

The Telkom logo is displayed in white text within a white rectangular border on a blue background. A small white crosshair is positioned at the top-left corner of the rectangle.

Telkom

Application of King IV Principles

“Governance is an important element of compliance to Telkom’s regulatory and compliance universe and is reinforced by a culture of accountability, responsibility, transparency, fairness, and a values-driven approach. ”

King IV in action

The Board is committed to achieving the governance outcomes as recommended in King IV, namely: ethical leadership, good performance, effective control and legitimacy.

This will result in, among others:

- An ethical culture
- Reduced fraud and corruption
- Effectively managed ethics
- Responsible corporate citizenship
- Adequate and effective control
- Effective governance of risk and opportunity
- Stakeholder inclusivity
- Enhanced shareholder perception

Governance is an element of compliance to Telkom's regulatory and compliance universe and is reinforced by a culture of accountability, responsibility, transparency, fairness, and a values-driven approach.

Ethical leadership, ethical culture and corporate citizenship



Telkom response

Principle 1

The governing body should lead ethically and effectively

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Telkom enhanced its ethics-related policies through the development of a group ethics handbook. The declaration and conflicts of interest processes were reviewed for adequacy. The board further approved an ethics pledge to embed an ethical culture and to set an ethical tone from the top.

Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

Telkom is finalising the shared value strategy which will pull all social impact activities together, aligned to the broader business strategy. This process is the premise for formulating a coherent strategy that will in totality reflect Telkom's contribution in society beyond the activities of the Telkom Foundation.

Strategy, performance and reporting



Telkom response

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

The Board participated in the annual review of Telkom's strategy to ensure it remains relevant in the rapidly changing operating environment, and that it is aligned to the envisaged long-term development of the ICT industry. In addition, the Board has specifically reviewed the implications and strategic response to the economic downturn and regulatory and policy developments (e.g. spectrum release, market enquiries etc).

Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects

The board takes collective accountability through the Directors Responsibility Statement for the preparation and presentation of the information provided in the integrated report. The board is held to account through the board approval statement.

Governing structures and delegation



Telkom response

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation

The group governance framework was approved by the board. The board is committed to good corporate governance, accountability and transparency in all its governance structures' activities.

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

Majority of board members are independent non-executive directors with a balance of skills, experience and other elements of diversity. Board diversity is continually monitored for adequacy through the activities of the nominations committee.

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

The board-approved delegation of authority was reviewed and enhanced to support Telkom's agile business model. The terms of references of the governance structures clearly articulate directors' power, responsibilities and duties.

Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

Every third year, an independent effectiveness assessment is conducted of the board and its committees. The most recent independent assessment was in FY2019. Biannually, the Group Company Secretariat co-ordinates an internal self-evaluation process using a governance assessment instrument to measure the maturity of the governance activities.

Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities

The board supports the GCEO and exco to enable effective implementation of the group's strategy. The delegation of authority is clear on the levels of power to management through the GCEO.

Governance functional areas



Telkom response

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

The board-approved policies and frameworks govern the execution of risk and compliance. The ERM strategy and annual plan is aligned to Telkom's strategic objectives and progress on the execution of the consolidated plan is monitored and reported on to the ERM forum, IGRC and Risk Committee as well as discussed at the Combined Assurance Forum.

Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

The IT Strategy has been finalised and currently being approved. An integrated service management framework with a specific focus on the change advisory board was established in line with the IT governance policy, and co-ordinates all service delivery, changes and impact across the group.

The future focus areas, which form part of the IT strategic objectives, are improvement of user and customer experience, cybersecurity and risk management and process re-engineering

Governance functional areas continued**Telkom response****Principle 13**

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen

Management ensures that compliance-related activities are understood as a way of conducting business. During the King IV training initiatives, a holistic view on how the King IV recommendations relate to applicable laws and other non-binding codes was applied. The board continually provides oversight to the group relating to the compliance risks.

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term

The remuneration committee contracted the services of an external service provider to review the complexities of executive remuneration. The committee confirmed its satisfaction with the independence and objectiveness of the service provider.

The group's remuneration philosophy ensures that Telkom remunerates its people fairly and responsibly. The board allows shareholder engagement prior to the AGM to provide clarity on, any deviations to, its approved remuneration philosophy and implementation report.

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports

The board provides direction on assurance services internally and externally, e.g. SENS announcements are approved by the board prior to publication. The integrated report assurance activities are jointly considered by the statutory committees (social and ethics and audit committees) for recommendation to the board for approval.

Stakeholder relationships**Telkom response****Principle 16**

In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

Telkom has an approved stakeholder management framework and policy.

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