUBSCRIBER SERVICE CHARTER REGULATIONS

In November 2011, Telkom received notice from ICASA regarding Telkom’s non-compliance with regard to the End-User and Subscriber Service Charter Regulations as published in Government Gazette No. 32431 on 24 July 2009 (‘the Regulation’) and advised that the Authority is referring this matter to the Complaints and Compliance Committee for a formal hearing to be held in respect of the following:

- Regulation 4.9(a): “...maintain an average of 90% fault clearance rate for all faults reported within three (3) days”; and
- Regulation 4.9(b): must clear “the remaining ten percent (10%) of faults reported... within six (6) days of the reporting of the fault”.

In respect of the aforementioned Regulation, for the 2009/2010 reporting period, Telkom did not meet the mandatory percentages as prescribed in respect of the fault clearance rate. A licensee who is held to be non-compliant by the Complaints and Compliance Committee (CCC) may be liable to a fine.

CCC outcome and recommendation

Key aspects of the CCC judgment are as follows:

- ICASA’s failure to determine a format for the reporting is a fatal flaw to its case against Telkom;
- ICASA had failed to prove non-compliance on the part of Telkom on the balance of probabilities;
- Non-compliance is not capable of being discerned clearly from the report submitted by Telkom. It is not possible, therefore, to consider levying a penalty that is consistent with the degree of non-compliance; and
- The Regulations as they stand are problematic and are not capable of implementation.

The CCC further made the following recommendations to ICASA:

- ICASA determines and make available a standard format to all its licensees. Licensees should be afforded the opportunity to study the format so that they can raise any issues that they may have;
- Since the Charter regulations as they stand are problematic and are not capable of implementation, ICASA should review them;
- ICASA should approach Telkom to stop its Court action with an undertaking that ICASA will review the Charter regulations; and
- If ICASA is considering bringing other licensees in front of the CCC on similar charges, it should consider suspending them until the Charter regulations are reviewed.

Thus, Telkom was not penalised for this contravention and ICASA is drafting the revised regulations for public comments.

Customer privacy

South African legislation governing consumer protection and customer privacy has evolved rapidly in the past few years and Telkom is focused on aligning its business practices with the requirements. Telkom’s primary obligation to respect customer privacy emanates from the provisions of the Electronic Communications Act, 36 of 2005, and Code of Conduct, End-User and Subscriber Service Charter.

Requests for any confidential information relating to a customer’s personal details are handled by each of Telkom’s regional nodal points. These nodal points deal with any requests or subpoenas for customer information.

There have been no breaches of customer privacy or losses of customer data during the reporting period.



GRI

PRODUCT RESPONSIBILITY

Competition law compliance

Settlement discussions with the Competition Commission were initiated and successfully concluded in April 2013. This ruling related to the case between Telkom and the South African Value Added Networks Services Association (SAVA) and various other complainants pertaining to alleged anti-competitive behaviour between 1999 and 2002. Telkom and the Commission agreed to withdraw their respective appeals against the Tribunal's initial ruling in August 2012, resulting in the said ruling remaining unaltered. Accordingly, Telkom will pay the fine that was awarded by the Tribunal in the sum of R 449 million.

We have also subsequently negotiated to settle a second claim relating to a Multiple Complaints Referral by several complainants including Internet Solutions (Pty) Limited, the internet division of Multi-choice Subscriber Management Services (Pty) Limited, Verizon (Pty) Limited and the Internet Service Providers Association.

As part of this settlement, Telkom is required to pay a penalty of R200 million which has been fully provided for. The settlement also requires an undertaking by Telkom regarding the functional separation between the Group's retail and wholesale divisions.

We are committed to understanding the unique responsibility that we have as the national incumbent. We acknowledge that past actions of the Group have had a negative impact on our business and we take accountability for this. We have been and will continue to uphold responsible conduct and compliance in all our businesses.

[Read more in note 38 of the consolidated annual financial statements.](#)

CUSTOMER SATISFACTION

Telkom conducts regular customer satisfaction surveys by means of targeted and random telephone interviews. These reach approximately 120,000 people per annum. By their very nature, random surveys may reach some customers whose numbers are not listed for such purposes, potentially giving rise to concerns about breaches in the security of customer data privacy.

Since 1997, all surveys have been conducted by research providers accredited by the SA Marketing Research Association (SAMRA) whose code of conduct commits all practitioners never to allow personal data collected in the process of market research "to be used for the purpose other than the market research". All market research survey work and the statistical results generated are audited on a random basis by third parties for purposes of data quality and data security. The information generated by market research surveys is used to inform Telkom's advertising tracking programmes, sponsorship and branding initiatives in addition to customer loyalty measurements.

Telkom has a national customer care management centre to deal with customer complaints that may have been received through Telkom's call centres. These complaints are then handled by escalation advisors. Any request for information from an outside party is governed by the Promotion of Access to Information Act, which gives effect

to the public's right of access to information from public and private bodies; taking into consideration appropriate provisions within the Act. Telkom keeps a record of the requests received each year and it reports annually to the Human Rights Commission with regards to these requests.

The primary aim of the customer loyalty management (CLM) research conducted by Telkom is to determine our customers' satisfaction with their designated main customer contact (for example, the account manager in the enterprise environment), as well as with products and services offered by Telkom.

Specific objectives are to:

- Measure the impact that overall quality of service and value for money have on loyalty and commitment towards Telkom;
- Determine the perceptions of service while interacting with Telkom at the different touchpoints: pricing, main customer contact (account manager, service delivery manager, account representative, business consultant, call centre agent, Telkom Direct Stores agent), technical support/technician, customised solutions, communication, ordering process, products and services, invoicing and billing/Telkom account, dispute resolution and Cybernest;
- Obtain an overall comparison of Telkom with other service providers;
- Establish the likelihood of switching from Telkom to another service provider; and
- Determine the overall experience with installations and repairs.

Fieldwork takes place on an annual basis and was conducted between August and December 2012 by means of telephonic interviews. Approximately 10,000 customers who had contact with Telkom, were interviewed.

Results are reported as either "Top 2 Box" scores or "Top 3 Box" scores. This means the percentage of customers that rated Telkom as "very good" and "excellent" or as "good", "very good" and "excellent" (respectively) out of a 5-point excellence scale (excellent; very good; good; poor; very poor).

Telkom clients included in the survey:

- **Enterprise markets, government sales and wholesale services:** All customers are given the opportunity to take part in the survey. Customer contact lists are provided by key role players within the different environments.
- **Medium and large business:** All Medium and Large Business customers who had contact with a Telkom sales representative within the month prior to fieldwork, form part of the universe with whom telephonic interviews are conducted.
- **Small business and residential:** A representative sample of Small Business and Residential customers who logged faults, had a billing enquiry or required a service activation is extracted on a weekly basis and telephonic interviews are conducted with these customers.

Model explanation

The loyalty model shows how loyal customers are towards Telkom and how to improve on loyalty levels. A set of questions was asked of customers, each indicative of a different aspect within the loyalty model. Behaviours indicative of loyalty include customers saying that they would recommend, continue using or increase the volume of business they do with Telkom, as well as the likelihood of actively searching for an alternative communication provider. A lower score is desirable when asking customers whether they would actively search for an alternative provider. Based on answers to these four questions, customers are grouped into different loyalty segments:

Definition of loyalty segments:

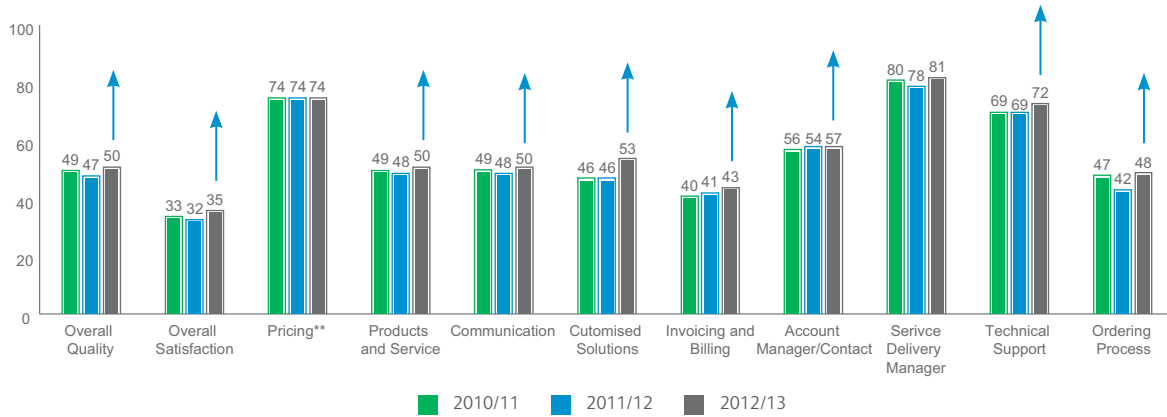
- **Passionate** customers are extremely positive in their responses and show no negative perceptions. They are most likely to express the desired loyalty behaviours.
- **Favourable** customers are mostly positive and show only modest negative perceptions towards Telkom. They are likely to display loyal behaviour in their interactions with Telkom, although not to the degree of those classified as Passionate.
- **Fence-sitter** customers currently have a neutral stance towards Telkom. Their perceptions of loyalty in the future will determine whether they move into the more favourable or vulnerable loyalty categories.
- **Vulnerable** customers do not hold a strong allegiance to Telkom and are likely to hold negative perceptions towards the Company.
- **Defector** customers have negative perceptions of Telkom and are less likely to remain loyal.
- **Unclassified** customers are those who cannot be classified into any of the above loyalty segments.

Top line findings including customer satisfaction statistics

The graph on the following page reflects the combined results of all divisions, excluding Wholesale Services, Telkom Internet and 8•ta, and are based on 10,253 interviews.

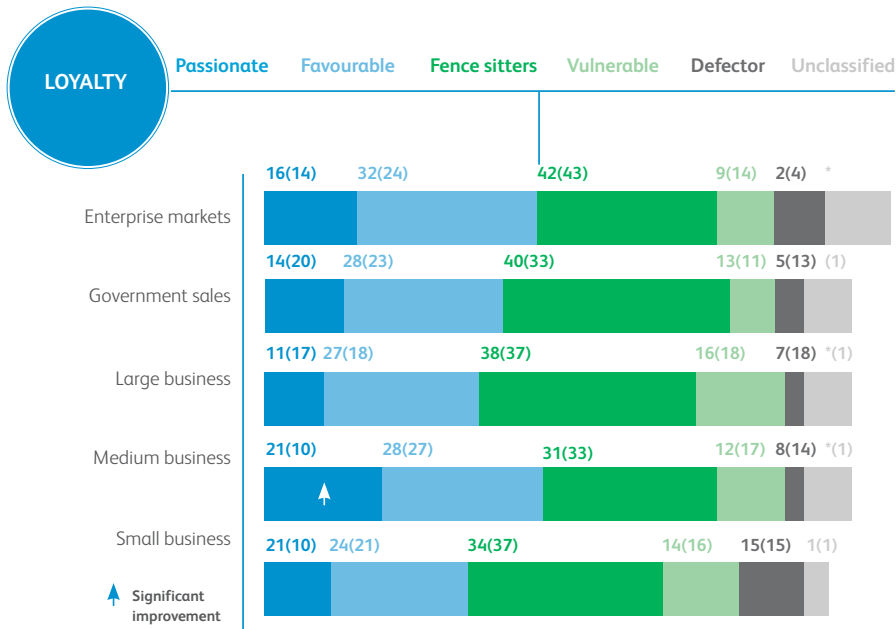
Most of the results show significant improvements, with pricing and the service delivery manager ratings remaining stable.

PRODUCT RESPONSIBILITY

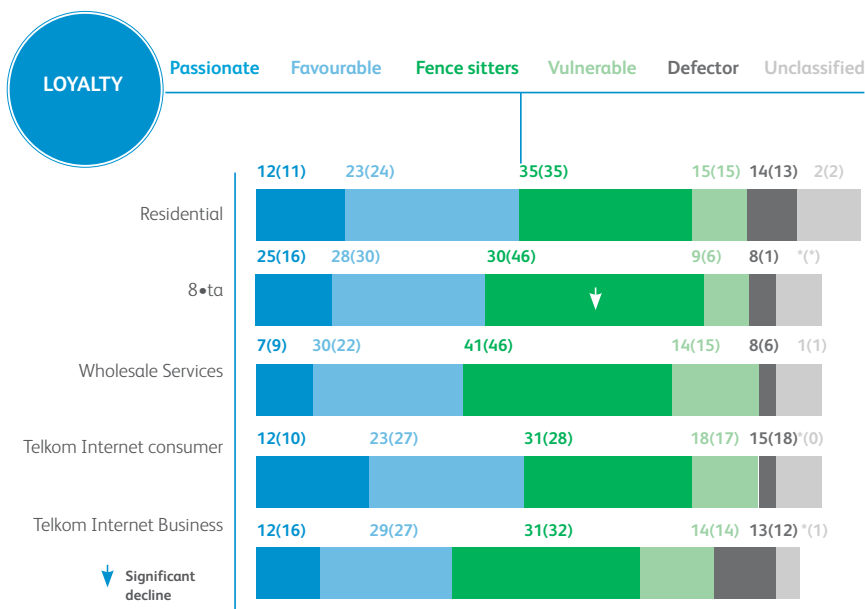


Graph: top line findings, customer satisfaction statistics

↑ Significant improvement ** Top 3 Box score



There was a slight increase in loyalty levels across most business segments. Across the board, more than a third of customers were classified as Fence Sitters. This implies that there are many neutral customers who can be swayed either way.



GRI INDEX

Indicator name	Indicator description	Page number	Fully met/ partially met
Profile disclosures			
1.1	<p>Statement from the most senior decision-maker of the organisation (e.g. CEO, Chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.</p> <p>The statement should present the overall vision and strategy for the short term, medium term (e.g. three to five years), and long-term, particularly with regard to managing the key challenges associated with economic, environmental, and social performance.</p> <p>The statement should include:</p> <ul style="list-style-type: none"> • Strategic priorities and key topics for the short and medium term with regard to sustainability, including respect for internationally agreed standards and how they relate to long-term organisational strategy and success; • Broader trends (e.g. macro-economic or political) affecting the organisation and influencing sustainability priorities; • Key events, achievements, and failures during the reporting period; • Views on performance with respect to targets; • Outlook on the organisation's main challenges and targets for the next year and goals for the coming three to five years; and • Other items pertaining to the organisation's strategic approach. 	10 – 12 18 – 21	Fully met
2.1	Name of the organisation.	1	Fully met
2.2	Primary brands, products, and/or services. The reporting organisation should indicate the nature of its role in providing these products and services, and the degree to which it utilises outsourcing.	6	Fully met
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	6, 30	Fully met
2.4	Location of organisation's headquarters.	Inside back cover	Fully met
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	6	Fully met
2.6	Nature of ownership and legal form.	The Group is domiciled in South Africa and listed on the JSE Limited.	Fully met
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	6	Fully met

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2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	6	Fully met

GRI INDEX

Indicator name	Indicator description	Page number	Fully met/ partially met
2.8	<p>Scale of the reporting organisation, including:</p> <ul style="list-style-type: none"> • Number of employees; • Number of operations; • Net sales (for private sector organisations) or net revenues (for public sector organisations); • Total capitalisation broken down in terms of debt and equity (for private sector organisations); and • Quantity of products or services provided. <p>In addition to the above, reporting organisations are encouraged to provide additional information, as appropriate, such as:</p> <ul style="list-style-type: none"> • Total assets; • Beneficial ownership (including identity and percentage of ownership of largest shareholders); and • Breakdowns by country/region of the following: <ul style="list-style-type: none"> – Sales/revenues by countries/regions that make up 5% or more of total revenues; – Costs by countries/regions that make up 5% or more of total revenues; and – Employees. 	74, 8, 5	Fully met
2.9	<p>Significant changes during the reporting period regarding size, structure, or ownership, including:</p> <ul style="list-style-type: none"> • The location of, or changes, in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organisations). 	There have been no significant changes regarding size, structure or ownership during the reporting period.	Fully met
2.10	Awards received in the reporting period.	32	Fully met
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	1	Fully met
3.2	Date of most recent previous report (if any).	1	Fully met
3.3	Reporting cycle (annual, biennial, etc).	1	Fully met
3.4	Contact point for questions regarding the report or its contents.	Inside back cover	Fully met
3.5	<p>Process for defining report content, including:</p> <ul style="list-style-type: none"> • Determining materiality; • Prioritising topics within the report; and • Identifying stakeholders the organisation expects to use the report. <p>Include an explanation of how the organisation has applied the 'Guidance on Defining Report Content' and the associated principles.</p>	34, 64	Fully met
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	1	Fully met
3.7	<p>State any specific limitations on the scope or boundary of the report.</p> <p>If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organisation, state the strategy and projected timeline for providing complete coverage.</p>	1	Fully met
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	1	Fully met

Indicator name	Indicator description	Page number	Fully met/ partially met
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Apart from a reclassification (see page 148) there have been no restatements of information provided in previous reports.	Fully met
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	1	Fully met
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found: <ul style="list-style-type: none"> • Strategy and Analysis 1.1 – 1.2; • Organisational Profile 2.1 – 2.10; • Report Parameters 3.1 – 3.13; • Governance, Commitments, and Engagement 4.1 – 4.17; • Disclosure of Management Approach, per category; • Core Performance Indicators; • Any GRI Additional Indicators that were included; and • Any GRI Sector Supplement Indicators included in the report. 	107 – 111	Fully met
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. Describe the mandate and composition (including number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social, and environmental performance.	46 – 58	Fully met
4.2	Indicate whether the Chair of the highest governance body is also an Executive Officer (and, if so, the function within the organisation's management and the reasons for this arrangement).	58	Fully met
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organisation defines 'independent' and 'non-executive'. This element applies only for organisations that have unitary board structures. See the glossary for a definition of 'independent'.	46, 55 – 56	Fully met
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding: <ul style="list-style-type: none"> • The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; • Informing and consulting employees about the working relationships with formal representation bodies such as organisation level 'work councils', and representation of employees in the highest governance body; and • Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period. 	58	Fully met

GRI INDEX

Indicator name	Indicator description	Page number	Fully met/ partially met
4.14	List of stakeholder groups engaged by the organisation. Examples of stakeholder groups are: <ul style="list-style-type: none"> • Communities; • Civil society; • Customers; • Shareholders and providers of capital; • Suppliers; and • Employees, other workers, and their trade unions. 	66 – 72	Fully met
4.15	Basis for identification and selection of stakeholders with whom to engage. This includes the organisation's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	64 – 65	Fully met
Profile disclosures			
Environmental			
EN3	Direct energy consumption by primary energy source.	100	Fully met
EN4	Indirect energy consumption by primary source.	100	Fully met
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	100	Partially met
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	98	Fully met
EN16	Total direct and indirect greenhouse gas emissions by weight.	100	Fully met
EN17	Other relevant indirect greenhouse gas emissions by weight.	100	Fully met
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	100	Partially met
EN22	Total weight of waste by type and disposal method.	101	Partially met
EN28	Monetary value of significant fines and sanctions for non-compliance with environmental laws and regulations.	98	Fully met
Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region.	Online	Fully met
LA2	Total number and rate of employee turnover by age group, gender, and region.	Online	Fully met
LA4	Percentage of employees covered by collective bargaining agreements.	79	Fully met
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities.	80 and online	Fully met
LA8	Programmes in place to assist workforce members, their families, or community members regarding serious diseases.	80 and online	Fully met
LA10	Average hours of training per year per employee in each employee category.	78	Fully met
LA11	Programmes for skills management and lifelong learning.	77	Fully met
LA12	Percentage of employees receiving regular performance and career development reviews.	77	Fully met
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	77	Fully met

Indicator name	Indicator description	Page number	Fully met/ partially met
Product Responsibility			
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	103 – 104	Fully met
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	104 – 106	Fully met
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	103	Fully met
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	104	Fully met
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	8	Fully met
EC6	Policy, practices, and proportion of spending locally based suppliers at significant locations of operations.	92	Partially met
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	96 – 97	Fully met