

STATEMENT OF ASSURANCE ON GRI INDICATORS

To the stakeholders of Telkom SA Limited:

CA-Governance has been engaged by Telkom SA Limited (Telkom) to provide independent assurance over certain key sustainability performance data to be published in the Telkom integrated report for the 2012 financial year. The aim of this process is to provide reassurance to Telkom's stakeholders that the reported information is reliable and meaningful for comparison purposes.

How CA-Governance did this work

We conducted the work by applying our normal approach and using our standard methods, which exceed the requirements of Type 2 assurance as described by the AA1000 Assurance Standard (2008), as well as reasonable assurance as described by ISO 14064-3 for greenhouse gas emissions. The work included a review of performance data applying to the reporting period 1 April 2011 to 31 March 2012, limited to the five Global Reporting Initiative key performance indicators (KPIs) listed below: EN03, EN04, EN16, EN17 and LA07.

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

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

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

Information and performance data that have been subjected to assurance by this firm are clearly indicated by the inclusion of the following statement on individual web, digitised or printed pages next to the specific indicators: "These data were independently assured by CA-Governance in May 2012."

Opinion and commentary

In our opinion the five KPIs that Telkom has requested us to consider, provide stakeholders with varying degrees of reassurance in respect of Telkom's reporting of its performance within South Africa on these issues during the reporting period.

Our opinions in respect of the information disclosed in each of the indicators where our assurance was requested, are stated below.

EN03: The figures for volumes of diesel purchased for use in forklifts and generators, and the mass of refrigerant gases added to cooling plants in South Africa:- are in our view of such a level of informative quality that stakeholders can not yet take comfort that their interests are judged important in the disclosure, but can take note that the information is being monitored. The assurance CA-Governance assigns to this indicator is at **Starter** level. The overriding reason for this level of opinion is that although the figures have been determined with precision, a potentially material difference exists between the consumption and the purchase figures for diesel for use in generators, because of sizeable buffer storage facilities. The reported figure for generator diesel reflects purchases rather than consumption. This means that meaningful comparisons are unlikely to be possible.

EN04: The figure for units of electricity calculated to have been used by Telkom and its South African subsidiaries Swiftnet and Trudon:- is in our view of such a level of informative quality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN16: The CO₂ equivalent mass (in tonnes) calculated largely using DEFRA factors based on global warming potential over 100 years and originating from:

- A. Directly emitted greenhouse gases from electricity generated, potential emissions from refrigerant gases added to the system, plus greenhouse gas emissions from the transportation of materials, by Telkom or its South African-based subsidiaries Swiftnet and Trudon; and
- B. Indirectly emitted greenhouse gases from electricity generated by other parties serving the group as a result of activities for Telkom's benefit or that of its South African-based subsidiaries Swiftnet and Trudon:-

is in our view of such a level of informative quality that stakeholders can take comfort that their interests are judged important in the disclosure. The assurance CA-Governance assigns to this indicator is at **High** level.

EN17: The CO₂ equivalent mass (in tonnes) calculated using DEFRA factors based on global warming potential over 100 years and originating from the South African entities in the group in respect of:

- A. Air travel;
- B. Car hire;
- C. Telkom employee business travel in motor vehicles;
- D. Logistics services;
- E. Travel by Telkom motor vehicles;
- F. Travel by Telkom trucks in use by outsourced facility management services (part of the Debis contract);
- G. Trudon travel in motor vehicles;
- H. Travel by outsourced facility management services in non-Telkom vehicles; and
- I. Swiftnet travel in motor vehicles:-

is in our view of such a level of informative quality that stakeholders can take comfort beyond reasonable doubt that their interests are judged very important in

the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

LA07: The figures for employee:

- A. Work-related fatalities;
- B. Absenteeism;
- C. Lost days;
- D. Occupational diseases; and
- E. Rates of injury:-

are in our view of such a level of informative quality that stakeholders can take comfort beyond reasonable doubt that their interests are judged very important in the disclosure. The assurance CA-Governance assigns to this indicator is at **Extremely high** level.

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

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General comments

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

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

Matters to be considered for the future

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

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

At some time in the future it should be feasible for Telkom to begin reporting certain of its indicators against declared goals, which would inform stakeholders in a much more meaningful way. Inter alia, certain refrigerant gases will be under specific scru-

tiny over the next two years, as they are phased out internationally.

Inclusivity, Materiality and Responsiveness

Telkom is starting to engage with important stakeholders, albeit in a limited manner. This will enable greater interactive adjustment of sustainability goals over time, but is as yet too undeveloped to have large impact.

The determination of materiality has improved from the 2011 year. It will receive further attention in future.

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

The CA-Governance assurance method

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

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

- reviewed the materiality determination process and the external advisor input to that process,
- reviewed external sources, recalculated aspects of the figures, revisited technical aspects of certain emissions, investigated the data integrity and the potential for internal audit processes to provide additional reliance,
- entered into discussion with the Global Reporting Initiative with respect to certain aspects of its guidelines and self- or independent declaration,
- analysed the Telkom reporting against the G3 guidelines, plus against the gauges of informative quality applied by CA-Governance,
- presented the findings as an assignment team to an internal committee of peers for critical evaluation,
- revisited certain aspects that the committee had resubmitted for consideration, and expanded criteria to accommodate data that was regarded as not meaningful for purposes of comparison, in order to report to stakeholders fully and appropriately.

The aspects for which we accept responsibility

CA-Governance accepts responsibility for the aspects covered in this Statement of Assurance. In arriving at our conclusions we have formed our views from information provided by Telkom group personnel, reporting systems and data in respect of the South African operations of Telkom and certain of its prominent service providers, including Total Facility Management Company (Pty) Ltd. We have assessed the results

of such information flow in the light of our experience and ability to provide independent external scrutiny. We are of the view that our opinions as expressed before, are appropriate in the circumstances.

CA-Governance as a provider of statements of assurance

CA-Governance is the trading name of Cheetamark (Pty) Ltd, company registration number 2011/008716/07, a company registered in South Africa with its office at Kiepersol House, Stonemill Office Park, 300 Acacia Road, Darrenwood, Johannesburg, South Africa. CA-Governance is a specialist firm in the field of corporate governance, with a focus on the provision of independent assurance to stakeholders. The firm provides teams of assurance experts from a pool of persons with individual experience levels ranging from 22 to 43 years, and corporate governance experience ranging from 27 years downwards.

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

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

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

This Statement of Assurance on GRI Indicators is issued in Johannesburg, June 2012.



Theo Botha
For CA-Governance