

The Telkom logo consists of a blue square with the word "Telkom" written in white, sans-serif font. A small blue crosshair is positioned at the top-left corner of the square.

**Telkom**

# **TELKOM SA SOC LIMITED ("Telkom")**

## **REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

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REMUNERATION COMMITTEE TERMS OF REFERENCE

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**1. CONSTITUTION**

- 1.1 The Remuneration Committee (the Committee) is constituted as a discretionary Committee of the Board of Directors of Telkom SA SOC Limited ("The Company"). The duties and responsibilities of the members of the Committee are in addition to those as members of the Board of Directors.
- 1.2 The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and diligence in accordance with their statutory obligations.
- 1.3 These Terms of Reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

**2. PURPOSE OF THE COMMITTEE TERMS OF REFERENCE**

The purpose of the Committee Terms of Reference is to provide a concise overview of:

- 2.1. The roles, responsibilities, functions and powers of the Committee, individual directors and the officials and Executives of the Company;
- 2.2. The powers delegated to Committee by the Board;
- 2.3. Relevant principles of the Company's limits and delegations of authority and matters reserved for final decision-making or pre-approval by the Board; and
- 2.4. The Legislative prescript, policies and practices that govern the Committee.

**3. PURPOSE OF THE COMMITTEE**

- 3.1. To ensure that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high-performance employees at all levels in support of realising corporate objectives, and to safeguard Shareholder interests.
- 3.2. To review the design and management of salary structures, policies and incentive schemes and to ensure that they motivate sustained high performance and are linked to corporate performance.
- 3.3. To develop and implement a policy of remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by Stakeholders.
- 3.4. To recommend the level of independent Non-Executive Directors' fees to the Board for approval.
- 3.5. To ensure compliance with applicable laws and codes.
- 3.6. To consider and make recommendations on all human capital matters related to the Company's restructuring;
- 3.7. To recommend to the Board the succession planning policy and procedures for Group Executive Committee (other than Executive Directors) and the Extended Executive Team.
- 3.8. To provide a channel of communication between the Board and management on remuneration matters.

**4. MEMBERSHIP**

- 4.1. The Committee shall be appointed by the Board of Directors and shall comprise of at least three (3) Non-Executive Directors, of which one (1) should be the Chairperson of the Board of Directors.
- 4.2. The Chairperson of the Committee, who shall be a Non-Executive Director, shall be appointed by the Board of Directors, and shall serve for such period as the Board of Directors shall determine.
- 4.3. The Chairperson of the Board may be a Member of the Committee, but is not eligible to be appointed as Chairperson of the Committee.
- 4.4. The Group Company Secretary or his/her designate shall be the secretary of the Committee.

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- 4.5. The following Executives shall attend by invitation:
- 4.5.1. The Group Chief Executive Officer (“Group CEO”).
  - 4.5.2. The Group Chief Financial Officer (“Group CFO”).
  - 4.5.3. The Chief Human Resources Officer.
  - 4.5.4. The Group Executive: Remuneration and Performance Management.
- 4.6. Suitably qualified persons may be invited by the Committee as advisors when necessary to render specialist services as may be required to assist the Committee in its deliberations on any particular matter subject to following a Board approved process, but shall have no rights of voting (refer to Board Charter for the approved process).
- 4.7. Other Non-Executive Directors may attend the Committee’s meetings in consultation with the Chairperson of this Committee, but will not be remunerated for attendance.

**5. MEETINGS AND PROCEEDINGS AT MEETINGS**

**5.1. Quorum**

- 5.1.1. The quorum for a meeting shall be a simple majority (50% plus one) of the members of the Committee, present or participating by electronic medium.

**5.2. Meetings**

- 5.2.1. The meetings of the Committee shall be held at least four times annually.
- 5.2.2. Special meetings of the Committee may be convened as required through the Group Company Secretariat.
- 5.2.3. Any member of the Committee may request for a special meeting through the Chairperson of the Committee and this shall be facilitated through the Group Company Secretariat.
- 5.2.4. The meetings of the Committee may be held in person, by telephone, by video conference or such other form of long-distance conference facility as the circumstances may require (such person shall be deemed as being present at the meeting), provided that the required quorum is met.
- 5.2.5. Outside of the formal meeting programme, the Chairperson will maintain a dialogue with key individuals involved in the Company’s governance, including the Chairperson of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer and the Management Group.

**5.3. Notice of meetings**

- 5.3.1. Notice shall be given in writing to all members of the Committee and other interested parties of each meeting to be held, at least ten (10) calendar days prior to the date on which such meeting is to be held.
- 5.3.2. Notwithstanding the aforesaid, meetings can be requested on short notice if circumstances require, in which event the Chairperson of the Committee shall make a determination in this regard, subject to a quorum being achieved for such short notice period. A Notice waiver shall be issued in instances wherein the deadline is missed.

**5.4. Agenda of meetings**

- 5.4.1. The final agenda of meetings other than those called on short notice, shall be prepared and distributed at least ten (10) calendar days prior to the meeting date.
- 5.4.2. The supporting documents shall be prepared and distributed at least five (5) calendar days prior to the meeting date.

**5.5. Conflict of interest**

- 5.5.1. Before every meeting, Committee members must disclose any conflict or potential conflict of interest on any matter to be discussed at the meeting, and this shall be reflected in the minutes. If there are no conflicts or potential conflicts, this must also be reflected in the minutes.

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- 5.5.2. Where a member of the Committee has declared a conflict of interest, he/she shall be recused from taking a decision on the matter. The recusal shall be minuted.
- 5.5.3. Where a conflict of interest exists, a member shall not receive information either in the meeting pack or minutes that relate to the matter or company that he/she has declared an interest on.

**5.6. Minutes of meetings**

- 5.6.1. The proceedings of all meetings will be documented in minutes by the Group Company Secretariat or his/her designate.
- 5.6.2. The Group Company Secretary shall keep minutes of all meetings and shall include the minutes with the agenda of the next Committee meeting. The minutes shall be completed as soon as possible after the meeting but not later than fourteen (14) working days after the meeting.
- 5.6.3. Minutes shall be signed by the Chairperson and the Group Company Secretary or his/her delegate once approved at the meeting following the meeting for which the minutes relate.
- 5.6.4. Minutes shall be dealt with at scheduled meetings and not special or provisional meetings.

**5.7. Written Resolutions**

- 5.7.1. The business of the Committee may, on an exceptional basis, be conducted through a written resolution, post consultation with the Chairperson. The written resolution must be received by all members and approved by 75% of the members of the Committee.
- 5.7.2. The comments received on the proposal will be circulated to all the members for information purposes prior to the Committee reaching a final decision on the matter.
- 5.7.3. As per the provisions of Section 74 of the Companies Act, a decision in writing signed by 75% of the members shall be as effective as a decision passed at a meeting of the Committee.

**5.8. Reporting responsibilities**

- 5.8.1. The Committee shall report to the Board of Directors, through its Chairperson, who shall provide feedback on the deliberations of the Committee for noting purposes, consideration and/or approval as appropriate.
- 5.8.2. Minutes of the meetings of Committee must be submitted to the Board for information purposes.
- 5.8.3. The Chairperson, alternatively a member of the Committee (in the Chairperson's absence), shall be present at the Group's Annual General Meeting to respond Shareholders' questions that may arise from the Committee's Remuneration Report.
- 5.8.4. The Chairperson of the Committee shall meet with Shareholders as required, to obtain input from them on the Remuneration Policy and its Implementation Report.

**6. AUTHORITY OF THE COMMITTEE**

- 6.1. The Committee acts in terms of the delegated authority of the Board of Directors as recorded in these Terms of Reference. It has the power to investigate any activity within its scope.
- 6.2. The Committee, in the fulfilment of its duties, may call upon the Chairperson of the other Board Committees, any of the Executive Directors, or Group Company Secretary to provide it with information.
- 6.3. The Committee shall have reasonable access to the Company's records, Employees, facilities and any other resources necessary to discharge its duties and responsibilities, through the Office of the Group Company Secretary.
- 6.4. The Committee may form, and delegate authority to, sub-committees and may formally delegate authority to one or more designated members of the Committee.

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- 6.5. The Committee has the right to obtain independent external professional advice to assist with the execution of its duties, at the company's cost, subject to following a Board approved process (refer to the Board Charter for the approved process).
- 6.6. The Committee shall make recommendations to the Board of Directors that it deems appropriate on any area within the ambit of its Terms of Reference where action or improvement is required.

**7. COMMITTEE FUNCTIONS**

- 7.1. The Committee shall assist the Board of Directors to fulfill its responsibility to Shareholders by making recommendations on policies and processes regarding the appointment, remuneration, development and succession of members of the Executive Committee ("Exco") of the Company in support of the company's strategic objectives.

The Committee shall be responsible for the following:

**7.2. Human Resources**

- 7.2.1. Recommending to the Board of Directors, policy guidelines on human resource development within the Company which support the achievement of the business plan and annual budget of the Company.
- 7.2.2. Reviewing the terms upon which the Executive Directors, the Senior Executives of the Company and CEOs of subsidiaries of the Company are employed and remunerated.
- 7.2.3. Reviewing the remuneration of Non-Executive Directors of the Company and its subsidiaries, and make recommendations to the Board of Directors.
- 7.2.4. Recommending, to the Nominations Committee, a process for the appointment of the Group CEO.

**7.3. Remuneration**

- 7.3.1. Acting on behalf of the Board of Directors in setting a remuneration policy for executive Directors and Senior Executives, monitoring the execution of the Remuneration Policy and making recommendations to the Board of Directors on the total remuneration of the Chairperson, Executive Directors, members of the Board of Directors, Senior Executives and the CEO's of subsidiaries and/or business units through:
- 7.3.2. Ensuring remuneration is competitive, responsible and transparent to promote the creation of value in a sustainable manner.
- 7.3.3. Ensuring incentives are equitable relative to both the qualitative and quantitative performance indicators and are compliant with the company policy, regulatory and legal requirements, and disclosure.
- 7.3.4. Ensuring that the costs of executive benefits are included in the evaluation of the individuals' Cost to Company.
- 7.3.5. Reviewing the terms upon which the Executive Directors and the Senior Executives of the Company are employed and remunerated, before making recommendations to the Board of Directors for approval.
- 7.3.6. Review the terms upon which the Non-Executive Directors are remunerated, including wholly owned subsidiaries, as well as formulating and recommending the remuneration of Non-Executive Directors to the Board of Directors, then the Shareholders for final approval.
- 7.3.7. Overseeing that Social and Ethics committee reviews are fair and responsible in the context of overall employee remuneration, where and when required.

**7.4. Financial**

- 7.4.1. Ensuring the achievement of strategies, operating plans and financial objectives of the Group are supported by appropriate organisational structures and by recruitment, succession and remuneration strategies.
- 7.4.2. Ensuring the organisational structure facilitates all legal and regulatory compliance and are consistent with good corporate governance.

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7.4.3. Ensuring the total remuneration programme is designed with full consideration of all accounting, tax and regulatory requirements and is of the highest quality.

**7.5. Succession, Recruitment and Performance**

7.5.1. Reviewing succession and recruitment plans of Senior Executive posts.

7.5.2. Identifying and nominating candidates and formulating succession plans in conjunction with the Nominations Committee for recommendation to the Board of Directors for approval, for the appointment of new Executive Directors and Non-Executive Directors.

7.5.3. Annually reviewing, through performance appraisals conducted by the Group CEO, the performance of Senior Executives and reviewing their salary packages, based on the extent to which the Senior Executives have met their performance targets, goals and objectives.

7.5.4. Reviewing and recommending for approval by the Board of Directors, share incentive schemes consistent with the Company's overall objectives and with executive compensation policy.

**7.6. Integrated Report and Shareholder Engagement**

7.6.1. Overseeing the preparation and recommendation to the Board of Directors the Remuneration Report and Implementation Report to be included in the Integrated Report.

7.6.2. Proactively taking the necessary steps to address concerns raised by Shareholders, and to ensure that the necessary disclosure is done in the following year.

7.6.3. Overseeing regular dialogue with Shareholders to create mutual understanding of what performance and value creation means to evaluate the remuneration policy.

7.6.4. Ensuring that the Remuneration Report contained in the Integrated Report explains the Remuneration Policy and the strategic objectives that the Policy seeks to achieve.

7.6.5. Approving the disclosure on the remuneration of Executive and Non-Executive Directors in the Integrated Report and the statement of Remuneration Policy advised to Shareholders. Full disclosure of remuneration paid, details of pay, bonuses, share based payments, granting of options, restraint and all other benefits paid to them.

7.6.6. Ensuring that the Remuneration Policy and Implementation Report are put to a non-binding advisory vote at the Annual General Meeting of Shareholders.

7.6.7. Ensuring that measures are in place and that the Remuneration Policy articulates such measures to be taken should either the Remuneration Policy or Implementation Report or both be voted against by 25% or more of the voting rights exercised.

**7.7. Environmental, Social and Governance ("ESG")**

7.7.1. Ensuring the review of ESG measurements for incorporation into the Remuneration, STI payment and LTI vesting per the Rules of the Scheme.

**7.8. Organised Labour**

7.8.1. Mandating Management to negotiate with Organised Labour on annual increases for Employees in the bargaining unit.

**8. COMMITTEE EVALUATION**

8.1 The effectiveness of the Committee shall be evaluated every alternate year, and such evaluations shall alternate between an internal and an external process (unless adverse findings necessitate otherwise). Both the internal and external evaluation process shall be conducted, in consultation with the Chairperson of the Board.

8.1. The evaluations shall be conducted through the Nominations Committee and facilitated through the Office of the Group Company Secretary.

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**9. REVIEW OF THE TERMS OF REFERENCE**

- 9.1. These Terms of Reference shall be reviewed annually, and amended as and when required, subject to the approval of the Board of Directors.