BLUE LABEL TELECOMS

CONNECTING OUR WORLD TO YOURS

2019 INTEGRATED ANNUAL REPORT

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www.bluelabeltelecoms.co.za

Approach and reporting frameworks

APPROACH

Following Blue Label's listing on the Johannesburg Stock Exchange in 2007, the Group has pursued growth both organically and acquisitively. The Group's drive to extend its distribution capabilities wider and deeper across the markets within which it operates is complemented by the robustness of our information technology systems and the ability to continuously add additional products and services at marginal cost. The core business continues to perform well while a number of our acquisitions, most notably Cell C, have performed poorly. This integrated report aims to document our unique value creation model and provide a holistic view of the Group's operations. Simultaneously, the report shares with stakeholders Blue Label's integrated thinking as it implements its strategy across the Group.

In following the recommendations of the King Report on Corporate Governance for South Africa, 2016 (King IV™*) and the framework set out by the International Integrated Reporting Council (IIRC), Blue Label's process aims to link material Group information with reference to strategy, governance, performance, remuneration, risk and opportunities and prospects in a manner which enables stakeholders to obtain a view of the commercial, social and environmental context within which the Group operates. The report aims to provide a balanced view of the material issues the Group is dealing with and how these are managed with respect to the six capitals as defined by the IIRC's Framework.

This integrated annual report is the Group's primary report. It covers its business segments and its financial and operational performance for the financial year ended 31 May 2019. Non-financial and sustainability information is limited to the South African operations.

The report contains issues material to our strategy and of interest to our stakeholders. Blue Label has mapped its stakeholders, in particular its relationship with its employees, providers of capital, the media, customers, business partners and suppliers, communities, educational institutions and government bodies. These stakeholder groupings receive more structured engagement processes than other groupings and the level of inclusivity with these stakeholders is correspondingly more integrated into the Group's strategic thinking (refer to the stakeholder relations section on pages 16 to 21).

The integrated annual report provides a detailed understanding of the financial aspects linked to the operational aspects of the Group's business. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, No 71 of 2008, as amended.

This report contains the notice of Annual General Meeting, proxy form and information to enable shareholders to exercise their vote on the resolutions to be put to the meeting. The notice and other related disclosures have been condensed into a booklet for physical distribution to shareholders at their request. The complete integrated annual report is also available for viewing and download via the Blue Label website.

Various supporting documents to the Group's library of disclosure, such as results presentations, short-form advertisements and SENS announcements are accessible via the website.

Ultimately, the report aims to provide stakeholders with the means to assess the Group's ability to create and sustain value over the short, medium and long term.

REPORTING FRAMEWORKS

This report has been compiled in line with the disclosure requirements of King IV and the principles of the International Integrated Reporting Framework.

Blue Label utilises a risk-based model which identifies risks and stakeholder issues, in order to determine the material content of the report.

BOARD RESPONSIBILITY AND APPROVAL STATEMENT

Our process of integrated reporting continues to evolve and at this stage the Group has not sought external assurance of the content or part thereof apart from the annual financial statements, which the external auditor, PwC, has provided assurance as confirmed in the independent auditor's report. The Board acknowledges its responsibility to ensure the integrity of the integrated annual report and is assisted in this regard by the Audit, Risk and Compliance Committee. The Board has applied its collective mind to the preparation and presentation of the integrated annual report and has concluded that it is presented substantially in accordance with the principles of the International Integrated Reporting Framework.

The integrated annual report was approved by the Board and signed on its behalf by:

LM Nestadt
Chairman

29 October 2019

Company overview

We are specialists in prepaid products and the electronic distribution of virtual merchandise and value-added services including the full and seamless reconciliation of billions of nano transactions. The ability to process very small transactional values at minimal margin is a key differentiator for the Group.

We combine technical innovation with entrepreneurial flair to bring products and services associated with the developed world directly to the doorsteps of people who may be geographically and economically isolated from the mainstream. By so doing, we create jobs, support the growth of small businesses, and assist in bridging the digital divide. Our Company philosophy is to relentlessly drive financial inclusion for the mass market.

Listed on the JSE since 2007, we are a ground-breaking mobile technology company that derives our strength from our extensive distribution network and our commitment to long-term partnerships.

Our proprietary platforms enable mobile networks, utilities, banks, retailers, petroleum companies and point-of-sale devices to access the advantages of a digital economy. We are constantly innovating to drive customer centricity and speed to market while ensuring the stability and security of our systems.

Our Blu Approved logo is the symbol of trust and quality that safeguards our market leadership, and of our values-driven and customer-first approach.

Please visit **www.bluelabeltelecoms.co.za** for a full list of our products and services.

Vision, mission and value statements

BLUE LABEL TELECOMS

OUR VISION

is to be the leading global distributor of secure fintech products and services within emerging markets.

Customers are our most important assets and our function is to satisfy their expectations in a sustainable manner.

We recognise and reward the achievement of goals and targets. We celebrate creative and exceptional deliverables.

By conducting ourselves with honesty and integrity in all interactions, we create trust which is a key driver to maintaining stakeholder relationships.

We believe in creating an enjoyable work environment in which we motivate and incentivise employees to be more productive and creative.

Consulting and working together as a team towards a common goal ensures that we can achieve our objectives, simultaneously developing sustainable value propositions for each stakeholder grouping.

OUR MISSION

is to provide products and services required by the middle and lower tiers of the world's economic pyramid. We focus on diversifying the range of products and services we offer, while expanding our distribution footprint through organic and acquisitive growth.

Highlights

Below is a snapshot overview of Blue Label's financial performance for the year ending 31 May 2019.

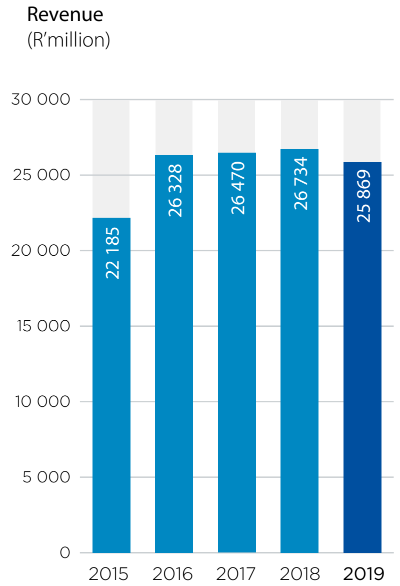
Revenue of
R25.9
billion*

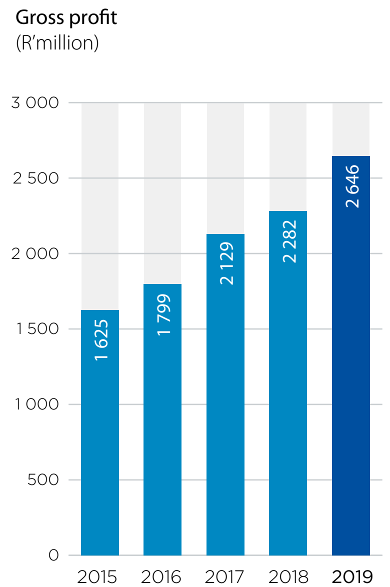
Increase in gross profit of 16% to
R2.65
billion

Increase in gross profit margin from 8.54% to
10.23%

Headline loss of
312.49
cents per share

Core headline loss of
304.77
cents per share**





* *On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity and ticketing, the effective increase equated to 10% from R52.7 billion to R57.8 billion*

** *On exclusion of negative contributions by Cell C, Oxigen Services India group, fair value downward adjustments and impairments, core headline earnings per share from the balance of the entities within the Blue Label Group equated to 98.98 cents per share*

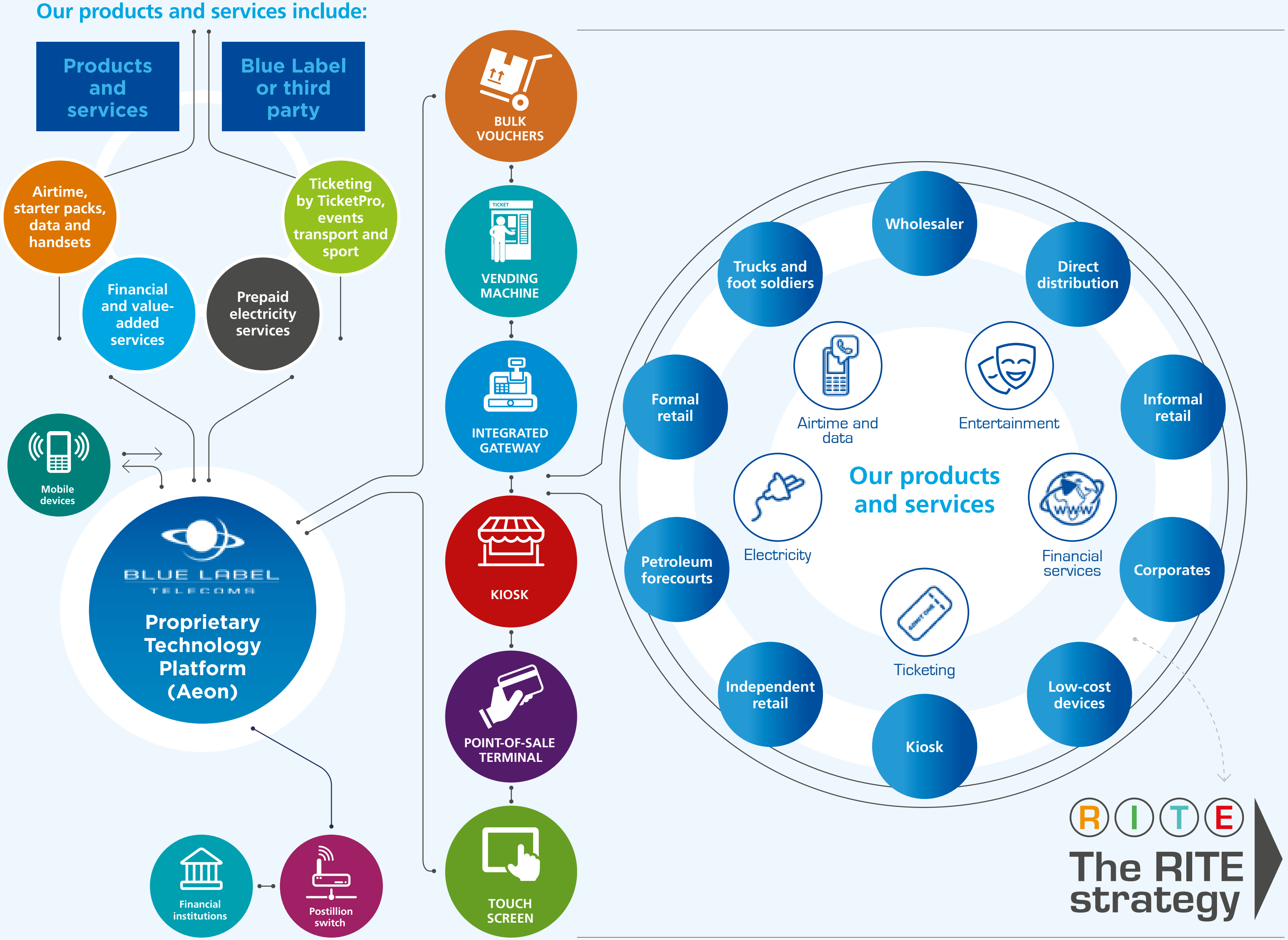
How we create value

Blue Label Telecoms is
a distributor of value-added products and services in an open loop:

- the owner of scalable and transferable proprietary technology;
- hardware agnostic;
- product and services agnostic; and
- a payment facilitator.

Further, Blue Label Telecoms:

- is a virtual mall – our products and services require no inventory management for the merchants thereby eliminating obsolescence;
- our devices accommodate all methods of payment by the consumer and significantly reduce the cost of capital for customers;
- WiConnect enables customers to access Blue Label's full basket of services in a fixed location and we are now the largest physical ticketing network across South Africa through Ticketpro; and
- utilising internal data to refine targeting and sales processes.



REACH

INNOVATION

TRUST

EFFICIENCY

The RITE strategy and the six capitals

The key elements of Blue Label's strategy to grow and maintain shareholder value are Reach, Innovation, Trust and Efficiency. This strategy was developed during the 2018 financial year and has been deeply embedded in the operations of our business units and in Blue Label's culture. In allocating our capital to our strategy's levers and among the various value drivers, we need to consider the trade-offs between the six capitals which describe the resources available to us. The IIRC describes the six capitals as stocks of value that are affected or transformed by the activities and outputs of an organisation.

All our decisions are made through seeking to maximise positive outcomes and mitigate negative impacts.

Reach

continues to expand all our distribution channels in banking, retail, independent and informal markets. Expanding our reach also encompasses adding innovative products to our product portfolio. We are a magnet for foot traffic.

Innovation

Platform renewal, improvement, innovation and transformation remain key to our central mandate of delivering world-class, customer-centric solutions across our businesses. Agile systems create the needed flexibility to service our markets.

Trust

We have redesigned our operating structure to improve the ability to service customers according to their needs. Building trust with merchants, suppliers and customers is key to business success.

Efficiency

Efficiency of business processes and capital allocation will dominate our actions into the future. We need to deliver returns to all stakeholders.

The RITE strategy and the six capitals continued

R I T E

FINANCIAL CAPITAL

The pool of capital available to Blue Label, including debt, equity and cash generated from operations and investments.

REACH

- Driving financial inclusion within previously underserved markets through the growth of our hub and spoke model into informal markets in South Africa.
- Enhanced reach in Group accounts across the retail and banking sectors.
- Revenue assurance solution developed by Cigicell is being rolled out to further municipalities across South Africa.
- Ticketpro has increased its sales network to more than 2 000 stores in South Africa – the country's largest physical ticket purchase network.

INNOVATION

- R209 million capex devoted to investing in technology and point-of-sale devices.
- Launching first truly home-grown near field communication (NFC) solution.

TRUST

- The ability to reconcile over one billion physical cash and virtual payments a month builds trust with suppliers, merchants and customers.
- The Group has spent R68 million on different types of vending terminals that suit our wide variety of customers. These terminals control the front-end processing for our billions of transactions.
- Municipalities trust Cigicell to collect their prepaid electricity and water revenue as well as rates and taxes.

EFFICIENCY

- An efficient treasury function primarily within The Prepaid Company and Cigicell are vital to the acquisition and wholesaling of all products and supporting our funding of electricity projects. An efficient treasury function is essential to the success and profitability of our business.
- Capital allocation and risk assessment functions are a daily consideration in growing our business.

OUTCOMES

- Blue Label has managed to grow gross transactional values which includes imputed PINless revenue and electricity by 10% to R57.8 billion. A strong performance given South Africa's currently weak economic environment.
- On exclusion of the negative impacts as detailed below*, core headline earnings increased by 26% to R904 million.

** On exclusion of the negative impact attributable to:*

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

R I T E

HUMAN CAPITAL

The knowledge, skills and experience of the Company's employees and managers, as well as the capacity to add to this reservoir of knowledge, through training.

REACH

- We are invested in creating a diverse talent pool within BLT that reflects our customer and consumer base.
- Our talent is intrinsically linked to expanding our points of presence and product portfolio.
- Skills development learnership initiatives are focused on enabling us to extend our reach and support rapid market expansion initiatives.

INNOVATION

- We are investing in new skills and capabilities through organisational redesign, talent attraction and talent development in support of creating products and services that meet the needs of our consumers and customers.
- We are investing in additional resources, new skills and revising our operating model to enable speed to market of new products and services.

TRUST

- Our organisation is being restructured to enable improved customer service that will support our aspiration to be a trusted brand and supplier of choice with our merchants and key accounts.
- Talent development is being accelerated in support of our transition to new technology stacks that will enable us to be a trusted brand with our consumers.

EFFICIENCY

- We are actively leveraging key skills for the benefit of a broader number of subsidiaries.
- The new Africa Distribution structure and supporting operating model enable us to scale efficiently and effectively as we extend our reach.

OUTCOMES

- Employees increased from 874 to 1 111 in FY19.
- 65% of South Africans employed within BLT are black talent, 49% of whom are African males and African females.
- 85% of talent recruited into BLT were black candidates.
- 67% of talent recruited into BLT were African candidates.
- Female talent recruited into BLT increased from 39% in FY18 to 45% in FY19.
- Increased investment in skills development by 53%.
- 92% of total skills development spend was invested in black talent.
- 67% of all promotions were awarded to black talent.
- 50% of all promotions were awarded to African talent.

The RITE strategy and the six capitals continued

SOCIAL AND RELATIONSHIP CAPITAL

The strength/efficacy of supply chain relationships, community acceptance, government relations, relationships with competitors and customer loyalty.

REACH

- Part of our core strategy is to develop deep and mutually beneficial long-term partnerships with the mobile network operators (MNOs) retailers, banks and independent outlets. Our relationships remain vital. As we grow, they grow. Our ability to extend the reach of electricity sales for municipalities further entrenches our relationships and provides exclusivity for other Group products and services.
- A focus for FY19 has specifically been centred on informal markets where our service is differentiated by extensive engagement and training together with the provision of marketing material which grow our customers' businesses.

INNOVATION

- We continue to move our technology platforms into agile stacks which improve our customer service and speed to market.

TRUST

- We are an ecosystem that is reliant on suppliers, technology, devices, merchants and customers working together for mutual benefit. The Blu Approved brand embodies trust and reliability.

EFFICIENCY

- Across all our stakeholder groups, we have vigilant and accessible processes in place to engage and service all interest groups and customers.

OUTCOMES

- We have increased our customers in the formal retail, banking and mass market as well as in the informal market segments and municipalities.

R I T E

MANUFACTURING CAPITAL

Material goods and infrastructure owned, leased or controlled by Blue Label that contributes to products or services sold.

REACH

- Our proprietary Aeon switch and leased Postilion switch are capable of seamlessly handling increased volumes as a result of growing reach.
- We have significant VAS platforms from advance airtime, electricity and data to a full MNO service delivery platform (SDP) to an integrated communications platform (SMS, IM, In-App messaging, cross-channel optimisation and BI) and an MNO airtime and data sales and rewards and loyalty platform. This extends BLM's reach significantly across multiple products to almost all of MNO's customer base.

INNOVATION

- We continue to understand customer needs and wants to expand our platform functionality and concomitantly product and service offerings and we continue to look for strategic joint ventures or acquisitions for new product or platform capability.

TRUST

- Our platform, systems and devices work. We have virtually no downtime and provide exceptional service to suppliers, merchants and customers.
- We deliver enormous volumes of mission critical transactions on a real-time basis to massive audiences and customer bases. It's critical these systems have >99.9% up-time and can process the millions of transactions per day and real-time too. This requires and builds significant trust.

EFFICIENCY

- We strive to use all our assets to become the lowest cost producer or distributor of transactions, messages and digital products.

OUTCOMES

- Volumes of transactions and more complex solutions continue to increase.

The RITE strategy and the six capitals continued

INTELLECTUAL CAPITAL

Refers to the know-how and intellect behind how we craft our strategy, manage our reporting and data collection to drive growth for Blue Label.

REACH	INNOVATION	TRUST	EFFICIENCY	OUTCOMES
▶ Continued investments into skills, reporting structures, technology, agile and carrier grade platforms and scalable operating structures assist the Group in expanding our reach, improving service delivery and speed to market.	▶ Innovation is key to growth in a challenging economy and competitive environment. ▶ Enhancing our intellectual property through processes, software and hardware is a daily focus. We also continue to develop targeted analytical processes, machine learning and artificial intelligence to use the data we receive to design better products and services.	▶ The quality of our technology and constant innovation allow our entire ecosystem to evolve alongside us.	▶ Blue Label has developed a business that is resilient to economic downswings, has delivered growth in excess of the broader telco sector and, now, through our acquisitions, has provided new revenue streams which mitigate the impact of a poor economy and exceptionally tough retail environment.	▶ We remain the market leader in the digital distribution of airtime and electricity. Our range of innovative products and services, designed to add convenience to consumers' lives, continues to grow.

NATURAL CAPITAL

Any stock of natural resources or environmental assets (such as soil, water, atmosphere, ecosystems) which provide a flow of useful goods and/or services, now and in the future.

As a technology company, Blue Label has a limited impact on the environment. We do however acknowledge that no matter how small our impact relative to energy or mining companies, we do have an impact and it is our duty to reduce that impact.

Excluding offshore operations, the Group consumption of and spending on is as follows:

Electricity	Water	Petrol	Diesel	Paper
R5 747 662	R702 897	R10 679 080	R1 550 110	R3 213 600
4 758 753 kWh	19 672 kℓ	685 283 ℓ	100 462 ℓ	102 291 kg

The Board and Executive Management are developing savings targets for all these categories.
We continue to automate and employ the latest technologies to reduce our use of scarce and valuable natural resources.

Material risks

The Group has identified the material risks that may have an impact on its operations. Each risk is detailed below, including its relevant strategic focus area and mitigation methodology.

1 EXECUTION AND DELIVERY OF CELL C AND 3G MOBILE STRATEGY

The Board and management are extremely disappointed in the performance of Cell C and, as at 31 May 2019, our entire investment into Cell C and our exposure in the SPV1 and 2 structures, was written down to zero.

We remain confident that Cell C will continue to operate. However, should this not be the case, it is anticipated that the loss in revenue from trading with Cell C ordinary business with the Group would equate to approximately a 25% reduction in net profit after tax. This business would however revert to the other mobile operators, in which case Blue Label is likely to be able to recover some of this business, albeit at a lower margin.

The transactions currently being considered by Cell C regarding the extended roaming agreement and recapitalisation are progressing well.

The 3G Group performed well for the year ending 31 May 2019, increasing revenue to R2.2 billion and core net profit by 42% to R278 million. TPC has taken a decision to dispose of the handset division of the 3G Group for a purchase consideration of R544 million. This transaction is subject to shareholder approval. The proceeds will be applied to reduce interest-bearing debt.

The remainder of the 3G Group, namely the Comm Equipment Company (CEC), will be retained by Blue Label by way of a dividend in specie. As at 31 May 2019 the CEC finance book totalled R3.1 billion. A major portion of this book will be unwound on a piecemeal basis, and the proceeds of which will be applied to further reduce Blue Label's interest-bearing debt.

CEC will focus on securing alternative funding initiatives through opportunities that avail themselves within the Blue Label Group.

2 GOING CONCERN AND EXTENSION OF BANK FACILITIES

The Board of Directors has evaluated the going concern assumption as at 31 May 2019 and considered it to be appropriate in the preparation of the financial statements.

The Prepaid Company's Investec banking facilities, which would have expired on 30 September 2019, have been extended to 29 November 2019 and discussions are in progress for a further extension beyond that date.

As at the date of the 31 May 2019 financial statements, the renegotiation of these facilities had not yet been completed, and although the directors are of the opinion that the facilities would be extended beyond November 2019, material uncertainty exists should these facilities not be extended.

In this event, certain liabilities within the Group would not be settled in the normal course of business. The directors are confident that the successful completion of the disposals of the handset division of the 3G Group and the Blue Label Mobile Group, as well as the unwinding of the material portion of the finance book of Comm Equipment Company will result in a significant reduction in interest-bearing debt and in turn the strengthening of the Group's balance sheet.

3 INCREASED THREAT OF CYBERCRIME

As a majority of the Group's inventory is of a virtual nature, defence against cybercrime will remain a top priority. The Group is dependent on the systems and platforms that it utilises to deliver its products and services, as well as manage its merchant base. In recent years, technology spend has been increasing in recognition of this key imperative to support not only organic and acquisitive growth in the business (and the concomitant rise in the number and type of transactions processed), but also to improve system availability and resilience. This invariably includes a major focus on the security of all systems, both production and enterprise, in order to suitably detect and manage security threats, as well as the ability to recover from damages due to cybersecurity breaches.

Independent third parties continue to conduct vulnerability scans and penetration tests to ensure that the systems are as secure as possible and that new threats are appropriately addressed.

Material risks continued

4 INADEQUATE DISASTER RECOVERY

The Group has developed proprietary technology supporting the roll out of its bouquet of products and services. Its infrastructure connects into some of South Africa's major banks, public and private utility companies and telecommunication operators. In addition, the Group switches both debit and credit cards, electronic funds transfer transactions and e-token products on behalf of the country's leading retailers and forecourt companies. The effective and continuous operation of these platforms is critical to the Group's service delivery.

The Group's business continuity, business recovery plans and IT disaster recovery plans provide guidance for emergency and crisis management, business recovery and disaster recovery including the restoration of IT facilities. Continuity and activation processes are catered for in accordance with the Group's business continuity plans.

The major goals of the recovery plans are to:

- minimise interruptions and limit damage to normal operations;
- minimise the economic impact of any interruptions;
- establish alternative means of operation in advance;
- train personnel on emergency procedures;
- provide for rapid restoration of service, ensuring availability/continuity of critical business operations; and
- communicate appropriately to relevant stakeholders.

5 FAILURE TO IMPLEMENT BUSINESS CONTINUITY

Business continuity plans (BCPs) are essential to ensure that the business is prepared for severe interruptions and that business processes can continue during a time of emergency or disaster with minimum downtime. BCPs need to be comprehensive, well-documented, readily available and tested periodically to ensure that they are relevant and up-to-date.

A lack of understanding and proper planning and implementation of business continuity can bring critical business processes to a halt and severely affect the business' reputation among our key stakeholders.

A business continuity management steering committee has been formed to ensure appropriate governance of business continuity. BCPs have been developed and we have begun conducting simulation exercises to validate the plans and to ensure that all staff are aware of their roles and responsibilities in the event of a disaster and other disruptive events like loadshedding.

6 GROUP-WIDE RECONCILIATION AND SETTLEMENT PROCESS

The business processes large transaction volumes among multiple vendors and across various systems.

In order to prevent loss of revenue and minimise any customer dissatisfaction, we need to ensure that our reconciliation and settlement process is efficiently run.

All main reconciliations have been automated across the Group (Blue Label Distribution, The Prepaid Company, Cigicell and TicketPro) with the finance department daily resolving any partially matched and unmatched files. We continue to extend this capability across the Group.

7

UNETHICAL BEHAVIOUR AND FRAUD

BLT has a zero tolerance towards fraud and irregularities with a requirement for all incidents to be investigated irrespective of the amount involved. In addition to cybercrime risk, the Group is susceptible to fraudulent activities.

The business has been targeted with a few incidents involving internal and external perpetrators. This was due to relaxed operational controls which have since been improved upon.

Plans are in place for the appointment of an internal fraud manager to build a more stringent and proactive approach to managing fraud. Fraud and ethics is reported on at the Group's Social, Ethics and Transformation Committee as well as the Audit, Risk and Compliance Committee which feeds into the Board Committee. The KPMG hotline remains available for the anonymous reporting of any suspicions of fraud.

8

OPTIMISATION OF B-BBEE COMPLIANCE

The challenge is to maintain and continuously improve on the B-BBEE contributor status level and scoring for the Group and all its subsidiaries. Our objective is to meet the procurement requirements and market demands of our customers so that we are able to remain competitive, especially where our trading or business-facing subsidiaries are concerned. Furthermore, we are exposed to ongoing and unforeseen changes in the B-BBEE legislation. We have appointed a dedicated resource to head up Group transformation and to take ownership of Group B-BBEE.

9

POTENTIAL THEFT OF E-TOKENS OF VALUE

Our business has been strengthened by the high-volume, low-margin distribution and sale of e-tokens of value. E-tokens are a form of electronic cash used for secure transactions.

The potential theft of e-tokens of value and the increased threat of cybercrime need to be closely managed to ensure that virtual stock is not susceptible to theft or corruption of voucher pins. Confidentiality, integrity and availability of the virtual stock is managed through role-based access control, secure transfer of supplier/customer files and encryption with Hardware Security Modules (HSMs).

10

SUPPLIER RELATIONSHIPS (NETWORK OPERATORS AND UTILITIES) INCLUDING CELL C

Each subsidiary is highly dependent on its respective suppliers to achieve its business objectives.

There is a risk of customers (aggregators) with significant footprint in market dealing directly with the utilities. This can result in a loss of revenue as our customers become competitors.

In addition, there is a potential for network operators to launch applications whereby consumers are granted direct access to airtime purchases.

Top management continues to maintain a good track record with existing suppliers and to strengthen relationships.

Long-term contracts remain in place with suppliers, ensuring sustainable business.

Stakeholder relations

BACKGROUND

Blue Label Telecoms is part of a greater socio-economic ecosystem and our stakeholders are a core element of that system and of our business.

As a business embedded in emerging markets and embracing a growing ecosystem, the impact of our operations extends beyond our commercial partners, customers and employees.

Providers of capital, communities, the media, government and non-governmental organisations, as well as other stakeholder groupings may each have differing viewpoints and expectations of our business.

We recognise that we depend on robust relationships with all our stakeholders in order to grow our business and provide value to individuals, families, businesses and society.

Blue Label's Stakeholder Engagement Policy, a requirement of King IV, outlines our approach to communicating and working with our stakeholders. Engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations and assists Blue Label with strategic, sustainable decision-making. Collaboration and regular interaction with all stakeholder groups is essential to the business's long-term resilience and to the effectiveness of our integrated sustainability approach. Stakeholder engagement is undertaken with a far broader aim than merely communicating 'to' various stakeholder groups. Rather, Blue Label considers its various stakeholders as key partners in its endeavours.

While the Blue Label Board has ultimate responsibility for our Group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various subsidiaries in different geographic locations. Each business area is required to report regularly to Executive Management and the Board on its stakeholder engagements. This is to ensure the Group's various business units maintain and commit to playing a role in nurturing impactful relationships that deliver mutual benefits.

STAKEHOLDER IDENTIFICATION

At Blue Label we identify our stakeholders and monitor our relationships through a multitude of communication channels including regular dialogue.

Key stakeholders are identified by recognising their interests, areas of expertise and levels of influence. Other factors may also be taken into consideration, such as stakeholders' integrity, willingness to engage, stated expectations from engagement, dependence on the Group, and the value to be derived for the Group in engaging with stakeholders.

Identification also assists in allocating resources appropriately and efficiently. As stakeholders can change, stakeholder mapping may need to be conducted to ensure groupings are not omitted or do not overlap.

Stakeholders are prioritised according to the level of influence they have on Blue Label and the level of influence Blue Label has on them. Our primary key stakeholders are our employees, customers, shareholders, regulators, government, media, business partners and suppliers. These groups are discussed in detail in the stakeholder matrix table included at the end of this report.

METHODS OF ENGAGEMENT

Our methods of engagement include various channels and means of communications reliant on each specific stakeholder group. These methods are meticulously outlined in the stakeholder matrix.

Some of the initiatives and methods used in the process of engaging with stakeholders comprise: face-to-face formal or informal, individual or group meetings (including the AGM), media and securities exchange news announcements, presentations, speeches, roadshows, telephone and conference calls, the Blue Label website (www.bluelabeltelecoms.co.za), trade visits, phone hotlines, email feedback forms, focus groups and workshops.

We rely on the results of perception studies, independent research, reputation audits, whistleblowing facilities and formal grievance mechanisms as well as financial and integrated reports. In addition, we initiate publications such as newsletters, circulars and e-mail updates; regular customer, business partner and supplier meetings; below-the-line advertising, marketing and social media campaigns; formal consultations and audit processes; and host management and sales conferences. Dialogue, review and feedback are encouraged wherever possible, which in turn are presented to Exco for consideration.

ACCOUNTABILITY

Blue Label's stakeholder engagement programme supports our efforts to be a successful, stable and ethical company contributing to the economic growth of the communities in which we operate.

In identifying and prioritising stakeholders, the Board considers the following criteria:

- Groupings which interact with the Group, or are directly or indirectly affected by the Group's activities; and
- Groupings which have a positive or negative impact on our ability to operate.

Exco assesses the completeness thereof, with reference to the ecosystem in which the business as a whole operates. This approach to stakeholder identification and engagement is cascaded to all subsidiaries across the regions, although each is responsible for managing its own stakeholder relationships. Any key concerns at subsidiary level are escalated, either to line management or via the Internal Risk and Compliance Committee.

All subsidiaries or departments dealing with both external and internal stakeholders are directly responsible for receiving and dealing with complaints received. It's their duty to adequately resolve the complaints received to the satisfaction of both parties. Most complaints are directed to the client's direct point of contact with Blue Label, including the multiple call centres.

Stakeholder identification and prioritisation is an ongoing process and is evolving as the Group expands.

The Board's approach to stakeholders also embraces:

- appreciating that stakeholder perceptions affect reputation, and therefore managing reputation risk;
- delegating to management the responsibility to deal with stakeholder relationships;
- overseeing the mechanisms and processes for the constructive engagement of stakeholders;
- disclosing stakeholder engagement in the integrated annual report;
- striving to achieve a balance of stakeholders' legitimate expectations in the best interests of the Group; and
- ensuring equitable treatment of shareholders.

The management of stakeholder risks and opportunities is done through the completion of a risk assessment which forms part of the overall Enterprise Risk Management Process. This enables management to effectively deal with uncertainty, associated risks and opportunities, thereby allowing us to strengthen our stakeholder engagement. Our future engagement activities will expand on current initiatives and improve the accuracy and speed of communication efforts.

MAJOR ENGAGEMENT ACTIVITIES IN FY19

Apart from continuing daily engagement with all our staff, customers and suppliers, the major concern during the 2019 financial year has been Blue Label's investment in Cell C. Our investors have been concerned that Cell C will not be successful implementing an extended national roaming agreement and a recapitalisation. Our approach to investors is to provide them with continuous access to Executive Management at Cell C and Blue Label via conference calls and face-to-face meetings. We have also provided access to investors to Blue Label's Board. We provide updates to investors regarding our progress whenever we are required to.

Our formal engagements through results presentations and roadshows also provide opportunities for investors to have all queries regarding our strategic and operational direction answered.

In addition, we have undertaken an extensive review of our Remuneration Policy and have engaged our large institutional investors with regard to their ideas around best practice. Our new Remuneration Policy is detailed on pages 98 to 120 and we trust that this will meet with broad stakeholder approval.

Our customers and our ability to rapidly meet their needs has resulted in the Group adopting a new operating structure designed to improve our service levels and speed to market. We have conducted extensive customer engagement activities to understand their needs and have designed products and solutions that meet their needs and cater for future requirements.

Stakeholder relations continued

STAKEHOLDER ENGAGEMENT MATRIX

REASONS FOR ENGAGEMENT	Why engage with Blue Label	Frequency of engagement	METHODS OF ENGAGEMENT
EMPLOYEES To provide employees with strategic direction and keep them informed about Group activities. To ensure that we remain an employer of choice that provides a safe, positive and inspiring working environment. To understand and respond to the needs and concerns of our employees.	To provide us with feedback and input that can help us improve their working environment experience as well as the performance of our business.	Ongoing and daily engagement at all levels. As required by employees.	Regular, direct communication between managers, teams and individuals. There's also a robust combination of face-to-face, written, digital and broadcast communications, culture and engagement surveys, Blue Label results presentations, leadership seminars, EE summits and CEO roadshows. We also use e-mails, intranet communications as well as employee functions and community events.
CUSTOMERS To understand them, their aspirations, businesses and communications needs better. To provide appropriate products and value-adding services. To ensure that we maintain the high service levels they expect and deserve. To inform product development and prioritisation. To develop products that service our clients evolving technology needs.	To access world-class innovative solutions and services. To obtain access to mobile transactional services that are secure, simple, convenient and efficient.	Ongoing. Dependent on customer needs and identified sales, service or guidance opportunities.	A dedicated, national helpdesk operating daily from 07:00 to 21:00, with a team of customer relationship and technical support consultants. Face-to-face formal and informal meetings, as well as formal consultation. The Group has a CRM system, self-help facilities and dedicated sales and technical consultants to enhance its customer engagement service. Customer satisfaction surveys are carried out across all customer segments on a regular basis.

REASONS FOR ENGAGEMENT	Why engage with Blue Label	Frequency of engagement	METHODS OF ENGAGEMENT
SHAREHOLDERS To provide current and future shareholders with relevant and timeous information, ensuring Blue Label shares are appropriately valued. To manage shareholder expectations and reputational risk. To maintain strong relationships, keep abreast of market developments and inform our shareholder targeting strategy. To ensure good governance and deepen the trust placed in us and our brand. To get feedback that informs our strategy, business operations and how we govern.	To receive relevant timeous information on our prospects and financial and non-financial performance so that they can value and assign appropriate ratings. To understand our financial performance. To gain insight into our strategy and management.	On a formal basis, three times a year to coincide with the release of year-end, half-year results and the AGM. On an ad hoc basis and as requested by the financial media, investment analysts and investors during open periods. Many times a year through various broker-hosted investor events, conference calls and Blue Label-initiated roadshows and investor days.	**Annual and interim results announcements and roadshows. Analysts and investors have access to daily e-mails, telecons and meeting with Blue Label's investor relations together with meeting executive and senior management.**
REGULATORS To maintain open, honest and transparent relationships and ensure compliance with all legal and regulatory requirements. To retain our various operating licences and minimise our operational risk.	To ensure regulatory compliance. To promote the soundness and stability of Blue Label itself and the legal environments in which we operate.	As required.	**Various industry and regulatory forums, meetings between regulators, and our Board and management. This includes one-on-one discussions with various executive officials.** **Engaged with the JSE through the proactive monitoring panel which involved various e-mails and face-to-face meetings throughout the financial year. Please see note 11 of the annual financial statements for more details regarding this.**

Stakeholder relations continued

REASONS FOR ENGAGEMENT	Why engage with Blue Label	Frequency of engagement	METHODS OF ENGAGEMENT
GOVERNMENT To cement our social licence to operate, with government being one of the key stakeholders. To build and strengthen relationships with government, both as a partner in the development of the country and as a customer. To provide input into legislative development processes that will affect the economy and our activities and operations. To reaffirm our commitment to public sector business development. To participate visibly in, and be a partner to, the transformation of SA and the communications sector. To partner in increasing economic growth and reducing inequality and unemployment.	Blue Label is a key role player in the economic, social and environmental transformation of the country through the provision of virtual communications, payments, value-added and ticketing services to largely lower LSM communities. Blue Label's goal is to improve the levels of financial inclusion in the mass market.	As deemed necessary by either party.	**Participation on various platforms with government. Ad hoc engagements with national and provincial departments about economic and business matters that affect Blue Label as a business and ways in which we can be of assistance to individuals and the economy of SA.**
MEDIA To leverage the reach and influence of media channels; to share our business and investment story with stakeholders. To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behaviour that will lead to desired business results. To protect and manage our reputation.	To educate and inform their audiences on developments in the communications sector and Blue Label specifically. To be informed about our contribution to the SA economy and our products and services. To empower their audiences to make informed financial decisions. To advise on product and service developments.	Daily interactions in response to business-related media enquiries. Regular interactions to share information and respond to media requests for commentary about our business. Ad hoc engagements in response to our various business and sustainability initiatives. Proactive, scheduled engagements to build vibrant, mutually beneficial media relationships.	**Ad hoc meetings with executive and senior management, launches of various Blue Label products and services, interviews with key business media on relevant financial reporting dates. Daily telephone and e-mail interaction regarding media enquiries.**

REASONS FOR ENGAGEMENT	Why engage with Blue Label	Frequency of engagement	METHODS OF ENGAGEMENT
BUSINESS PARTNERS AND SUPPLIERS To obtain products or services required for conducting our business. To maintain an ideal and timeous supply of goods and services for our operations. To encourage responsible practices across our supply chain, B-BBEE, local procurement, supplier conduct and environmental considerations. To include critical suppliers in cross-functional teams so as to contribute expertise and advice before specifications are developed for products or services.	To provide products and services. To negotiate pricing and contracts. To promote new products and service offerings. To respond to tenders. To seek input and guidance on their sustainability journeys.	Ongoing, as required.	**Ongoing interaction with business partners and suppliers for procurement purposes. Supplier education workshops, indabas and fairs. One-on-one negotiations and meetings. Changes to the B-BBEE Codes of Good Practice. Changes to trading arrangements in terms of our procurement systems and ERP.**

Board of Directors

LAURENCE (LARRY) NESTADT
Independent Non-Executive Chairman

BRETT LEVY
Joint Chief Executive Officer

MARK LEVY
Joint Chief Executive Officer
BCompt (Unisa)

DEAN SUNTUP
Financial Director
BCom (Wits), Hons (Unisa), CA(SA)

For comprehensive CV's please see pages 24 and 25

GARY HARLOW
Independent Non-Executive Director
BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)

KEVIN ELLERINE
Non-Executive Director
National Diploma in Company Administration

JERRY VILAKAZI
Independent Non-Executive Director
BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

JOE MTHIMUNYE
Independent Non-Executive Director
BCompt (Hons)/ CTA (Unisa), CA(SA)

Board of Directors continued

LAURENCE (LARRY) NESTADT

INDEPENDENT NON-EXECUTIVE CHAIRMAN

BORN: 1950

Larry Nestadt has a long and successful global corporate career.

He is a co-founder and former executive director of Investec Bank Limited. Larry has been instrumental in the creation and strategic development of a number of listed companies including Capital Alliance Holdings Limited (Capital Alliance Life – acquired by Liberty Life; Capital Alliance Bank – now Brait), Super Group Limited, HCI Limited, SIB Holdings Limited, CorpGro Limited and Global Capital Limited. He also served as past chairman on the boards of these companies. Previously, Larry sat on the boards of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. Further, he has been a former chairman on a number of non-listed company boards both in South Africa and abroad, including Stenham Limited (UK) and Prefsure Life Limited (AUS). Larry is the current executive chairman of Global Capital Proprietary Limited and the current chairman of Blue Label Telecoms Limited, Dis-Chem Pharmacies Limited, National Airways Corporation Proprietary Limited, the Morecorp Group, Melrose Motor Investments Proprietary Limited and SellDirect Marketing Proprietary Limited. He also serves as deputy chairman of Cell C Limited. Larry is a life member of the World Presidents Organisation, Lloyds of London (since 1983).

Larry joined the Board on 5 October 2007. As a respected senior member of the South African business community, his strategic vision, guidance and experience contribute significantly to the Board and its deliberations.

- **Nomination Committee** (Chair)

BRETT LEVY

JOINT CHIEF EXECUTIVE OFFICER

BORN: 1975

Brett has an impressive entrepreneurial record of founding and operating many small businesses across a wide range of industries.

These include the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett plays a key role in developing the Group's strategy and commercial negotiations. His achievements have earned him a number of prestigious nominations, accolades and awards. These include the Absa Bank Jewish Entrepreneur of the Year Award (2003) and the Absa Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother Mark. Brett was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 he received the Liberty Life Award for a Remarkable Success Story in the David Awards and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Mark the Top Entrepreneur accolade in the African Access National Business Awards.

Brett joined the Board on 1 February 2007 and is a director of various local and global Group companies.

- **Social, Ethics and Transformation Committee**
- **Investment Committee**

MARK LEVY

JOINT CHIEF EXECUTIVE OFFICER

BORN: 1971

BCompt (Unisa)

Mark graduated with a BCompt from Unisa in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur.

At Blue Label, Mark is integral in spearheading the execution of Blue Label's growth strategy, integration of acquisitions and development of the IT architecture. His leadership stature is frequently recognised. Together with his brother Brett, Mark received the Absa Bank Jewish Business Achiever Non-Listed Company Award (2007). He was nominated as an Ernst & Young World Entrepreneur SA finalist for 2007. In 2010 Mark was voted Top IT Personality of the year by ITWeb and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Brett the Top Entrepreneur accolade in the African Access National Business Awards.

Mark joined the Board on 1 February 2007 and is a director of various local and global Group companies.

- **Investment Committee**

DEAN SUNTUP

FINANCIAL DIRECTOR

BORN: 1977

BCom (Wits), Hons (Unisa), CA(SA)

Dean completed his articles at PwC where he continued working after qualifying as a chartered accountant, participating in the audits of various large corporations and multinational companies.

In 2003 he joined BSC Technologies, a business established by the Levy brothers, and where he later became financial director. In 2005 he transferred to The Prepaid Company in the role of Financial Director. In heading up finance at Blue Label, Dean contributes significantly to the governance and reporting systems across the Group. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director on 14 November 2013 and is a director of various other Group companies.

- **Investment Committee**
- **Social, Ethics and Transformation Committee** (alternate to Brett Levy)

GARY HARLOW

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1957

BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. His career was forged in merchant and investment banking.

In the early 1990s he became an adviser to the African National Congress in developing black economic empowerment strategies and in 1992 was instrumental in the creation of Thebe Investment Corporation, South Africa's first broad-based black-owned company. Gary served as joint chief executive officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

In 1996, Gary was appointed group chief executive officer of Unihold Limited, where he remains executive chairman. He led its transition from an engineering conglomerate to an international IT and telecommunications group, followed by a delisting through a management buyout in 2002. Gary continues to serve on the boards of Imbalie Beauty Limited and Newpark Reit Limited.

Gary joined the Board on 5 October 2007 and is also chairman and/or director of various Group subsidiaries.

- **Investment Committee** (Chair)
- **Remuneration Committee** (Chair)
- **Nomination Committee**
- **Audit, Risk and Compliance Committee**
- **Social, Ethics and Transformation Committee**

KEVIN ELLERINE

NON-EXECUTIVE DIRECTOR

BORN: 1968

National Diploma in Company Administration

Kevin joined the family business, Ellerine Holdings, in 1991. After serving in various roles, in 1993 he was appointed as property manager of Ellerine Bros. Proprietary Limited, rising to managing director of the property division in 2000, a position he still holds today.

He sits on the boards of the property and private equity companies in which Ellerines is invested. He is also a director of Hyprop Investments Limited and Newpark REIT Limited. Kevin's all-round business skill and acumen contribute to Board and Committee deliberations of the Group.

Kevin joined the Board on 8 December 2009 and is a director of various other companies, including some Group subsidiaries.

- **Investment Committee**
- **Social, Ethics and Transformation Committee**

JERRY VILAKAZI

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1961

BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

Jerry is executive chairman of Palama, which he co-founded to facilitate investments in strategic private and listed companies.

He is a past CEO of Business Unity South Africa, during which period he served as business representative at Nedlac and on various international business councils. Prior to this, he held various executive positions in government and in the private sector including that of managing director of the Black Management Forum (BMF) where he also served on the board of the BMF investment company. In 2009 Jerry was appointed to the Presidential Broad-based Black Economic Empowerment Advisory Council and was appointed as a Commissioner of the National Planning Commission in 2010. Jerry was chairman of the Mpumalanga Gambling Board from 2006 to 2015 and the State Information Technology Agency (SOC) Proprietary Limited until the end of his term in 2015. He previously held the position of chairman of Netcare Limited and adviser to Citi Bank. He is non-executive director of Sibanye-Stillwater Limited where he also chairs the social and ethics committee.

Jerry joined the Board on 19 October 2011.

- **Social, Ethics and Transformation Committee** (Chair)
- **Audit, Risk and Compliance Committee**

JOE MTHIMUNYE

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1965

BCompt (Hons)/CTA (Unisa), CA(SA)

Joe qualified as a chartered accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which in time became the largest black accounting firm in South Africa.

In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and rebranded it aloeCap Proprietary Limited, of which he is currently the executive chairman. He serves on the board of directors of various non-listed companies in which aloeCap is invested. Joe is an independent non-executive director of Dis-Chem Pharmacies Limited and Cell C Limited. He is also chairman of Dis-Chem and Cell C's audit committees.

Joe joined the Board on 5 October 2007.

- **Audit, Risk and Compliance Committee** (Chair)
- **Remuneration Committee**
- **Nomination Committee**
- **Investment Committee**

Executive committee

MARK LEVY
Joint Chief Executive Officer

BRETT LEVY
Joint Chief Executive Officer

DEAN SUNTUP
Financial Director

DAVID RIVKIND
Group Finance Executive

SASHIR MILNE
Executive Head of Human Capital

DAVID HILEWITZ
Executive Head of Corporate Finance

ETIENNE DE VILLIERS
Group General Counsel

GARETH JONES
Chief Operating Officer of Africa Distribution

JOHAN SMITH
Executive Head of Information Technology

JANINE VAN EDEN
Group Company Secretary

ILAN ZWARENSTEIN
Group Executive

ADAM GREENBLATT
Group Executive

LARRY POGIR
Chief Executive Officer of Blue Label Data Solutions

ALAN KODESH
Chief Executive Officer of Cigicell

GARTH MACKINTOSH
Chief Executive Officer of Blue Label Mobile

Chairman's report

The transactions related to Cell C regarding the extended national roaming agreement with the MTN Group and the recapitalisation by the Buffet Consortium, are progressing well and we are likely to provide further updates to our stakeholders during the remainder of the 2019 calendar year.

This is the hardest Chairman's report I have had to write in my 25 years of serving on listed company boards.

The board and executive management are acutely aware of the destruction of shareholder value caused primarily by our investment in Cell C. Together with Cell C's trading loss and further impairment of its property, plant and equipment and an impairment of our own investment, Blue Label recorded a net loss related to Cell C of more than R6 billion.

The investment in Cell C was motivated to the Board, on the basis of a defensive strategy of protecting higher margin business flow received from Cell C, the ability to extract synergistic savings and an opportunistic approach to investing in a distressed asset. The board were however concerned by the quantum of our investment in Cell C. We were very aware that we might be betting the farm. Our concerns were overcome by the subsequent due diligence conducted by international experts, and the business plans and budgets presented by the then Cell C management team.

Fairly soon after our investment of R5.5 billion in Cell C and a further R750 million liquidity support to the SPV structures, it became clear that the Cell C budget plan was not being met. This lead to our re-examination of the business plan and budgets presented to us by the previous management team at Cell C, which had predicated our investment decision. It was evident that further capital would be required far sooner than initially expected. This sequence of events led to an unusually high level of board oversight in support of the concerns of Blue Label's Executive Management. Additionally, the Cell C board conducted their own investigation, which led to the early termination of certain senior management contracts. A new management team has been appointed, and it has developed business plans that are more realistic and innovative. This turnaround strategy is starting to show encouraging results at Cell C.

The transactions related to Cell C regarding the extended national roaming agreement with the MTN Group and the recapitalisation by the Buffet Consortium, are progressing well and we are likely to provide further updates to our stakeholders during the remainder of the 2019 calendar year.

The Board is aware that the erosion of shareholder value as a result of the investment in Cell C has to be met by accountability and consequence senior management. The Board will initiate a management and Board reset to restore the Blue Label core business focus. The balance sheet restructuring has already begun with the disposal of non-core assets to address gearing and liquidity management. In addition, we have adopted a far more conservative risk framework and revised capital allocation policy.

Blue Label has announced that it is disposing of the Blue Label Mobile group and the handset division of the 3G Group, together with unwinding a portion of the Comm Equipment Company book. The proceeds will be used to reduce interest-bearing debt. Blue Label is going back to basics through effectively using cash resources to bulk-buy the products and services we offer through our extensive distribution channels.

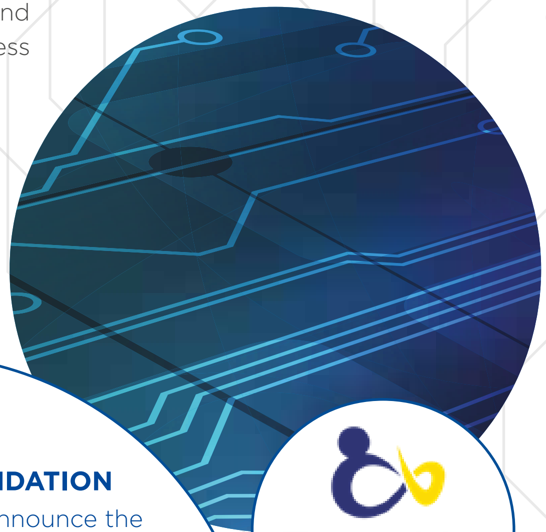
Despite challenging economic conditions in South Africa, the Blue Label business performed well, increasing core headline earnings by 26% to R904 million* on exclusion of the negative impacts as detailed below. I am proud of the resilience shown by the Blue Label team and their constant drive for efficiencies, gross margin expansion and innovation. It has not been easy out there, with price competition and margin compression across the board and our largest partners, the mobile network operators, facing steeply declining prices.

The non-executive Board members are completely committed to continuing to mentor our highly entrepreneurial and talented management team and returning Blue Label to the cash generative business it was prior to the acquisition of Cell C. We are determined to rebuild stakeholder trust and shareholder value.

Larry Nestadt

Independent Non-Executive Chairman

29 October 2019



THE TRUST BLU FOUNDATION

Blue Label was pleased to announce the launch of the Trust Blu Foundation in June 2019. Our aim is to connect and work proactively with non-profit organisations and social enterprise innovators by leveraging our resources, as well as expertise in technology and innovation, to create new solutions to address inequality, economic exclusion and unemployment.

We are committed to effecting meaningful and positive socio-economic change in South Africa's marginalised and vulnerable communities. We recognise that our business does not operate in isolation from society and that we need to align our financial and social returns.

Trust blu foundation

* On exclusion of the negative impact attributable to:

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

TICKETS ON DEMAND

TicketPro is South Africa's second largest ticketing company and continues to expand further into the sports, events, exhibitions, transport and travel ticketing sectors. Its sophisticated ticketing engine enables the administration of all ticket types, including 1D, 2D, NFC, secure print, home print and till slips.

Joint CEOs' report

We both recognise that Blue Label's share price has been under enormous pressure as a result of the market's concern regarding Cell C's ability to restructure its balance sheet and secure access to sufficient, reasonably priced funding to propel earnings growth into the future. Blue Label writing its investment in Cell C down to zero has compounded these fears.

We are confident that the conclusion of the extended national roaming agreement and recapitalisation transactions in progress will place Cell C on a path to sustainable growth into the future.

The mobile industry in South Africa is under pressure as a result of high subscriber penetration and intense price competition. However, mobile technology is clearly a fundamental requirement of human life in the 21st century and is becoming the tool through which multitudes of products and services ranging from communications, entertainment, financial and administrative services to education and healthcare services will be delivered. Cell C is driving to be in a position where it provides these services rather than focusing on network rollout and management thereof.

The 2019 financial year ending 31 May 2019 was focused on refining operating structures and processes to improve our ability to service customers and maximise benefits for existing and new operations, taking into account changing market conditions. Improving the agility and security of our IT system, which are the bedrock of our business, has been a key priority this financial year.

Blue Label has again demonstrated its resilience and continuing ability to innovate during tough economic trading conditions, evidenced by the increase in core headline earnings by 26% to R904 million on exclusion of the negative impacts as detailed below*. Our underlying ethos of driving financial inclusion for the mass market is delivering the social and financial benefits we strive for. As South Africans, this is our responsibility. Blue Label's further growth into the formal retail, banking and informal markets has been achieved by delivering technology and payment agnostic products and services that South Africans need and want. Our products and services make life more convenient, reduce the cost of transport in particular for the man on the street and grow the businesses that we distribute to. We are proud of what we do.

GOING FOR GROWTH AND EFFICIENCY

Our focus during the 2019 financial year, apart from progressing the Cell C transactions, has been on deep diving into Blue Label's technology stacks and operations. We have spent many years growing both organically and acquisitively. Consolidating and rationalising what we have to greatly improve our service to customers and create agile technology platforms and people processes to rapidly deliver new and existing products and services to market has been our focus.

We have reviewed every aspect of our business and created a new operating structure which maximises and leverages our current skills base for the benefit of a broader number of our subsidiaries. We are also investing in new skills that will assist us to develop and rapidly deploy the new products in our pipeline. Key to all of these undertakings is customer service and efficient and effective scalability.

* *On exclusion of the negative impact attributable to:*

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

We reported last year on the creation of our new Customer Interaction Centre (CIC) to specifically support customer service and lower the cost of servicing our extended reach in the informal markets. The CIC allows us to automatically monitor every device we have in market to assess and measure data, such as volume and time of use and stock levels. We can therefore proactively service our customers and ensure that the spokes servicing our hubs are resourced correctly. These types of initiatives allow Blue Label to significantly improve customer centricity and profitably, reconcile billions of nano transactions, deliver margin expansion, and provide for further volume growth.

We have also spent time and effort on further training and upskilling our own staff with regard to capability management and customer service. It is imperative that this training improves our ability to service our customers and provides our staff with the skills needed to further their own careers. We aim to be an employer of choice. In addition, unlike some of our competitors that employ 'stop and drop' strategies, we spend meaningful time with our merchants to train them on our devices and the myriad of products and services available for their own revenue growth. We also provide them with ongoing marketing support. Our business grows as our customers' businesses grow.

Further information on the performance of our core Group companies can be found in the operational review on page 56.

ASSET DISPOSALS

The Board took a decision to dispose of the Blue Label mobile business and the handset division of the 3G Group. Although these businesses are sound entities, the need to reduce debt and provide the Group with cash resources through the unwinding of the CEC book will further strengthen our trading ability. Blue Label is focusing on going back to basics, resuming our impressive positive cash flow generation and to rebuild trust with all our stakeholders. The proceeds from the disposal of these entities of R994 million will be used to reduce interest-bearing debt and further strengthen our balance sheet.

These disposals do not affect the core trading and distribution operations in any way. We thank all these employees for their valuable contribution to the Blue Label Group and wish them well in the future.

The finance book relating to the Comm Equipment Company (CEC) division within the 3G Group will remain in the Blue Label stable. This book is valued at R3.1 billion and we will look to wind down a major portion of this book, further increasing our cash resources.

TECHNOLOGY

Technology has always been at the heart of Blue Label's business. Technology innovation is how we started this business and how we will continue to take it into the future. The 2019 financial year has seen us renew investments into our technology platforms to sustain the increased volume requirements generated through the growth of our business. Critical objectives for the modernisation and digital transformation roadmap were set and achieved in line with this priority, catering for the necessary required scalability and rapid delivery.

Joint CEO's report continued

Essentially, agile platforms accelerate the delivery through our RITE (Reach, Innovation, Trust, Efficiency) strategy of new products and services and enable the Group to launch new revenue streams on our enhanced technology platforms.

FINANCIAL PERFORMANCE

Impairments, fair value downward adjustments and the Group's share of losses in Cell C negatively impacted our earnings by R7.5 billion. We accept responsibility for this poor performance and are determined to regain trust with our respective stakeholders. Our focus on the operating efficiency, speed to market and customer service within the core Blue Label business has resulted in a good performance relative to the South African economy. We intend to continue to build on this strength in coming years.

Please refer to our detailed commentary in the financial director's report on page 33 and to our financial results presentation which details our strong product and channel performance, growth in the informal market, further gains in prepaid electricity and data business.

CELL C TRANSACTIONS

On 7 August 2019, Blue Label notified shareholders that Cell C and MTN South Africa had concluded a detailed term sheet regarding an extended national roaming agreement. This transaction will result in substantial cost savings for Cell C by reducing network and capex spend.

This agreement is mutually beneficial to both parties as MTN will significantly increase its wholesale revenue.

The conclusion of this agreement, as well as the recapitalisation, allows Cell C to finalise its long-term business plans.

PROSPECTS

It has been a challenging two years and we are proud of how our Blue Label team has remained focused and optimistic. The Board and Executive Management have decided to focus on doing what we do best. Blue Label's DNA is trading and distribution.

Our strategy remains to efficiently grow our reach through innovation and exceptional customer service. We will also continue to grow our revenue assurance business in the municipal market and continue to develop innovative products in our data solutions and distribution businesses.

We look forward to updating shareholders on the progress of the Cell C transactions and thank all our staff, customers and shareholders for their continued support.

Mark Levy
Joint Chief Executive Officer

Brett Levy
Joint Chief Executive Officer

29 October 2019

Financial Director's report

FINANCIAL REVIEW

Core headline earnings for the year ended 31 May 2019 equated to a negative 304.77 cents per share. Although the core businesses of the Blue Label Group continued to generate profit, the predominant negative contributions to Group earnings were attributable to:

- Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;
- fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C (the structure of SPV1 and SPV2 as detailed in the trading statement published on SENS on 22 February 2019) and the Glocell loan;
- an impairment of Blue Label's total investment in the Oxigen India group, including 2DFine Holdings Mauritius (collectively, OSI) as well as providing for loan impairments and guarantees payable therein; and
- partial impairments of goodwill and an investment in a joint venture.

On exclusion of the above negative contributions, core headline earnings amounted to R904 million* compared to R716 million in the prior year, equating to growth of 26%. After taking into account the increase in the weighted average number of shares in issue, core headline earnings per share from the balance of the entities within the Blue Label Group increased by 18% from 83.65 cents to 98.98 cents for the year ended 31 May 2019, as detailed in the table on the following page.

It is evident that the investment in Cell C had a significant negative impact on Group earnings. However, the contemplated national roaming agreement is anticipated to result in substantial cost savings for Cell C by reducing network and capital expenditure when implemented. These savings are expected to be further enhanced on completion of an intended Cell C capital restructure.

** On exclusion of the negative impact attributable to:*

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

Financial Director's report continued

	Group May 2019 R'000	Cell C May 2019 R'000	Fair value adjustments May 2019 R'000	OSI May 2019 R'000	Impair-ments May 2019 R'000	Remaining entities May 2019 R'000
Revenue	**25 869 433**	–	–	–	–	25 869 433
Gross profit	**2 646 121**	–	–	–	–	2 646 121
EBITDA	**462 680**	–	(873 877)	(193 364)	(124 401)	1 654 322
Impairments on associates and joint venture	**(2 669 076)**	(2 521 152)	–	(118 412)	(29 512)	–
Share of (losses)/profits from associates and joint ventures	**(3 701 410)**	(3 609 495)	–	(86 637)	–	(5 278)
– Cell C	**(3 609 495)**	(3 609 495)	–	–	–	–
– Oxigen Services India	**(86 637)**	–	–	(86 637)	–	–
– Blue Label Mexico	**(24 096)**	–	–	–	–	(24 096)
– Other	**18 818**	–	–	–	–	18 818
Net (loss)/profit	**(6 646 384)**	(6 130 647)	(837 831)	(398 412)	(146 535)	867 041
Core net (loss)/profit	**(6 575 899)**	(6 120 271)	(837 831)	(398 412)	(146 535)	927 150
Core headline earnings	**(2 783 156)**	(2 616 427)	(837 831)	(232 826)	–	903 928
Gross profit margin	**10.23%**					10.23%
EBITDA margin	**1.79%**					6.39%
Weighted average shares ('000)	**913 208**					913 208
EPS (cents)	**(727.81)**					94.94
HEPS (cents)	**(312.49)**					92.40
Core HEPS (cents)	**(304.77)**					98.98

** As a result of prior year errors the Group has restated their comparative financial information. Refer to note 11 in the Group annual financial statements for details.*

Group Restated* May 2018 R'000	Cell C May 2018 R'000	Fair value adjustments May 2018 R'000	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
26 734 249	–	–	–	26 734 249	(864 816)	(3%)
2 282 093	–	–	–	2 282 093	364 028	16%
1 340 153	–	5 121	–	1 335 032	319 290	24%
–	–	–	–	–	–	
520 628	562 568	–	(45 184)	3 244	(8 522)	(263%)
562 568	562 568	–	–	–		
(45 184)	–	–	(45 184)	–		
(21 900)	–	–	–	(21 900)	(2 196)	(10%)
25 144	–	–	–	25 144	(6 326)	(25%)
1 122 085	562 567	3 687	(128 480)	684 311	182 730	27%
1 166 430	571 214	3 687	(128 480)	720 009	207 141	29%
1 160 477	569 474	3 687	(128 480)	715 796	188 132	26%
8.54%				8.54%		
5.01%				4.99%		
855 687				855 687		
131.13				79.97	14.97	19%
130.44				79.48	12.92	16%
135.62				83.65	15.33	18%

Financial Director's report continued

GROUP INCOME STATEMENT

	May 2019 R'000	Restated* May 2018 R'000	Growth R'000	Growth %
Revenue	25 869 433	26 734 249	(864 816)	(3)
Gross profit	2 646 121	2 282 092	364 029	16
Gross profit margins (%)	**10.23%**	**8.54%**	**1.69%**	
Other income	120 914	81 704	39 210	48
Overheads	(1 092 266)	(952 050)	(140 216)	(15)
Impairments and fair value losses	(1 212 089)	(158 657)	(1 053 432)	(664)
EBITDA	**462 680**	**1 253 089**	**(790 409)**	**(63)**
Depreciation, amortisation and impairment	(253 016)	(155 540)	(97 476)	(63)
EBIT	**209 664**	**1 097 549**	**(887 885)**	**(81)**
Finance costs	(245 957)	(306 636)	60 679	20
Finance income	99 705	195 298	(95 593)	(49)
Impairments on associates and joint venture	(2 669 076)	—	(2 669 076)	
Share of (losses)/gains from associates and joint ventures	(3 701 410)	520 628	(4 222 038)	(811)
Net profit before taxation	**(6 307 074)**	**1 506 839**	**(7 813 913)**	**(519)**
Taxation	(315 122)	(331 069)	15 947	5
Net profit after tax	**(6 622 196)**	**1 175 770**	**(7 797 966)**	**(663)**
Non-controlling interest	(24 187)	(53 685)	29 498	55
Net profit attributable to equity holders of parent	**(6 646 383)**	**1 122 085**	**(7 768 468)**	**(692)**
Core intangible adjustment	70 485	44 345	26 140	59
Core net profit	**(6 575 898)**	**1 166 430**	**(7 742 328)**	**(664)**
Headline earnings adjustment	3 792 743	(5 953)	3 798 696	
Core headline earnings	**(2 783 155)**	**1 160 477**	**(3 943 632)**	**(340)**
Earnings per share (cents)	(727.81)	131.13	(858.94)	(655)
Headline earnings per share (cents)	(312.49)	130.44	(442.92)	(340)
Core earnings per share (cents)	(720.09)	136.32	(856.40)	(628)
Core headline earnings per share (cents)	(304.77)	135.62	(440.39)	(325)
Headline earnings	**(2 853 640)**	**1 116 132**	**(3 969 772)**	**(356)**

** As a result of prior year errors the Group has restated their comparative financial information. Refer to note 11 in the Group annual financial statements for details.*

REVENUE

Group revenue declined by 3% to R25.9 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity and ticketing are accounted for, on imputing the gross revenue generated thereon, the effective growth in transactional values equated to 10% from R52.6 billion to R57.8 billion.

	May 2019 R'000	May 2018 R'000	Growth R'000	Growth %
Prepaid airtime and data	**32 356 223**	31 720 186	636 036	2
— Prepaid airtime and data	**20 789 313**	22 968 967	(2 179 654)	(9)
— "PINless" airtime top-ups*	**11 566 910**	8 751 219	2 815 690	32
Postpaid airtime, data and related revenue	**141 405**	110 535	30 870	28
Prepaid and postpaid SIM cards	**964 054**	889 001	75 053	8
Services	**748 441**	600 580	147 861	25
Gross electricity revenue	**20 020 374**	16 874 244	3 146 130	19
— Electricity commission	**347 538**	299 850	47 688	16
— Gross electricity transactional values*	**19 672 836**	16 574 394	3 098 442	19
Handsets, tablets and other devices	**2 271 804**	1 586 817	684 987	43
Finance revenue	**427 753**	171 628	256 125	149
Gross ticketing transactional values*	**645 002**	524 270	120 732	23
Other revenue	**179 125**	106 871	72 254	68
Gross transactional values	**57 754 181**	52 584 133	5 170 049	10
Less: imputed gross transactional values (sum of *)	**(31 884 748)**	(25 849 884)	(6 034 865)	23
Reported revenue	**25 869 433**	26 734 249	(864 816)	(3)

Financial Director's report continued

GROUP INCOME STATEMENT continued

GROSS PROFIT

Gross profit increased by 16% from R2.28 billion to R2.65 billion, underpinned by an increase in margins from 8.54% to 10.23%.

OVERHEADS

Overheads, comprising employee costs and operating expenses, increased by 15% to R1.09 billion, of which the former accounted for 13% and the latter 16%.

The 3G Mobile group, which became a wholly owned subsidiary on 6 December 2017, incurred overheads of R101 million in the current year compared to R47 million for part of the prior year. Glocell Distribution was acquired during the current year and Wi-Connect became a subsidiary in the current year, incurring overheads of R36 million and R46 million respectively.

Impairments and fair value losses

Impairments and fair value losses of R1.21 billion, for the year ended 31 May 2019, were predominately attributable to fair value downward adjustments of R874 million relating to the non-recoverability of the exposure to SPV1 and SPV2 and the Glocell loan, guarantees payable recognised on behalf of OSI for R62 million and loan impairments therein of R161 million, offset by sureties receivable of R30 million on the latter amount. Further declines related to partial impairments of goodwill in both Via Media and Blue Label Connect of R74 million and R50 million respectively.

EBITDA

The decline in EBITDA from R1.34 billion to R463 million was attributable to the impairments and fair value downward adjustments mentioned above. On exclusion of these negative contributions, EBITDA generated by the Group increased by 24% from R1.34 billion to R1.65 billion.

Depreciation and amortisation

Depreciation, amortisation and impairment charges increased by R97 million to R253 million. Of this increase, R26.9 million pertained to depreciation on additional capital expenditure incurred during the year, impairments of R3.2 million and R67.4 million relating to the amortisation of intangible assets, of which R52.6 million emanated from purchase price allocations on historical acquisitions which increased from R46.5 million to R99.1 million.

Net finance costs

Finance costs totalled R246 million, of which R231 million related to interest paid on borrowed funds and R15 million to imputed IFRS interest adjustments. On a comparative basis, interest paid on borrowed funds amounted to R167 million and the imputed IFRS interest adjustment equated to R140 million. Of the latter amount, R75 million was attributable to credit received from suppliers and R65 million to the acquisition of 3G Mobile and Airvantage. The increase of R64 million was attributable to additional borrowings utilised from existing facilities.

Finance income totalled R100 million, of which R97 million was attributable to interest received on cash resources and R3 million to imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R192 million and the imputed IFRS interest adjustment to R3 million.

Impairments on associates and joint venture

Impairments on associates and joint venture amounted to R2.67 billion, of which R2.52 billion related to the impairment of the investment in Cell C, R118 million to OSI and R29.5 million to Supa Pesa.

As at 31 May 2019, no value was attributed to the underlying value of Cell C and as a consequence thereto the balance of the carrying value of Blue Label's investment therein, amounting to R2.52 billion, was impaired.

The proposed corporate transaction in OSI, referred to in the subsequent events of the 30 November 2018 interim results, did not materialise, and the resultant lack of funding necessitated BLT to impair its full investment therein of R118 million.

Share of (losses)/gains from associates and joint ventures

For the year ended May 2019, Cell C incurred trading losses of R1.56 billion, impairments of its property, plant and equipment of R2.2 billion and derecognised its deferred tax asset of R4.09 billion. The Group's 45% share amounted to R3.609 billion on inclusion of the amortisation of intangible assets of R10 million and an expense of R65 million relating to equity-settled share-based payment charges that were previously added back in the prior year in line with the Group's accounting policy. In the current year the share-based payment is regarded as cash settled.

In addition, the financial performance of OSI was equity accounted for, of which the Group's share of losses amounted to R86 million. Of this amount, the Group has accounted for a R41 million liability relating to financial guarantee contracts and R46 million for its share of losses.

United Call Centre Solutions generated earnings of R45.1 million, of which Blue Label Data Solution's share amounted to R22.5 million.

Non-controlling interests

Non-controlling interest comprises minority share of profits in Cigicell, Transaction junction, Via Media, Blue Label Data Solutions, Airvantage, AV Technologies, Reware and Glocell Distribution, the total of which equated to R24 million.

Core headline earnings

Core headline earnings declined by R3.94 billion to a loss of R2.78 billion. This equated to core headline loss per share of 304.77 cents.

On exclusion of the above negative contributions by Cell C, Oxigen Service India group, fair value downward adjustments and impairments, core headline earnings amounted to R904 million* compared to R716 million in the prior year, equating to growth of 26%. After taking into account the increase in the weighted average number of shares in issue, core headline earnings per share from the balance of the entities within the Blue Label Group increased by 18% from 83.65 cents to 98.98 cents for the year ended 31 May 2019.

* *On exclusion of the negative impact attributable to:*

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

Financial Director's report continued

AFRICA DISTRIBUTION

	May 2019 R'000	Cell C May 2019 R'000	Fair value adjustments May 2019 R'000	Impair-ments May 2019 R'000	Remaining entities May 2019 R'000
Revenue	**25 364 068**	–	–	–	25 364 068
Gross profit	**2 353 087**	–	–	–	2 353 087
EBITDA	**654 886**	–	(873 877)	(50 398)	1 579 161
Impairments on associates and joint venture	**(2 521 152)**	(2 521 152)	–	–	–
Share of (losses)/profits from associates and joint ventures	**(3 612 076)**	(3 609 495)	–	–	(2 581)
— Cell C	**(3 609 495)**	(3 609 495)	–	–	–
— 3G Mobile	**(95)**	–	–	–	(95)
— Other	**(2 486)**	–	–	–	(2 486)
Net (loss)/profit	**(6 127 508)**	(6 130 647)	(837 831)	(50 398)	891 368
Core net (loss)/profit	**(6 066 357)**	(6 120 271)	(837 831)	(50 398)	942 143
Core headline earnings	**(2 535 505)**	(2 616 427)	(837 831)	–	918 753
Gross profit margin	**9.28%**				9.28%
EBITDA margin	**2.58%**				6.23%

The above table reflects the negative contribution by Cell C, the fair value downward adjustments relating to the exposure in SPV1 and SPV2 and the Glocell loan, the partial impairment of Blue Label Connect's goodwill as well as the positive contribution by the remaining entities within this segment. These entities include the 3G Mobile group, Airvantage and the core distribution companies, generating a combined contribution of R919 million to core headline earnings.

Cell C

For the 12 months ended May 2019, Cell C incurred trading losses of R1.56 billion, impairments of its property, plant and equipment of R2.2 billion and derecognised its deferred tax asset of R4.09 billion. The Group's 45% share amounted to R3.609 billion on inclusion of the amortisation of intangible assets of R10 million and an expense of R65 million relating to equity-settled share-based payment charges that were previously added back in the prior year in line with the Group's accounting policy. In the current year the share-based payment is regarded as cash settled. As at 31 May 2019, no value was attributed to the underlying value of Cell C and as a consequence thereto the balance of the carrying value of Blue Label's investment therein, amounting to R2.52 billion, was impaired.

Cell C Limited performs an annual impairment test on the carrying value of its property, plant, equipment and intangible assets (cash-generating unit (CGU)). The impairment was calculated by applying the value-in-use (VIU) method, on a discounted cash flow basis. The impairment assessment was based on the carrying value of the CGU and is reflective of the conditions that existed at the reporting date. Assumptions were made on the cash flows, which were limited to the generation of cash by the CGU, not taking into account new technology, expansionary growth or the pending recapitalisation transaction. The exclusion thereof are requirements of IAS 36 — *Impairment of Assets*.

The recoverability of the deferred tax asset is required to be performed on an annual basis. A deferred tax asset is recognised in respect of deductible temporary differences and tax losses to the extent that it is probable that future taxable profits will be available. At the reporting date, based on estimated future profitability with no regard to new technology, expansionary growth or the pending recapitalisation transaction, the deferred tax asset was impaired.

Restated* May 2018 R'000	Cell C May 2018 R'000	Fair value adjustments May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
26 245 206	—	—	26 245 206	(881 138)	(3%)
2 014 169	—	—	2 014 169	338 918	17%
1 344 824	—	5 121	1 339 703	239 458	18%
—	—	—	—	—	
583 122	562 567	—	20 555	(23 136)	(113%)
562 567	562 567	—	—	-	
31 155	—	—	31 155	(31 250)	
(10 600)	—	—	(10 600)	8 114	(77%)
1 344 641	562 567	3 687	778 387	112 981	15%
1 385 494	571 214	3 687	810 593	131 550	16%
1 384 739	569 474	3 687	811 578	107 175	13%
7.67%			7.67%		
5.12%			5.10%		

** As a result of the prior year errors the Group has restated their comparative financial information. Refer to note 11 of the Group annual financial statements.*

For the 10 months ended 31 May 2018, Cell C's net profit amounted to R1.125 billion. This comprised trading losses of R765 million, impairment of certain of its property, plant and equipment of R32 million offset by the recognition of a deferred tax asset amounting to R1.92 billion. The Group's share of this net profit was R498 million after the amortisation of intangible assets of R9 million. In line with BLT's accounting policies, an exclusion relating to equity-settled share-based payment charges from its associates resulted in a positive adjustment of R65 million. The net result was a positive contribution of R563 million to BLT's earnings in the prior year.

Fair value adjustments and impairment

The fair value adjustments of R838 million for the year ended 31 May 2019 were attributable to downward adjustments of R750 million relating to the non-recoverability of the exposure to SPV1 and SPV2 and R88 million, net of taxation, to the Glocell loan. The impairment of R50 million pertained to Blue Label Connect.

Remaining entities

These entities incorporate the core distribution companies, 3G Mobile group and Airvantage.

Revenue declined by 3% from R26.2 billion to R25.4 billion, in that only the gross profit earned on "PINless top-ups", prepaid electricity and ticketing are accounted for. On imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R52.1 billion to R57.2 billion.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R39 million to R278 million (17%) on an increase in revenue generated on behalf of the utilities from R16.9 billion to R20 billion (19%).

Gross profit increased by 17% from R2.01 billion to R2.35 billion, underpinned by an increase in margins from 7.67% to 9.28%. EBITDA increased by 18% from R1.34 billion to R1.58 billion, equating to an EBITDA margin of 6.23%.

Contribution to core headline earnings increased by 13% from R812 million to R919 million.

Financial Director's report continued

AFRICA DISTRIBUTION continued

The following illustrates the contribution to the above by the 3G Mobile group and Airvantage.

3G Mobile group

The 3G Mobile group comprises a mobile handset trading division (3G) and, through its wholly owned subsidiary, Comm Equipment Company (CEC) which provides the financing for the handset element of postpaid contracts on behalf of Cell C as well as the financing of other hardware.

The underlying table reflects 3G's financial results for the year ended 31 May 2019 in comparison to 10 months ended 31 May 2018:

	May 2019 R'000	Aug – Nov 2017 Equity accounted R'000	Dec – May 2018 Consolidated R'000	**10 months to May 2018 R'000**	Growth R'000	Growth %
Revenue	**2 245 687**	569 315	764 917	**1 334 232***	911 455	68
Gross profit	**505 319**	139 478	226 184	**365 662**	139 657	38
EBITDA	**407 049**	105 933	180 659	**286 592**	120 457	42
Core net profit	**278 341**	75 020	121 184	**196 204**	82 137	42

** Prior year revenue has been restated for the adoption of IFRS 15 for comparative purposes and has not been audited on this basis.*

Revenue generated for the year ended 31 May 2019 amounted to R2.2 billion, gross profit to R505 million at a margin of 22.50% and EBITDA to R407 million. Core net profit amounted to R278 million.

From the date of acquisition of 47.37% in August 2017 until 30 November 2017, 3G's financial results for the four-month period were equity accounted for as an associate. Its core net profit during that period amounted to R75 million, of which the Group's share equated to R35 million.

On 6 December 2017 the remaining 52.67% of the company was acquired, at which date it became a wholly owned subsidiary. Revenue generated for the six months to 31 May 2018 amounted to R765 million, gross profit to R226 million at a margin of 29.57% and EBITDA to R181 million. Its core net profit for the six months as a wholly owned subsidiary amounted to R122 million.

Airvantage

Airvantage advances emergency top-up airtime and data to prepaid subscribers, utilising sophisticated algorithms to assess their creditworthiness. On 2 January 2018, Blue Label acquired 60% of the company.

The underlying table reflects Airvantage's financial results for the full year ended 31 May 2019 in comparison to five months ended 31 May 2018.

	May 2019 R'000	Five months to May 2018 R'000	Growth R'000	Growth %
Revenue	**88 629**	36 929	51 700	140
Gross profit	**74 811**	29 241	45 570	156
EBITDA	**58 819**	20 650	38 169	185
Net profit	**40 953**	14 221	26 732	188

Revenue generated for the year ended 31 May 2019 amounted to R89 million, gross profit to R75 million at a margin of 84.41%, EBITDA to R59 million and core net profit to R41 million. The Group's share thereof equated to R24 million.

Revenue generated by it for the five months to 31 May 2018 amounted to R37 million, gross profit to R29 million at a margin of 79.18%, EBITDA to R21 million and core net profit to R14 million, of which the Group's share equated to R8.3 million.

Financial Director's report continued

INTERNATIONAL

	May 2019 R'000	OSI May 2019 R'000	Remaining entities May 2019 R'000	Restated* May 2018 R'000	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
Revenue	**35 013**	–	35 013	**–**	–	–	35 013	
Gross profit	**33 383**	–	33 383	**–**	–	–	33 383	
EBITDA	**(20 358)**	(71 675)	51 317	**(2 903)**	–	(2 903)	54 220	
Impairments on associates and joint venture	**(118 412)**	(118 412)	–	**–**	–	–	–	
Share of (losses)/profits from associates and joint ventures	**(110 440)**	(86 637)	(23 803)	**(66 683)**	(45 185)	(21 498)	(2 305)	11
– Oxigen Services India	**(86 637)**	(86 637)	–	**(45 185)**	(45 185)	–	–	
– Blue Label Mexico	**(24 095)**		(24 095)	**(21 900)**	–	(21 900)	(2 195)	10
– Mpower	**292**		292	**402**	–	402	(110)	(27)
Non-controlling interest	**(6 587)**	–	(6 587)	**(26 058)**	–	(26 058)	19 471	(75)
Net (loss)/profit	**(263 260)**	(276 723)	13 463	**(98 538)**	(57 555)	(40 983)	54 446	(133)
Core net profit/(loss)	**(255 585)**	(276 723)	21 138	**(96 990)**	(57 555)	(39 435)	60 573	(154)
Core headline profit/(loss)	**(90 142)**	(111 137)	20 995	**(102 154)**	(57 555)	(44 599)	65 594	(147)

* *As a result of the prior year errors the Group has restated their comparative financial information. Refer to note 11 of the Group annual financial statements.*

Oxigen Services India and 2DFine

As from 30 November 2016 the Group applied the exemption available in IAS 28 – *Investments in Associates and Joint Ventures* to account for the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius as venture capital investments. Therefore, the investment was accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. Any changes in the fair value would have been recognised in the Group income statement.

This accounting treatment was highly judgemental therefore the Group included detailed disclosure on the critical judgement it had applied.

In June 2018 the Group received notification from the JSE proactive monitoring panel stating that they did not agree with the exemption we had applied in IAS 28. This resulted in a protracted engagement with the JSE to determine the appropriate accounting treatment. After lengthy discussions with the JSE, including the JSE consulting with the Financial Reporting Investigation Panel, the JSE concluded that the Group should not have applied venture capital accounting.

The Group has therefore agreed to not apply the exemption available under IAS 28 – *Investments in Associates and Joint Ventures* to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings and now account for these associates and joint venture using equity accounting principles.

The proposed corporate transaction, referred to in the subsequent events of the 30 November 2018 interim results, did not materialise, and the resultant lack of funding necessitated BLT to impair its full investment of R118 million in the Oxigen Group. The full value of loans to Oxigen Services India of R30 million and 2DFine Holdings Mauritius of R41 million, net of a surety asset raised, were impaired. In addition, the Group has accounted for a R41 million liability relating to financial guarantee contracts and R46 million for its share of losses in OSI. The resultant negative contribution to core net loss totalled R276 million.

Remaining entities

The remaining entities within the international segment comprise shareholdings of 48% in Airvantage Brazil with effect from 2 January 2018, 60% in AV Technology with effect from 1 August 2018, 47.56% in Blue Label Mexico and 100% of Gold Label Investments.

The increases in revenue of R35 million and gross profit of R34 million were entirely attributable to AV Technology.

The increase in EBITDA of R54 million was attributable to positive foreign exchange movements of R26 million, the non-recurrence of start-up costs of R12 million incurred by Airvantage pertaining to its operation in Brazil, non-comparatives applicable to AV Technology amounting to R32 million, offset by loan releases of R16 million relating to the winding up process of the Africa Prepaid Services group in the comparative year.

Losses in Blue Label Mexico increased from R43 million to R47 million, of which the Group's share amounted to R24 million after the amortisation of intangible assets. In the comparative year the Group's share of losses amounted to R22 million.

The increase in loss was attributable to a decline in revenue from R4.0 billion to R3.6 billion (9%), with gross profit margins remaining static at 3.8%. In spite of limiting overheads to a growth of 4% and a reduction in depreciation, the above resulted in the Group's share of losses increasing by R2 million.

In order to mitigate such losses incurred, various initiatives that were implemented in the last quarter of the financial year resulted in positive improvements to its financial performance. These initiatives included a reduction in staff complement, increases in cash collection and daily rental fees, the closure of unprofitable retail stores, the outsourcing of certain sales functions on a variable cost basis, the enhancement of its technology platform and the increase in the distribution of starter packs generating monthly compounded annuity income. Bill payments, credit and debit card acquiring and food vouchers are increasing on a monthly basis. These initiatives will perpetuate in the year ahead, resulting in an expected turnaround to sustainable profitability.

Non-controlling interest declined by R19 million, of which R13 million related to minority shareholders in both Airvantage Brazil and AV Technology. In the comparative year, R32 million related to the Africa Prepaid Services group for its share of the loan releases as a consequence of the winding up process therein.

Net contribution to core headline earnings amounted to R21 million.

MOBILE

This segment comprises Via Media, Cellfind, Panacea, Simigenix, Blue Label One and Supa Pesa.

	May 2019 R'000	Impair-ments May 2019 R'000	Remaining May 2019 R'000	**Restated* May 2018 R'000**	Growth R'000	Growth %
Revenue	**267 114**	–	267 114	**293 954**	(26 840)	(9)
Gross profit	**197 766**	–	197 766	**204 349**	(6 583)	(3)
EBITDA	**24 977**	(74 003)	98 980	**101 883**	(2 903)	(3)
Net (loss)/profit	**(39 985)**	(96 137)	56 152	**57 609**	(1 457)	(3)
Core net (loss)/profit	**(38 326)**	(96 137)	57 811	**59 553**	(1 742)	(3)
Core headline earnings	**58 122**	–	58 122	**59 679**	(1 557)	(3)

* *As a result of the prior year errors the Group has restated their comparative financial information. Refer to note 11 of the Group annual financial statements for more details.*

Of the impairments of R96 million, R74 million pertained to a partial impairment of goodwill in Via Media and R22 million to a partial impairment of an investment in Supa Pesa, a joint venture company.

Although revenue declined by 9%, gross profit margins increased from 69.52% to 74.04%, limiting the decline in gross profit to 3% and EBITDA to 3%.

Contribution to Group core headline earnings declined by 3% to R58 million.

Financial Director's report continued

SOLUTIONS

This segment comprises Datacel, Blue Label Data Solutions (BLDS), a data aggregation and lead generation entity in which the Group owns 81%, and a 50% joint venture shareholding by BLDS in United Call Centre Solutions, an outbound call centre operation.

	May 2019 R'000	May 2018 R'000	Growth R'000	Growth %
Revenue	**203 238**	195 089	8 149	4
Gross profit	**61 885**	63 574	(1 689)	(3)
EBITDA	**37 786**	42 838	(5 052)	(12)
Share of (losses)/profits from associates and joint ventures	**22 769**	4 579	18 190	397
Net profit	**43 563**	29 836	13 727	46
Core net profit	**43 563**	29 836	13 727	46
Core headline earnings	**43 563**	29 814	13 749	46

The growth in revenue of 4% to R203 million was attributable to increased demand for aggregated data and lead generations. A marginal decline in gross profit margins from 32.59% to 30.45% resulted in a nominal movement in gross profit. After overhead increases of 10%, EBITDA equated to R38 million.

Of the core headline earnings of R44 million, BLDS accounted for R26 million. United Call Centre Solutions generated earnings of R45.1 million, of which BLDS's share amounted to R22.5 million. After accounting for a minority shareholding of 19%, the Group's share thereof amounted to R18 million.

CORPORATE

	May 2019 R'000	OSI May 2019 R'000	Remaining entities May 2019 R'000	**May 2018 R'000**	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
EBITDA	**(234 611)**	(121 689)	(112 922)	**(146 489)**	–	(146 489)	33 567	23
Net loss	**(259 194)**	(121 689)	(137 505)	**(211 463)**	(70 925)	(140 538)	3 033	2
Core net loss	**(259 194)**	(121 689)	(137 505)	**(211 463)**	(70 925)	(140 538)	3 033	2
Core headline loss	**(259 194)**	(121 689)	(137 505)	**(211 601)**	(70 925)	(140 676)	3 171	2

On exclusion of the loan impairment of R60 million pertaining to 2DFine and R62 million to the liability relating to financial guarantee contracts, the negative contribution to Group core headline earnings declined by R3 million to R138 million.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by R5.9 billion to R12.1 billion of which non-current assets accounted for R5.9 billion net of an increase in current assets of R78 million.

The negative movement in non-current assets included a decline in investments in and loans to associates and joint ventures of R6.5 billion, in loans receivable of R12 million and in the long-term portion of trade and other receivables of R23 million. These decreases were offset by increases in intangible assets and goodwill of R205 million, in capital expenditure net of depreciation of R101 million, in advances to customers of R228 million and deferred tax assets of R31 million.

A net decrease of R7.5 billion in investments in and loans to associates and joint ventures was predominately attributable to net loan repayments of R1 billion, impairments of loans in OSI of R161 million and impairments of investments totalling R2.7 billion, of which Cell C accounted for R2.5 billion, OSI for R118 million and Supa Pesa for R29.5 million. This was compounded by the Group's net share of losses in associates totalling R3.7 billion, of which Cell C accounted for R3.6 billion inclusive of the amortisation of applicable intangible assets.

Of the net increase of R205 million in intangible assets and goodwill, R199 million related to goodwill and R6 million to intangible assets. Of the goodwill increase, R219 million pertained to Glocell Distribution, R49 million to AV Technology and R46 million to Wi-Connect. These increases were offset by partial impairments to goodwill in both Via Media and Blue Label Connect for R74 million and R50 million respectively.

Of the increase in intangible assets of R6 million, R130 million related to the purchase price allocations raised in terms of IFRS 3 and intangibles assets within the companies prior to the acquisition thereof, of which R78 million pertained to AV Technology and R52 million to Glocell Distribution. In addition R76 million was incurred on the purchase of software and internally generated software development costs with a further R8 million allocation in line with foreign currency translation movements. These intangible increases were offset by amortisations of R203 million and impairments of intangible assets of R5 million.

Of the increase in current assets, material movements included increases in inventory of R917 million and cash resources of R438 million, offset by decreases in advances to customers of R206 million.

The stock turn equated to 24 days compared to nine days for the financial year ended 31 May 2018.

The average debtor's collection period remained unchanged year-on-year at 75 days.

Net loss attributable to equity holders of R6.7 billion, resulted in retained earnings declining to R2.4 billion.

Share capital and share premium decreased by R246 million congruent with the repurchase of 32.9 million shares at a weighted average price of R6.78, the purchase of treasury shares amounting to R42 million less R21 million of shares that vested.

Borrowings increased by R265 million, of which R155 million was for facilities utilised by CEC for the financing of mobile handsets.

Trade and other payables increased by R381 million, with average credit terms increasing from 66 days to 87 days.

STATEMENT OF CASH FLOWS

Cash available from operations amounted to a negative R81 million, attributable to increased inventory of R864 million, trade receivables of R434 million, advances to customers of R22 million offset by additional credit of R208 million afforded to the Group by its suppliers.

The increase in inventory was attributable to bulk purchasing at favourable discounts. Although this resulted in a temporary increase in inventory holding days, being a highly liquid asset, such excess inventory is capable of reduction within any given month. Of the increase in accounts receivable, R157 million related to a prepayment to utilities for prepaid electricity, which was replaced by inventory shortly after the reporting period due to timing differences. Further supplier prepayments amounted to R128 million.

Cash flows received from investing activities amounted to R561 million, mainly attributable to the R1 billion loan that was repaid by Cell C, offset by funds applied, net of cash acquired, to the acquisition of Airvantage Mauritius amounting to R19 million. A further R326 million was granted for the liquidity support to SPV2, R76 million for the purchase of intangible assets and R134 million for capital expenditure.

Financial Director's report continued

STATEMENT OF CASH FLOWS continued

Cash flows applied to financing activities amounted to R42 million, of which R224 million related to share buybacks, R42.4 million to the acquisition of treasury shares and a dividend payment of R35.6 million to non-controlling interests. After additional borrowings of R260 million, cash on hand at year-end amounted to R1.4 billion.

DIVIDENDS

The Board of Directors has elected not to declare a dividend.

GOING CONCERN

The Board of Directors evaluated the going concern assumption as at 31 May 2019 and considered it to be appropriate in the preparation of these financial statements.

The Prepaid Company's Investec banking facilities, which would have expired on 30 September 2019, have been extended to 29 November 2019 and discussions are in progress for a further extension beyond that date.

As at the date of these financial statements, the renegotiation of these facilities had not yet been completed, and although the directors are of the opinion that the facilities would be extended beyond November 2019, material uncertainty exists should these facilities not be extended. In this event, certain liabilities within the Group would not be settled in the normal course of business.

The directors are confident that the successful completion of the disposal transactions relating to 3G and the Blue Label Mobile group, will result in a significant reduction in interest-bearing debt and in turn the strengthening of the Group's balance sheet.

APPRECIATION

I once again wish to express my gratitude to the Group's finance team for their professional input and dedication throughout the year.

Dean Suntup
Financial Director

29 October 2019

DATA SOLUTIONS

BLUE LABEL TELECOMS

Blue Label Data Solutions (BLDS) is one of South Africa's market leaders in consumer data, big data, validation, verification, cleansing of data and lead generation. BLDS is looking to acquire more value-added and regulated products for example, banking and insurance products and is expanding into new markets.

Ten-year review

	2019 R'000	Restated[1] 2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012[2] R'000	2011 R'000	2010 R'000
Revenue	**25 869 433**	26 734 249	26 469 581	26 204 722	22 044 222	19 401 666	18 984 210	18 722 080	18 601 571	17 027 696
Gross profit	**2 646 121**	2 282 092	2 129 000	1 829 694	1 644 340	1 349 534	1 271 245	1 208 077	1 124 569	1 174 224
GP (%)	**10.23**	8.54	8.04	6.98	7.46	6.96	6.70	6.45	6.05	6.90
EBIT	**209 664**	1 097 549	1 174 890	1 142 376	986 146	722 856	645 671	643 828	517 060	569 459
EBITDA	**462 680#**	1 340 153	1 287 741	1 240 559	1 080 165	787 993	713 622	735 385	710 192	689 244
Net profit attributable to the parent	**(6 646 383)**	1 122 085	781 254	691 590	577 617	450 230	424 841	438 104	431 448	365 022
Cash from operating activities	**(80 514)**	3 188 144	1 361 959	432 942	132 495	907 332	(439 794)	528 109	427 663	515 910
Cash and cash equivalents	**1 377 753**	947 888	1 350 666	589 027	788 411	1 184 131	941 282	1 975 242	2 226 170	2 054 902
Capital expenditure	**209 959**	102 823	113 280	127 131	178 684	149 089	291 605	164 485	186 196	195 817
Ratios										
EPS (cents)	**(727.81)**	131.13	114.13	103.85	86.86	67.88	64.22	61.87	57.04	48.17
HEPS (cents)	**(312.49)**	130.44	114.19	100.35	82.26	67.98	64.17	64.65	46.20	48.27
Core HEPS (cents)	**(304.77)**	135.62	116.24	102.85	85.11	69.54	66.08	67.15	49.50	52.44
NAV per share (cents)	**259.31**	988.70	730.63	662.32	578.87	524.40	480.77	432.08	388.90	342.76
Dividends declared per share (cents)	**–**	–	40*	36*	31*	27*	25*	23*	14	12
Dividend cover on headline earnings (cents)	**–**	–	2.23*	2.75*	2.62*	2.48*	2.52*	2.95*	3.30	4.02
Weighted average number of shares ('000)	**913 208**	855 687	684 508	665 950	665 030	663 298	661 578	708 060	756 359	757 793
Number of employees at year-end – subsidiaries	**1 111**	874	796	776	1 305	1 176	1 112	1 216	1 357	1 620

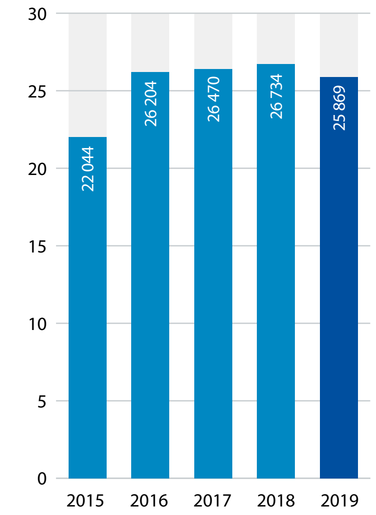
* *Gross ordinary dividend.*

[1] *As a result of the prior year errors relating to revenue classification (principal versus agent), put option liability classification and venture capital accounting to equity accounting, the Group has restated its comparatives.*

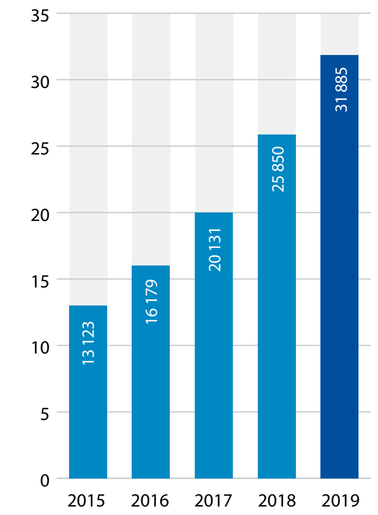
[2] *Includes a once-off income receipt of R79.4 million.*

\# *On exclusion of impairments and fair value losses referred to on page 38 of the Financial Director's report, EBITDA generated by the Group increased from R1.34 billion to R1.65 billion.*

Revenue
(R million)

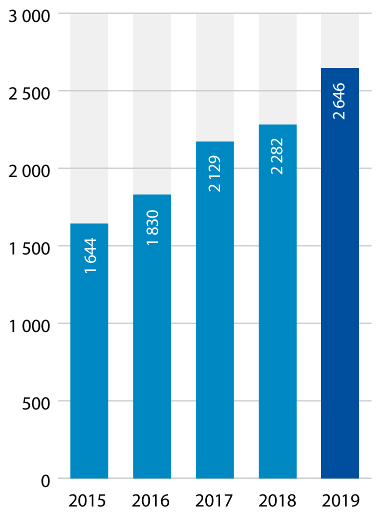


Gross PINless transactional values*
(R million)

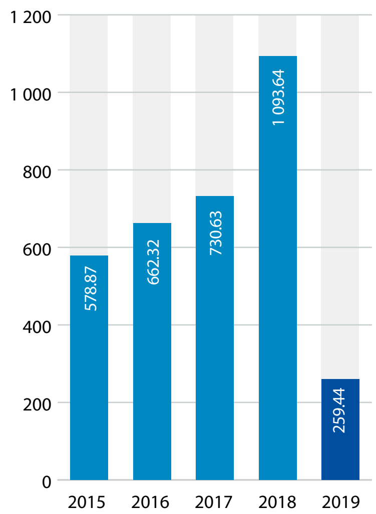


* Includes gross electricity, ticketing and PINless top ups

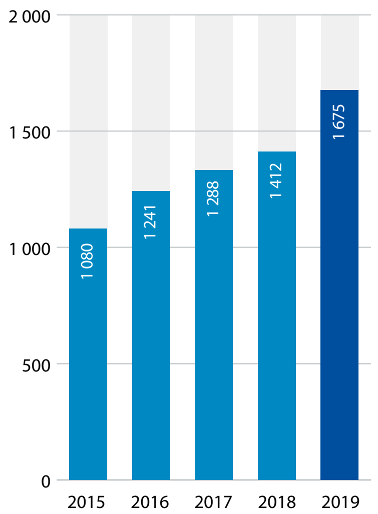
Gross profit
(R million)



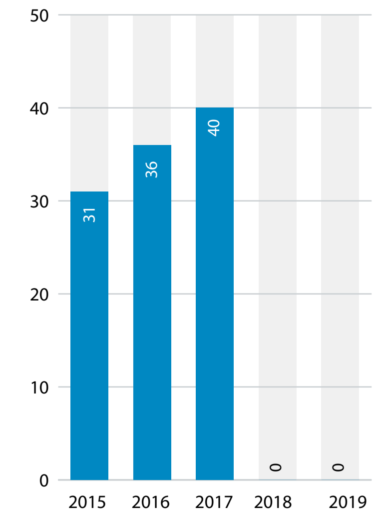
NAV per share
(cents)



EBITDA
(R million)



Dividends declared per share
(cents)

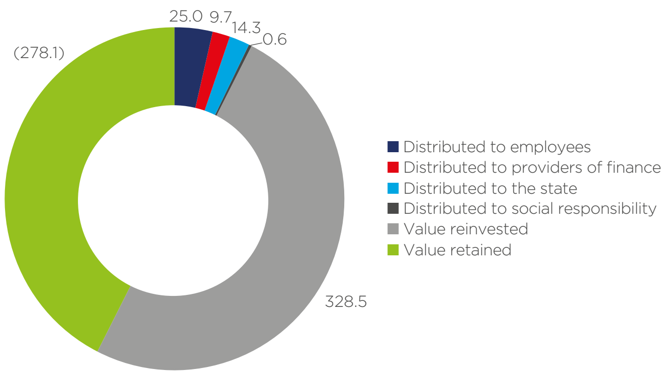


Value added statements

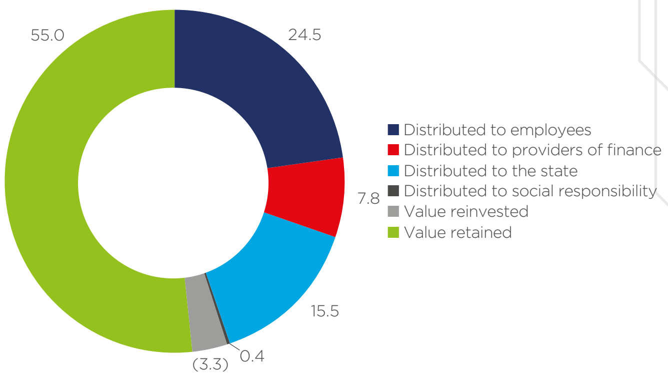
	2019 R'000	2019 %	Restated[1] 2018 R'000	2018 %	2017 R'000	2017 %	2016 R'000	2016 %
VALUE ADDED								
Value added by operating activities	**2 284 291**	**95.9**	1 945 220	91.0	1 749 186	95.7	1 674 203	96.3
Revenue	**25 869 433**		26 734 249		26 469 581		26 204 722	
Net operating expenses	**(23 585 142)**		(24 789 029)		(24 720 395)		(24 530 519)	
Value added by investing activities	**96 809**	**4.1**	191 826	9.0	79 125	4.3	64 266	3.7
Interest income	**96 809**		191 826		79 125		64 266	
	2 381 100	**100**	2 137 046	100	1 828 311	100	1 738 469	100
VALUE DISTRIBUTED								
Distributed to employees	**594 183**	**25.0**	524 187	24.5	452 985	24.8	427 116	24.7
Salaries, wages, medical and other benefits	**594 183**		524 187		452 985		427 116	
Distributed to providers of finance	**231 132**	**9.7**	166 613	7.8	105 518	5.8	48 207	2.8
Finance costs	**231 132**		166 613		105 518		48 207	
Distributed to the state	**339 670**	**14.3**	330 920	15.5	345 990	18.9	305 420	17.6
Income Tax	**339 670**		330 920		345 990		305 420	
Distributed to social responsibility	**15 339**	**0.6**	9 287	0.4	8 460	0.5	6 528	0.4
Corporate social investment	**15 339**		9 287		8 460		6 528	
Value reinvested	**7 822 972**	**328.5**	(69 731)	(3.3)	185 000	10.1	219 586	12.6
Depreciation, amortisation and impairment	**4 134 181**		314 197		112 851		98 183	
Net discounting finance cost	**11 929**		136 551		(1 210)		36 270	
Share of (profits)/losses of associates and joint ventures	**3 701 410**		(520 628)		89 533		71 770	
Deferred taxation	**(24 548)**		149		(16 174)		13 363	
Value retained	**(6 622 196)**	**(278.1)**	1 175 770	55.0	730 358	39.9	731 612	42.1
Retained profit	**(6 646 383)**		1 122 085		696 462		691 590	
Minority shareholders' interest	**24 187**		53 685		33 896		40 022	
	2 381 100	**100**	2 137 046	100	1 828 311	100	1 738 469	100

[1] *As a result of the prior year errors relating to revenue classification (principal versus agent), put option liability classification and venture capital accounting to equity accounting, the Group has restated its comparatives.*

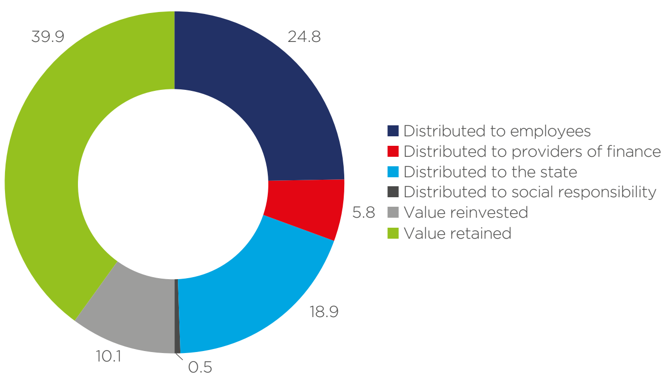
Value distributed 2019
(%)



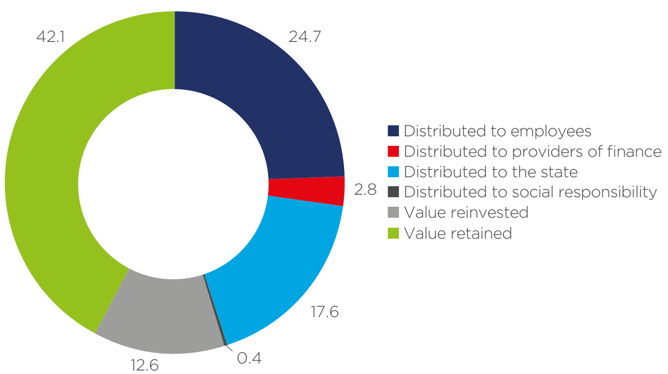
Value distributed 2018
(%)



Value distributed 2017
(%)



Value distributed 2016
(%)



Operating structure

as at 31 May 2019

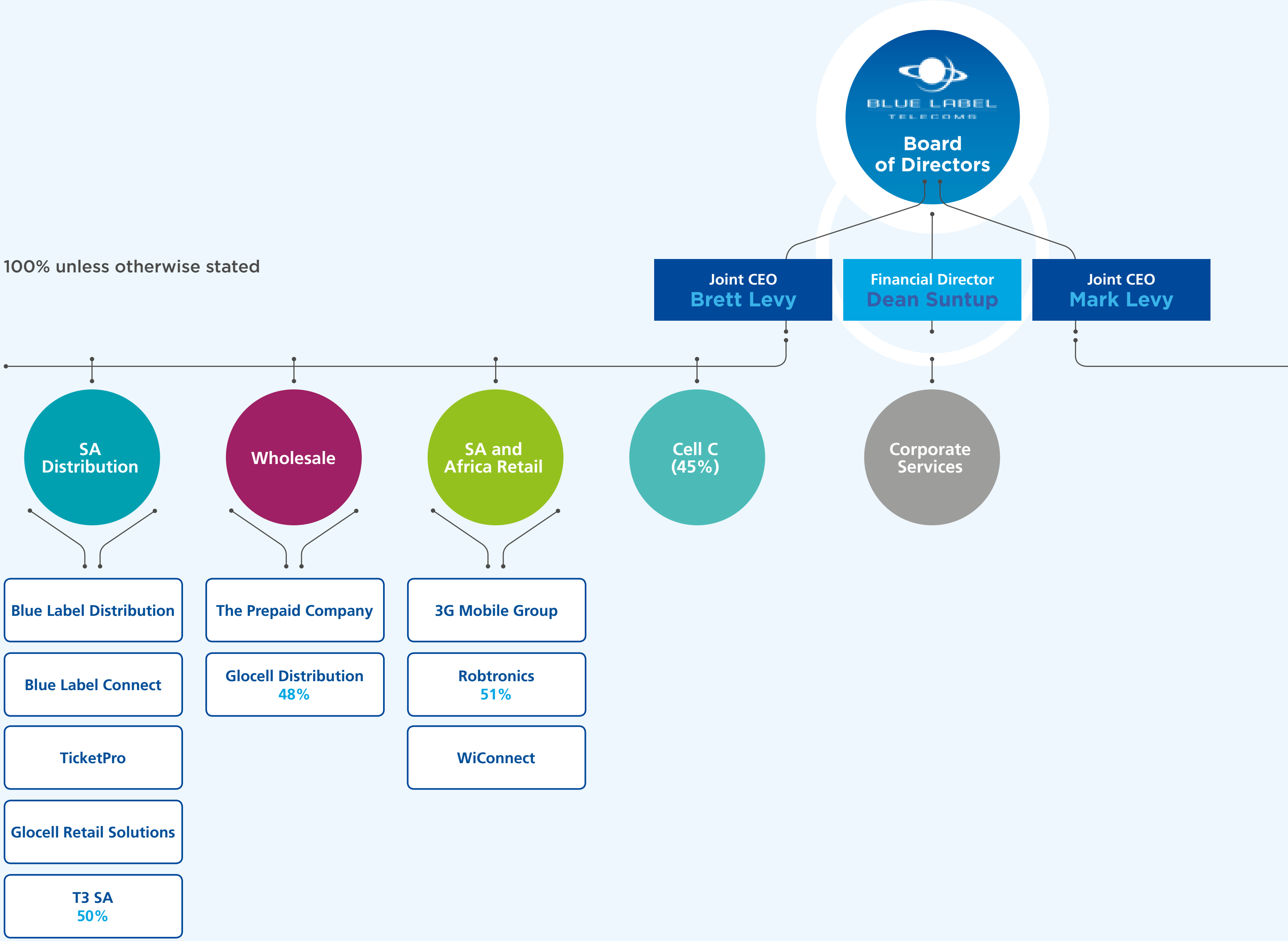
NEW OPERATING STRUCTURE

We have spent the last 18 months redesigning our operating structure which is now being implemented across the Group. The structure is designed to significantly improve customer centricity through the creation of new routes to market that include efficient processes and technology that are built around customer needs and value sets, ensuring that agility is embedded and adopted throughout our Company.

In addition, we have leveraged both skill and scale across the Group. This scalable and efficient model supports the Group's growth agenda and frees up resources for new skills and technology application.

Further information regarding the new operating structure can be found in the human capital report beginning on page 64.

100% unless otherwise stated



- **Blue Label Mobile (85%)**
  - Cellfind 85%
  - Panacea Mobile 51%
  - Via Media 85%
  - Simigenix 51%
- **Blue Label Solutions**
  - Blue Label Data Solutions 81%
  - UCCS 50%
- **Blue Label Media**
  - Blue Label One
- **Technology and Development**
  - Transaction Junction 60%
  - Airvantage SA 60%
- **Electricity/ Municipalities**
  - Cigicell 74%
  - Utilities World 25.1%
- **Blue Label International**
  - Oxigen Services India 58.85%
  - Oxigen Online Services 58.82%
  - Blue Label Mexico 47.56%
  - Airvantage Brazil 48%
  - AV Technology 60%
- **Blue Label Ventures**
  - iCrypto 14.29%

Operational review

The financial year ended 31 May 2019 was focused on integrating the acquisitions made in the preceding two years, and refining operating structures and processes to improve our ability to service customers and maximise benefits for existing and new operations while adapting to changing market conditions. Improving the agility and security of our IT systems, which is the bedrock of our business, has been a major focus this financial year.

Blue Label's primary trading market in the South African cellular industry has been significantly impacted by competitive MNO pricing pressure coming to the fore in June/July 2018. The depressed South African economy has also contributed to the tough trading environment. Blue Label is proud of its resilience, its stated strategy of expanding both its reach and product portfolio to produce additional revenue streams which enhance Blue Label's financial performance.

Core headline earning for the Group equated to a negative 304.77 cents per share, down from a positive 135.62 cents per share recorded in the 2018 financial year. The loss was largely attributable to Cell C's trading losses, impairments of its property, plant and equipment, derecognition of its deferred tax asset, fair value downward adjustments of the exposure relating to SPV 1 and SPV 2 and the consequent requirement to write down the investment in Cell C to zero. These losses were further exacerbated due to the impairments of Blue Label's total investment in Oxigen India Group, as well as providing for loan impairments, guarantees payable therein, as well as impairments of goodwill and investments in a joint venture. On exclusion of the negative impacts as detailed below*, the Blue Label business did, however, grow strongly, recording a 26% increase in its core headline earnings.

The review that follows provides more detail on the operating performance of primary businesses in the Group. Financial performance within these businesses and divisions can be referred to the Financial Director's report on pages 40 to 46.

* *On exclusion of the negative impact attributable to:*

- *Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the derecognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;*
- *Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C and the Glocell loan;*
- *An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable therein; and*
- *Partial impairments of goodwill and an investment in a joint venture.*

AFRICA DISTRIBUTION

THE PREPAID COMPANY (TPC)

The Prepaid Company is the leading distributor of prepaid airtime and data for all the South African mobile network operators. It facilitates, manages and maintains the distribution of all airtime, data and starter packs. Relationships with each of the network operators are crucial to the success of the business.

The Prepaid Company is responsible for supplier agreements and procurement on behalf of the Group, including wholesale and community sales, starter packs, handsets, tablets and fulfilment of bulk airtime printing capabilities to its merchants.

The wholesale market is declining in excess of 5% per annum as customers are changing their buying habits, in addition to margins being squeezed. From an internal perspective, much of TPC's traditional formal retail customer base is now being managed by Blue Label Distribution (BLD), as the Group concentrates on customer centricity.

TPC's fresh approach has been to focus on efficiencies, gross profit margin accretion and to assist BLD in the growth of the informal market channel by specifically concentrating on community channels, churches and the spokes in BLD's hub and spoke strategy, for increased starter pack sales.

Limited cash resources have inhibited TPC's ability to take advantage of bulk buying and early settlement discounts, due to the investments and financial commitments of the broader group.

THE PREPAID COMPANY

BLUE LABEL DISTRIBUTION (BLD)

BLD provides electronic products and services throughout South Africa through its extensive distribution channels. These encompass, but are not limited to, banks, retailers, spaza shops, informal traders and petroleum forecourts. We aim to stimulate and contribute to financial inclusion in South Africa, providing convenient digital transacting solutions to all.

Our technology provides traders an efficient and user-friendly interface to sell products and services through the integration of various hardware solutions. These devices and integrations allow for the continued growth of an ever expanding base of products, as well as functionality which is constantly refined to empower traders into the future.

Penetration into the informal market continues to be a driver of growth. Aligned to our aspirations of financial inclusion, we are intent on continuing this penetration in a smart and controlled fashion. BLD registered 17 000 new outlets in the year ended 31 May 2019.

A further key driver of sustainability in business, BLD is firmly committed to upskilling and competence development of its trading base. With each device placement, traders and staff are trained and allocated fit-for-purpose marketing material aligned to their chosen product set. The resultant quality in execution has seen traders' revenue grow to an average that exceeds key competitors within the market.

Our commitment to customer service is paying dividends. We have full line of sight of the challenges that our customers face and we continue to address these challenges on an ongoing basis through our insourced Customer Interaction Centre.

BLD will maintain this focus on delivery in 2020. The business unit has and will continue to strengthen its core platform to enable scale. This scale allows for delivery across multiple channels, while expanding our base of customers. It also enables us to continue to offer more products and services more rapidly. BLD continues to drive a growth mind-set while remaining true to our customer-centric approach.

BLUE LABEL DISTRIBUTION

Operational review continued

AFRICA DISTRIBUTION

TICKETPRO

TicketPro is a vital element in securing exclusive distribution contracts. The ability to offer our customers access to transport services, sporting events and entertainment is exceptionally attractive to them in terms of being a 'magnet for foot traffic' to their customers.

Traditional ticketing is an extremely thin margin model as a result of intense competition in the market. TicketPro is therefore focusing on building its online and white label ticketing platforms and is investigating how to take advantage of NFC technology while remaining open-looped.

Transport is the most lucrative of TicketPro's business segments and it continues to work with information technology to onboard further transport capabilities. This process has taken longer than expected.

CIGICELL

Cigicell provides municipalities in South Africa with revenue *collection* and revenue *assurance* solutions.

Revenue collection

Cigicell is the leading distributor of prepaid electricity and water tokens in South Africa. The size of the current market exceeds R2.5 billion per month. Cigicell also offers municipal customers the ability to pay their rates and taxes or traffic fine accounts via convenient retail and banking channels.

Revenue assurance

Cigicell offers financially distressed municipalities across South Africa a revenue assurance ecosystem, which encompasses a variety of solutions including debt funding and funding of metering infrastructure requirements. Cigicell prides itself on an efficient treasury function to support its projects around South Africa.

As we sign on more municipalities around the country, we need to reinforce our service levels by hiring highly skilled metering specialists and relationship managers who ensure that we maximise the potential of our solutions for all our customers. Municipalities are confident that they are receiving the best advice available and trust us to collect, protect and enhance their revenue. Cigicell employs local semi-skilled and skilled people in the targeted municipality, thereby positively impacting the local economy. Cigicell is continuously advancing its business processes, software and hardware to complement its processes, focusing on efficiency, sustainability and scalability.

AFRICA DISTRIBUTION

3G MOBILE

The South African retail market has declined by between 5% and 15%. 3G, however, delivered another strong performance. The business has invested in the right people and processes and is able to offer pricing that is competitive across the market.

3G has forged partnerships with the networks and OEMs offering them an ideal alternative to the current traditional status quo. The company currently operates in South Africa, Botswana, Namibia, Mauritius, Eswatini, Lesotho, Zimbabwe, Zambia, and Mozambique and intends to further extend its presence in Africa with four new territories in the next financial year.

Post-year-end, the Board of Blue Label has decided to dispose of the handset division of 3G. The proceeds of R544 million will be used to reduce interest-bearing debt.

Blue Label is retaining the Comm Equipment Company division of 3G that provides finance for handsets and other products such as DStv decoder acquisitions. Its finance book amounted to R3.1 billion at 31 May 2019.

CELL C

The financial performance for the 12 months to 31 May 2019 was below expectation and several key performance indicators were not met. The 2019 financial year has been characterised by slow growth, a volatile rand against major currencies, service issues with Eskom and a continuing slowdown in the economy, which resulted in a decline in the GDP by 3.2% in the first quarter of 2019. Consumer purchasing power has weakened; contributing to the lower than expected financial performance of the Company.

Furthermore, new regulatory and legislative frameworks pertaining to data expiry and out of bundle usage had been implemented with effect from 1 March 2019. The new legislation requires telecommunication operators to:

- roll over unused data;
- provide an option to offer unused data to other users on the same network; and
- ensure that out-of-bundle data was explicitly opt-in only.

Please click here to access Cell's C presentation for the 12 months ended 31 May 2019.

WICONNECT

WiConnect is a speciality retail store where customers have access to a variety of products, which include various ranges of handsets, tablets, prepaid, hybrid top up and postpaid deals. There are 73 outlets which have been designed to provide customers the full Blu Approved product offering including ticketing as well as accessories and WiFi routers.

The business has been stabilised following the termination of the relationship with Edcon. Key issues regarding stock management, staffing, point-of-sale and in-store communication have now been resolved.

GLOCELL

Glocell was acquired to complement our distribution strategy. The Company has fitted well into the Blue Label stable and has reduced its operating expenses by 65%.

The Company will focus on the distribution of starter packs and its wholesale business.

AFRICA DISTRIBUTION

TECHNOLOGY

We maintain our strategic drive towards improving customer centricity within our operating model, underpinned by partnership, collaboration, prioritisation and alignment according to the Group's RITE (Reach, Innovation, Trust and Efficiency) strategy.

Platform renewal, improvement, innovation and transformation remain key to our central mandate to deliver world-class, customer-centric business solutions with the primary goal being to enable the delivery of continuous growth.

Our objective for agile transformation further ensures sustainable delivery methodologies within our strategically-aligned technology functions across the Group. This 'fail-fast-deliver-fast' approach accelerates our go to market strategies for new products and enables the Group to launch new revenue streams on enhanced technology platforms. Our technology function maintains an active, forward-planning approach to embracing change. Providing a future-fit delivery capability is a business imperative.

BLUE LABEL CONNECT

Blue Label Connect distributes tailor-made hybrid top-up airtime and data contracts on behalf of all major South African cellular network operators. These can be purchased as a SIM-only package or alternatively bundled with mobile phones, tablets and accessories.

Blue Label Connect, through its over-the-air mobile platform, enables its partners to extend their customers' offerings into the digital space to maximise customer convenience. Its cost-effective mobile platforms enables customers to purchase tailor-made products and services utilising their mobile phones.

The primary operational highlight has been the development of a revamped and optimised credit/debit screening process. Prepaid cash transactional data has been added to the traditional screening process.

Blue Label Connect is now able to finance a handset over the length of the contract.

A newly established commercial arrangement with a call centre is one of the primary drivers of growth for this business unit.

BLC
Blue Label Connect (Pty) Ltd

AIRVANTAGE SA

Airvantage supplies advanced airtime to traditional prepaid customers. The company has extensive experience and insight into consumer behaviour and nano scorecard analysis. This allows them to guarantee the highest possible service revenue and low levels of bad debt. The service continues to grow organically and we constantly launch new product innovations, which lead to more loans being granted and higher penetration into the prepaid base. Airvantage operates their model and systems in South Africa, Brazil, the rest of Africa and the Caribbean.

The service continues to grow organically and we constantly launch new product innovations which lead to more loans being granted and higher penetration into the prepaid base.

Post year-end, the Board decided to dispose of the mobile division, Airvantage and its divisions.

airvantage

INTERNATIONAL

BLUE LABEL MEXICO

The company remains consistent in pursuing its original strategy of network growth by growing the number of transacting terminals; customer penetration through incremental products and services provided on our terminals; and constant improvement of our processes to deliver more efficient services at lower cost.

Our focus for FY19 has been the implementation of a turnaround programme based on people, processes and technology. The programme comprises the following actions:

- A rationalisation programme of both pricing and expenses;
- Implementation and expansion of a new customer acquisition model based on hubs and spokes to change customer acquisition into a variable cost component;
- Rightsizing the organisation and placing the right people in the right positions;
- Redesigning the IT architecture, enabling faster time to market and a significant reduction in operational and transactional costs; and
- Development of a new customer servicing model.

Blue Label Mexico has implemented these changes to reduce losses and turn to profitability and allow expansion of our business off a lower cost base. Blue Label and Grupo Bimbo look forward to reporting our progress in FY20.

OXIGEN SERVICES INDIA

The Indian operation has been written down in full. Please refer to note 2.1 on page 47 of the Group annual financial statements for a full report on the financial implications.

Local management remains committed to identifying potential investors into this business and we will report further on any successes in this regard.

AIRVANTAGE BRAZIL

The Brazilian operation has negotiated a renewed contract with TIM in Brazil following the conclusion of the pilot phase of this project. Full operations commenced on 1 August 2019. The macro-economic environment is picking up and TIM is the largest prepaid carrier in Brazil. We have also established an office in Brazil to cater for growth across LATAM.

AIRVANTAGE MAURITIUS

The operations continue to grow organically due to implementation of new product innovations across the airtime, data and value-added service advance space. We are continually looking to expand into other emerging markets in Africa, the Caribbean, the Middle East and Asia.

SOLUTIONS

BLUE LABEL DATA SOLUTIONS (BLDS)

Blue Label Data Solutions (BLDS) is one of South Africa's market leaders in consumer data, big data, validation, verification, cleansing of data and lead generation. BLDS is accredited by the Direct Marketing Association of South Africa, of which it is a founding member. The focus this year has been on accumulating "big data" in-house, recognising that there are benefits to be reaped in co-ordinating and channelling the data. A sophisticated "big database" is currently being developed in order to aggregate, process, analyse and prioritise vast sets of customer and transactional data, from across all the subsidiaries in the Group and their partners.

BLDS has had a very strong financial year through a hybrid of organic and acquisitive growth. The division acquired 50% of United Call Centre Solutions (UCCS) during the 2018 financial year. The call centre operation leverages data provided by BLDS to generate sales. Blue Label's 81% share of BLDS saw core net profit increasing from R29.8 million to R43.6 million in the 2019 financial year.

BLDS will extend its product offerings to include banking and insurance products and is expanding into new markets.

MOBILE

BLUE LABEL MOBILE GROUP (BLM GROUP)

Blue Label Mobile's strategy is to partner with Mobile Network Operators (MNOS) with carrier grade platforms to provide various products and services to their consumers. Over the past two years, BLM has been transitioning its focus from a B2C focused business into at B2B2C service provider. It has repositioned itself to operate in three vertical – integrated communication, infotainment & VAS and mobile financial services.

The new regulations surrounding requirements for double opt-in have decimated the traditional B2C business. The MNOs have reacted by changing billing rules which makes business far more cumbersome. This has resulted in churn rates escalating significantly.

The Board has taken a decision to dispose of The Blue Label Mobile Group as referred to on page 3 of the director's report in the Annual Financial Statements.

GOING FOR

GR WTH

INFORMAL MARKET

Our commitment to the philosophy of financial inclusion is best demonstrated in our approach to the informal market. Our business is to grow their business.

Human capital

Blue Label is a growing organisation and our people are at the heart of this strategy. We have begun a journey to achieve our purpose of eliminating inequality by enabling all South Africans to interact and transact on an equal footing. All human capital activities have been aligned to enable leaders, their teams and our people to rally behind this purpose and deliver our strategy collectively.

The landscape within which we are operating has been challenging for our leadership and our employees. A competitive talent market, and the economic, political and regulatory environments have further contributed to us evolving our human capital strategy and practices.

The past year has been one of revisiting our strategy and reshaping it together with our practices to create a future-fit organisation where our leaders are empowered to engage the hearts, minds and hands of our people to deliver our bold purpose and its supporting RITE strategy.

THRIVING WITHIN THE BLUE LABEL FAMILY

#happinessisblu

Our new #happinessisblu employee value proposition captures the unique culture and experience of working within Blue Label. At Blue Label we pride ourselves for managing to maintain a strong culture of family, friendship and entrepreneurship despite our rapid growth.

Labour turnover (LTO) for the Group was 17.3% for the year. This has predominantly been influenced by our focus on creating a high performance culture that will deliver sustainable double digit growth. Non-regrettable losses equalled 33% of our total LTO. The low number of regrettable losses is testament to the unique work experience, empowerment and career opportunities that Blue Label is able to offer our employees. We will maintain these strengths and build on them to ensure that our organisation continues to retain critical skill and talent, and is able to attract and compete effectively for talent within the market place. Furthermore, in response to societal and economic pressures impacting our employees, we are evolving our total reward offering to ensure that they continue to thrive within an ever-changing South African and global economic context.

#happinessisblu
TOTAL REWARD @ BLT

#myremuneration	#myhappiness
Fixed Annual Remuneration (FAR)	Employee benefits
Short-term incentives (STIP)	Quality of work
Long-term incentives (LTIP)	Wellbeing
	BLT culture & leadership
	Enabling environment
	Career experiences

While a lot of work has been done in FY19, there is still a lot to do to anchor our strategy and position ourselves as an employer of choice.

RESHAPING AND EVOLVING OUR ORGANISATION

#happinessiscubed

We aspire to become more customer and consumer centric and this has required us to revisit our operating model, workplace practices and organisational capabilities.

In the last year we have embarked on reshaping our organisation through:

- restructuring businesses and teams to create a customer and consumer centric organisation;
- creating new teams and business enterprises to improve our ability to serve our customers and consumers;
- accelerating the integration of acquisitions into the Blue Label family to maintain customer service, expand market penetration and enable faster return on investments;

- leveraging skills and capabilities from different subsidiaries for the benefit of the Group to reduce costs, increase efficiencies and improve our ability to better service our customers and consumers through a portfolio of BLT products and services;
- redefining processes to create an agile organisation which is responsive to an ever-evolving environment and consumer needs; and
- investing in new resources and capabilities across the organisation that will enable us to support our RITE strategy.

This journey will continue into FY20 as we evolve our business further to create an organisation that is scalable and will enable us to deliver further efficiencies, enhance productivity and increase revenue.

BUILDING NEW CAPABILITIES

#happinessisentrepreneurship #happinessiscollaboration&connection #happinessisinnovation

Within an increasingly competitive market we have identified key capabilities which we must maintain, improve and invest in. In doing so we are improving our ability to expand our reach and grow our customer base, service our customers and innovate.

At Blue Label we pride ourselves for being entrepreneurial and seeking opportunities to grow and expand consistently. Our vision is to create an entrepreneurial spirit across our employees and value chain. We have invested in expanding our commercial capability across sales and operations through various learning initiatives. In addition, our new learning tools and resources have enabled us to extend learning opportunities beyond our employees to our merchants and third-party agents.

Creating a customer-centric organisation and associated mindset has been achieved through various workshops, on-the-job learning initiatives and projects. The outputs of this process have been tangible changes to our operating model, the design and content of jobs and how we work within and across teams. Creating hyperconnected teams across BLT remains a focus looking forward. This will see us expanding fit-for-purpose BLT agile methodologies and work practices, where appropriate. While a lot of work has been done to date, there is still much to do.

Digital innovation is critical to our growth. In FY19 we piloted various initiatives to understand what this could look like within our organisation. We have defined a strategy, identified key capabilities and resource requirements and have begun the journey to evolve organically. Over the next three years we aim to transition our technology capabilities and this requires us to invest in our talent to ensure that they are future fit. With leadership we have begun to:

- repurpose our organisation and teams to accelerate this journey;
- develop internal talent with new skills;
- identify talent and provide career growth opportunities to create teams with depth and breadth of skills that will enable us to innovate faster; and
- source and headhunt talent to bring new skills into our organisation.

Through our organisational redesign initiatives and looking forward, leadership capability is critical to creating an agile and customer-centric organisation. We also view this as critical to maintaining our BLT culture as we expand and grow rapidly. Our joint CEOs have championed the organisational redesign and have been working closely with key leaders to reshape our organisation. In FY20 we will be launching a newly developed leadership development programme for all line managers.

TALENT MANAGEMENT & SUCCESSION PLANNING

#happinessiscareerexperiences

At Blue Label we are committed to building an inclusive and diverse Blue Label family.

In FY19 a strong intent was set by both the Board and BLT leadership to create a diverse and inclusive BLT with the introduction of the policy on the promotion of gender and race equality. Targets have been set for us across the organisation to transition our diversity over the next three years. The process has resulted in us setting targets to improve our black female representation on the BLT Board and extending our Executive Committee.

Blue Label's revised Talent Strategy aims to:

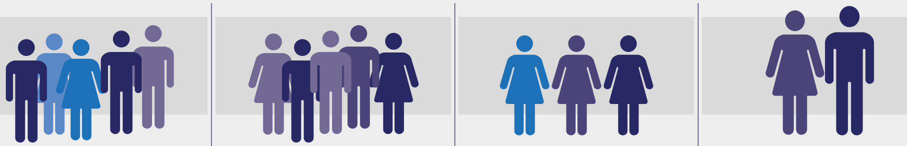
- attract critical skills and high potential talent through our compelling and differentiated employee value proposition #HappinessisBlu;
- retain our talent by providing quality work that is both meaningful and challenging;
- develop our employees with new skills that will enable them to remain future fit in an increasingly competitive and evolving market;

- provide career experiences and growth opportunities enabled through effective talent management, succession planning and workforce planning; and
- shift our black representation further over the next three years across all occupational levels.

Through FY19 our talent department has actively worked with leadership to:
- invest in our employees through focused development plans to create a healthy internal pipeline for key roles;
- invest in key skills that will enable Blue Label to remain competitive within the changing world of work that has been impacted by the Fourth Industrial Revolution;
- manage succession more deliberately to give our employees enhanced career experiences across the Group; and
- attract high calibre talent that will support our aspiration to build a Blue Label family that is both inclusive and diverse.

The focus on talent management has enabled us to limit vacancies within key roles and provide employees with career growth opportunities. Talent development and succession planning has played a critical role within various organisational redesign processes across the Group. Effective succession planning has enabled us to accelerate change initiatives to create a future-fit organisation, provide stability to our teams and stay the course with our strategy.

Through our group succession planning and workforce planning initiatives, internal promotions have further progressed race and gender diversity



Promotions were awarded to black employees	Promotions awarded to African employees	Promotions awarded to females	Promotions awarded to EAP candidates at Senior Management level
67%	**50%**	**22%**	**66%**

While there was a lot to be proud of there were no female promotions at Executive or Senior Management level. Looking forward, we will continue to focus on accelerated development of key equity talent, supported by mentorship and succession planning. We will need to increase focus on attracting high calibre female talent into the organisation in order for us address current diversity gaps within leadership.

CREATING A DIVERSE AND INCLUSIVE BLT

#happinessissisonke

There has been a significant improvement in equity representation across the Blue Label group in F19.

While we have made good progress to address equity representation, there is a need to improve our female representation within the organisation. Progress has been made within junior management, semi-skilled roles, and unskilled roles.

Diagram 1: Equity recruitment F18 versus F19
(%)

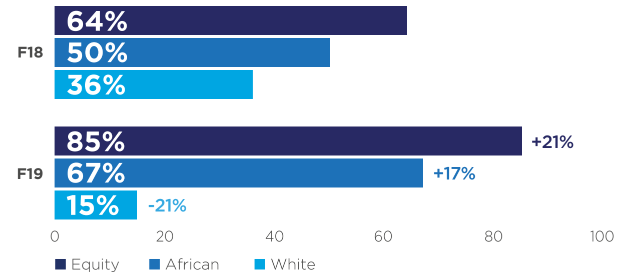
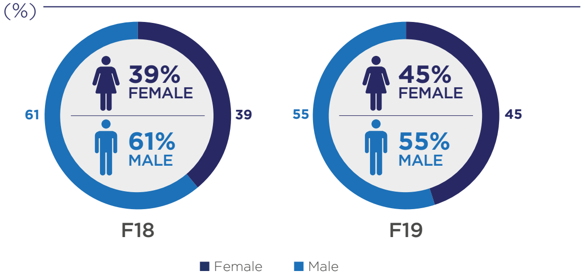


Diagram 2: Female recruitment F18 versus F19
(%)



Diversity representation has improved against last year

- African male representation ↑ 46%
- African female representation ↑ 47%
- Coloured male representation ↑ 30%
- Coloured female representation ↑ 33%
- Indian male representation ↑ 32%
- Indian female representation ↑ 41%

While African representation has increased, representation within middle to top management must improve. This will be achieved through accelerated development and mentorship of high potential employees, supported by succession planning.

Our current EAP performance is reflected in the table below. The table excludes our international operations.

EMPLOYMENT EQUITY DEMOGRAPHICS – FY 19
BLUE LABEL TELECOMS

	MALE				FEMALE				FOREIGN NATIONAL		
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	MALE	FEMALE	TOTAL
Top management and other executives	3	0	2	24	0	1	1	3	0	0	**34**
Actual percentage	9%	0%	6%	71%	0%	3%	3%	9%	0%	0%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(34%)	(5%)	4%	65%	(35%)	(2%)	2%	5%	0%	0%	
Senior management	1	1	1	31	1	0	0	7	0	0	**42**
Actual percentage	2%	2%	2%	74%	2%	0%	0%	17%	0%	0%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(40%)	(3%)	1%	69%	(33%)	(5%)	(1%)	12%	0%	0%	
Middle management	2	2	9	47	3	2	2	28	1	0	**96**
Actual percentage	2%	2%	9%	49%	3%	2%	2%	29%	1%	0%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(41%)	(3%)	8%	44%	(32%)	(2%)	1%	25%	1%	0%	
Junior management	106	35	22	123	51	12	18	64	16	8	**455**
Actual percentage	23%	8%	5%	27%	11%	3%	4%	14%	4%	2%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(20%)	2%	3%	22%	(24%)	(2%)	3%	10%	4%	2%	
Semi-skilled employees	113	12	9	7	137	31	13	22	8	5	**357**
Actual percentage	32%	3%	3%	2%	38%	9%	4%	6%	2%	1%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(11%)	(2%)	1%	(3%)	3%	4%	3%	2%	2%	1%	
Unskilled employees	59	0	1	2	63	0	0	1	1	0	**127**
Actual percentage	46%	0%	1%	2%	50%	0%	0%	1%	1%	0%	
NEAP	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	3.66%	(5.30%)	(1.01%)	(3.73%)	14.51%	(4.50%)	(1.00%)	(3.41%)	0.79%	0.00%	
TOTAL	284	50	44	234	255	46	34	125	26	13	**1 111**
Overall %	**26%**	**5%**	**4%**	**21%**	**22.95%**	**4%**	**3%**	**11%**	**2%**	**1%**	
Overall NEAP %	**42.80%**	**5.30%**	**1.80%**	**5.30%**	**35.10%**	**4.50%**	**1.00%**	**4.20%**	**0.00%**	**0.00%**	
Variance against NEAP	(17.24%)	(0.80%)	2.16%	15.76%	(12.15%)	(0.36%)	2.06%	7.05%	2.34%	1.17%	

Human capital continued

SKILLS DEVELOPMENT

Skills development remains a focus area within the organisation for employees, learners and talent within our broader value chain. In the last year, capability building for our BLT employees has been a key focus to enable us to future-proof ourselves and remain relevant in the marketplace. Training budgets for the development of technology employees has increased significantly to enable us to develop new skills and capabilities required for us to convert to new technology stacks in support of our digitisation and innovation strategy.

In addition to our business transformation capability-building initiatives we have implemented learnerships across the organisation to support our growth initiatives.

FY19 skills development

	Learnership programmes implemented	Learners	Disabled learners	Unemployed learners	Employed learners
FY19 skills development	12	226	85	200	26
FY18 skills development	9	90	20	30	0

FY18 skills development

Blue Label bursary scheme

Total spend on formal bursaries **R2 988 603**

Total number of bursary recipients	Total number of disabled bursary recipients	Total number of employee bursaries	Total number of non-employee bursaries
111	40	59	52

TOTAL REWARD

#myremuneration #myhappiness

Together with our Remuneration Committee (Remco) we have revisited our total reward philosophy. A key enabler to the successful implementation and leveraging of the revised policy has been the standardisation and implementation of a single grading approach across the Group.

Blue Label Telecoms has a significant number of subsidiaries and newly acquired businesses. Over the last year the human capital team has begun to standardise the job evaluation and grading system for the Group. We are transitioning some organisations from Patterson to a standardised Hay job evaluation methodology. The human capital team, together with the Remco and Social, Ethics and Transformation Committee, are working closely with leadership to re-evaluate roles and align grades across the Group. This exercise will be completed at the end of Q2 in FY20. The process has enabled us to:

- understand our current landscape;
- evaluate current practices across subsidiaries, especially newly acquired subsidiaries;
- review, standardise and align our job evaluation methodology and grading as per plan;
- benchmark our practices against the market for key businesses, capabilities and roles supported by The Korn Ferry Hay Group and Deloitte;
- evaluate equal pay for equal work and assess what steps must be taken to address gaps identified;
- revise our remuneration philosophy and policy to address shareholder concerns and bring us closer to best practice; and
- revise our performance management system to support performance-based remuneration.

The Group offers several employee benefits, including group life insurance (inclusive of a life policy, severe illness, disability and a funeral cover) and medical aid through Discovery Health and a provident fund through Destiny Retirement Fund. The costs of medical aid and the provident fund are included in the total cost to company of employees, while the cost of the group life benefit is borne by the respective company. Further benefits outside of fixed remuneration will be rolled out to employees to increase our competitiveness within the marketplace and to enable us to retain talent within an increasingly competitive landscape.

Employee health and safety

All health and safety policies and procedures continue to be well managed and co-ordinated via the Health and Safety Committee. All Group companies have obtained their certificates of good standing for the year under review.

Reportable incidents recorded – FY May 2019

	Total number of injuries reported	Total number of claims submitted to Workmen's Compensation	Total number of fatalities recorded on duty	Total days absent as a result of injury on duty
FY May 2019	9	9	1	65
	↑	↑	↑	↓
FY May 2018	10	9	0	153

Reportable incidents recorded – FY May 2018

Health and Safety representatives for all Group companies have been trained.

Fire marshal training is up to date.

Due to changes in legislation, all first aid employees were upgraded to level 3 in September 2018. The Group also has the services of a level 5 paramedic available on site in Sandton.

We regret to inform that there was a fatality in August 2018 when an employee was involved in a head-on collision with a truck in East London.

Socio-economic and community development

OUR APPROACH

As a major player in the base of the pyramid markets, contributing meaningfully to address inequality of opportunity and financial inclusion within society remains an ongoing area of focus for Blue Label Telecoms. Our aim has been to transcend the purely philanthropic and compliance paradigm by going beyond traditional corporate social responsibility (CSR) and embedding a 'shared value' ethos in our transformation and business strategy.

This ethos defines how we partner with non-profit organisations to effect social change by aligning our programmes and initiatives to our business strategy and long-term growth and sustainability objectives.

Significant changes were made in the last year that demonstrate our commitment to enable the above paradigm shift, and to demonstrate that we take our role as a South African corporate citizen seriously.

HIGHLIGHTS OF 2019

Implementation of a **Group Corporate Social Responsibility Policy**.

Establishment of Blue Label's non-profit arm – **Trust Blu Foundation Proprietary Limited.**

Increase in Group CSR spend from **R9.3 million** in **FY2018** to **R10.9 million** in FY2019.

Launch of **our first Letsatsi Kasi-Village** in Nellmapius, Mamelodi – an entrepreneur and community incubation hub.

Boys and Girls Clubs of South Africa, our flagship CSR initiative, opened a further three clubs in FY2019. Today they **serve over 1 800 members** between the ages of six and 18 years across their six clubs.

Appointment of a dedicated transformation team **to drive the transformation** both internally and externally.

Please refer to the human capital section on pages 64 and 65 to access further information.

TRUST BLU FOUNDATION PROPRIETARY LIMITED

The aim of the Trust Blu Foundation is to connect non-profit organisations and social enterprise innovators with a unique blend of financial support and other resources to enable them to amplify their impact. These organisations understand the dynamics and needs of marginalised and vulnerable communities, and are therefore pivotal in effecting meaningful impact and socio-economic transformation. Our approach is to proactively work with them to tackle the complex socio-economic challenges by providing access to funding, as well as leveraging off of our expertise in technology and innovation to create new solutions to address inequality. In so doing, we are able to assist these organisations in facilitating sustainable economic inclusion, while simultaneously strengthening our brand equity and market reach.

FOCUS AREAS

The foundation is mandated to focus on two key areas, namely **youth development and entrepreneurship.**

All programmes and initiatives are underpinned by the introduction and incorporation of information and cellular technology (ICT), as well as innovation. At Blue Label we see investing in ICT and embracing technology as necessary in order to bridge the digital divide, thereby achieving a more inclusive digital society. We believe that by doing so we can fast track positive socio-economic transformation and meaningful participation of blacks, women, youth and people with disabilities in South Africa.

BOYS AND GIRLS CLUBS OF SOUTH AFRICA

Boys and Girls Clubs of South Africa remained our flagship project for the year. The clubs' mission is to inspire and enable our disadvantaged youth to reach their full potential as productive, caring and responsible citizens, and to assist them to attain sustainable access to economic and educational opportunities post matric.

BGCSA supports over 1 800 children annually across six clubs, namely Pimville, Protea Glen, Bertrams, Alexandra, Vrededorp and Maraisburg.

FOCUS AREAS

An integral part of BGCSA's operations is **introducing and ensuring all children are computer literate.**

All facilities have daily programmes that teach and enhance young people's ICT skills, including equipment to support these programmes. The funding received from Blue Label was allocated to these programmes, both for the resources required to run the programmes daily, as well as the capital expenditure for items like hardware and software, that are required to set up a club.

Socio-economic and community development continued

BLUE LABEL ALEXANDRA YOUTH DEVELOPMENT PROGRAMME

The Alexandra Cricket Development Programme is a life skills programme powered by a partnership between Blue Label Telecoms and the Cricket Company. The programme takes place during school hours as a component of their Life Orientation sessions. It utilises the game of cricket to equip children with valuable tools to assist them with everyday life.

The programme is run in 12 primary schools in Alexandra, and reaches approximately 10 000 children per year.

During the course of the year the 15 students that demonstrate exceptional character and high potential in cricket are selected to form part of the Alex XI cricket team. The team plays in the Montrose night series where they interact and compete against Gauteng's top cricketing schools. This season was the team's most successful season in the competition, with the Alex XI finishing runners up.

FOCUS AREAS

In line with our focus to bridge the digital divide in the underprivileged communities, **a reading programme was piloted with the use of tablets and the Edu reader app. The pilot was carried out at three of the 12 schools over a three-week period and approximately 1 000 children participated.**

The programme was a finalist at the 2018 Sport Industry Awards in the 'Development Programme of the Year' category where it competed against the likes of Engen's Youth Development Programme.

ICT REFURBISHMENT PROJECT

The ICT refurbishment and skills development project was a partnership between Blue Label and Afrika Tikkun. Afrika Tikkun is a non-profit organisation serving over 12 000 beneficiaries and is dedicated to the reduction of youth unemployment in South Africa by tackling the socio-economic drivers that make it difficult for young people to access the economy.

FOCUS AREAS

The programme focuses on **young people from previously disadvantaged communities between the ages of 7 and 18 years.**

It aims to provide young people with ICT skills exposure such as introduction to the world of computers, introduction to computer programming, coding, website design and the internet of things. The ICT programme will provide the opportunity for young people to be able to use the internet to conduct research for their school assignments and to improve their typing skills, to access previous question papers, do research for their careers and apply for bursaries to further their learning.

ESPAZA SUM

The Group continues to provide support and expertise to eSpaza Sum for the refurbishment and upkeep of South African-owned spaza shops.

FOCUS AREAS

In line with our aspirations to digitise the informal sector, **we are actively working together to develop innovative business management solutions for this unique sector.**

With the support of Blue Label, the spazas continue to report increases in revenue.

THE LETSATSI KASI-VILLAGE

The Letsatsi Kasi-Village project was co-pioneered by Blue Label Telecoms and the late Tshepo Seeta. Tshepo was the founder and managing director of eSpaza Sum, and a valued customer and friend of the Group.

FOCUS AREAS

The focus of the Letsatsi project is on **the development of chic and modern containerised community-based business and entrepreneur hubs.**

It reflects our proactive approach and commitment to micro and small enterprise development. These hubs offer a physically and technologically enabling environment for youth-driven micro enterprises to incubate, scale and thrive with a view to 'leap frog' them into the fourth industrial and digital revolution. By stimulating the demand side of the economy we believe we can positively impact our youth unemployment crisis.

The first pilot Letsatsi Kasi-Village located in Nellmapius in the City of Tshwane was launched in December 2018. It hosts a hair and beauty salon, business centre and internet café, fast food outlet, and a clothing and apparel store.

OTHER PROJECTS

In addition to the above interventions, we continued to partner with other non-profit organisations to address social issues that our youth are exposed to, such as domestic violence and abuse, and food security. JAM International, Reach for a Dream and Women and Men against Child Abuse are some of our longstanding beneficiaries and have played a significant role in enabling our programmes over the last year.

FOCUS AREAS FOR 2019/20

Significant resources and expertise have been allocated to our current programmes and initiatives through our newly created Trust Blu Foundation. **Therefore, going forward our key focus is on consolidation and scale, as well as continued collaboration with our non-profit organisation and implementation partners.**

Governance philosophy and approach

Entrepreneurship and innovation underpinned by good governance.

The philosophy of the Group is that good corporate governance provides an essential platform upon which to achieve its strategic objectives through the pursuit of the entrepreneurial and innovative ethos of the Group. The Board recognises that good corporate governance is essentially about effective and responsible leadership that rests on a foundation of ethical values.

King IV and Blue Label Telecoms

The Group favours the outcomes-based approach of King IV that focuses on the quality of governance outcomes and not simply the structural and compliance approach. The Board saw the adoption of King IV as an opportunity to review, revitalise and streamline its governance structures and practices to the requirements of the expanding Group. A process was put in place to review the most appropriate recommended practices and adaptations to be applied in achieving the outcomes-based principles of King IV. Based on this review the Board Charter and subcommittee terms of reference and work plans have been substantially aligned with King IV practices in the previous year and a number of policies, practices and processes are being reviewed and enhanced as to appropriateness and robustness as outlined in this report on an ongoing basis.

The disclosure requirements of King IV have been adopted to the extent possible and explain the Group's governance philosophies, structures, practices and outcomes as well as some of the transitional initiatives to adopting and embracing the principles of King IV.

Current year Board focus and future focus

The focus of the Board in the current year has been on continuing development and maturing the governance framework, processes and policies as well as risk management and compliance of the Group as it expands both organically and through acquisitions. While focus was maintained on the core operations, intensive Board attention has been placed on the alignment and adequacy of governance structures and processes in Cell C, resolving their liquidity constraints and balance sheet structure as well as oversight of other material acquisitions including 3G Mobile and Airvantage.

Further focus will be placed on overseeing the continued integration and synergy plans relating to these acquisitions. Continued attention will be paid to further developing the governance framework for Group companies and investments to ensure that adequate strategic direction and oversight are placed on these investments.

Effective and ethical leadership

At Blue Label we believe that effective and ethical leadership is centred around integrity. It is about doing the right thing – being accountable, responsible, fair and transparent.

We recognise that ethical leadership within Blue Label improves public trust, enhances risk, compliance and ethics management, and strengthens stakeholder relations.

This is achieved through:

- Our key values:
  - Customer service orientation
  - Achievement and drive to succeed
  - Honesty and integrity
  - Enjoyment
  - Collaboration
- Leadership's commitment to uphold our key values; and
- The provision of mechanisms to report and manage unethical behaviour.

Blue Label's Social, Ethics and Transformation Committee is established in compliance with the Companies Act. It in turn elevates social and ethics matters to Board level. This ensures that ethics is treated as a matter of strategic importance.

The Social, Ethics and Transformation Committee maintains oversight of the ethics policies and applications within the Group and the Chairman of the Board sets the ethical tone for the Board as a whole. The main ethics items monitored and reported at the Social, Ethics and Transformation Committee include:

- The 10 United Nations Global compact principles
- Anti-fraud and corruption policies and procedures
- Consumer relations and compliance with consumer protection laws
- Environmental, health and public safety

Employees are expected to demonstrate ethical business practices at all times. All new staff members undergo an induction programme that includes training on the code of business conduct, including the function of the ethics hotline, such as what should be reported and how to report unethical behaviour via this channel.

The ethics hotline is outsourced to KPMG Ethics Line, a division of KPMG, and can be accessed on 0800 22 10 20. The ethics hotline is available to all stakeholders. No incidents were reported during the year ended 31 May 2019.

BLT has a zero tolerance towards fraud and irregularities. As a listed entity, Blue Label Telecoms is required to take reasonable steps to prevent any fraud against the Company as well as its stakeholders. All incidents of internal fraud and irregularities need to be disclosed and investigated irrespective of the amount involved. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position, title or relationship to the Company.

Key provisions of the Group fraud policy include the following:

- Each employee of Blue Label Telecoms has an obligation to act in the best interests of the Company and must not let outside activities or outside financial interests interfere with those obligations.
- Employees must be open and transparent about all gifts and hospitality given or received and are required to disclose these. When a gift is considered lavish or extravagant, it could be construed to amount to a gratification which immediately places the organisation and individuals concerned at risk for being prosecuted for acts of corruption.
- The Company facilities, equipment, and personnel should only be used for the business's activities and purposes, except when other uses are specifically authorised by Blue Label Telecoms.
- Employees are required to always be mindful of what a payment is for and whether the amount requested is proportionate to the goods or services provided. Any suspicions, concerns or queries regarding a payment should be clarified.
- Employees must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by us.

The ethics officer takes responsibility for managing the organisation's ethics programme. Ethics are managed by an accredited ethics officer who maintains a 'green level' supporter membership with The Ethics Institute. The ethics officer reports to the Ethics Committee on progress with the ethics management plan, and the state of ethics within the organisation.

Board composition, structure and report back

BOARD OF DIRECTORS

The Board directs the Group towards and facilitates the achievement of the Group's strategy and operational objectives. It is accountable for the development and execution of the Group's strategy, operating performance and financial results. Its primary responsibilities include determining the Group's purpose and values; providing strategic direction to the Group; appointing the joint Chief Executive Officers; identifying key risk areas and key performance indicators of the Group's businesses; monitoring the performance of the Group against agreed objectives; deciding on significant financial matters; approving policies; and reviewing the performance of the Executive Directors against defined objectives. A range of non-financial information is also provided to the Board to enable it to consider qualitative performance factors that involve broader stakeholder interests.

The Board, which meets at least quarterly, retains full and effective control over all the operations. Additional ad hoc Board meetings are convened as circumstances require.

BOARD CHARTER

Our Board Charter assists our Board in conducting its business according to legislative requirements and the principles of good corporate governance. It ensures that each director is aware of his or her powers, duties and responsibilities when acting on behalf of the Blue Label Telecoms Group. The Board Charter is subject to the provisions of the Companies Act, JSE Listings Requirements, our Memorandum of Incorporation, and all other applicable legislation. The Board Charter covers the role and function of the Board; its detailed responsibilities; how it discharges its duties; the Board composition; and the establishment of Board Committees. The Board Charter as well as the terms of reference and work plans of the Board subcommittees were updated to align with the requirements of King IV during 2018.

The Board has concluded that it has collectively satisfied and fulfilled its responsibilities in accordance with the charter.

GOVERNANCE FRAMEWORK

The Board regards governance as a fundamental essential for the success of the Group's business. It is committed to applying the principles of good governance in directing and managing the Group in order to achieve its strategic objectives. The Board is the focal point for and custodian of the Group's governance framework, and is supported by its committee structures, management, shareholders and other stakeholders of the Company. The Board is ultimately accountable for the performance and affairs of the Company.

The governance framework facilitates a balance between the Board's role of providing direction and oversight with accountability to support acceptable risk parameters and consistent compliance with regulations, standards and codes relevant to the Group. At the same time the Board encourages entrepreneurship and innovation, which are recognised as key drivers of Group performance. At the operations, governance processes are aligned with the governance framework established by Blue Label. Each subsidiary company has its own board of directors and its strategy, business plan and performance criteria are clearly defined. Subsidiary boards comprise Executive and Non-Executive Directors, some of whom are Executive and Non-Executive Directors of Blue Label.

Following the acquisition of 45% of Cell C in August 2017, the Blue Label Board has been actively monitoring and advising on the alignment of governance structures and processes at Cell C with those of the Company.

BOARD COMPOSITION

Blue Label has a unitary Board structure comprising eight directors. Four are Independent Non-Executive Directors, while one is Non-Executive and three are Executive Directors. A biography of each director appears on pages 24 and 25.

The Board has a majority of Non-Executive Directors. This is incorporated into our Board Charter, which promotes power and authority at Board of Director level to ensure that no one director has unfettered powers of decision-making. In line with King IV, the roles of the Chairman and the joint CEOs are separate. The Board is led by Larry Nestadt, an independent Non-Executive Chairman. The joint CEOs are Brett Levy and Mark Levy.

The Chairman's role includes setting the ethical tone for the Board and ensuring that the Board remains efficient, focused and operates as a unit. The Chairman provides overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions. He also facilitates appropriate communication with shareholders and enables constructive relations between the Executive and Non-Executive Directors.

The joint CEOs' principal roles are to provide leadership to the executive team in running the Group's businesses. The Board defines the Group's levels of authority, reserving specific powers for the Board, while delegating others to Senior Management. The collective responsibility of management vests with the joint CEOs who regularly report to the Board on the Group's progress in delivering its objectives and strategy.

The Group's Financial Director is Dean Suntup. The Audit, Risk and Compliance Committee is satisfied that he has the appropriate expertise and experience for this position.

The Group has implemented a succession planning process at Board, top level management and subsidiary management levels. The succession plans are reviewed and approved by the appropriate bodies annually and documented accordingly. Furthermore, the business continuity plan for the Group has been drafted such that it incorporates the subsidiary succession plans. The Group has influential joint CEOs who co-founded the business, both of whom have a vested interest in the long-term future of the Group. However, in unforeseen circumstances, the Group has robust succession planning in place for both CEOs.

Blue Label Group recognises the value of diversity and is committed to promoting gender and race equality in the Group. Our Board has introduced the Policy on the Promotion of Gender and Race Equality in the Blue Label Telecoms Group which is available online at www.bluelabeltelecoms.co.za. Our talent management processes together with our policy will enable us to improve diversity within the Group.

On an ongoing basis, the Board shall consider its structure, its gender, race and size composition, as well as the relationship between Executive and Non-Executive Directors. It is committed to making sustainable progress towards ensuring that the Board is sufficiently gender and race diverse and has the necessary skills to competently discharge its duties, having regard to the strategic direction of the Group.

No specific targets have been set in relation to the Board diversity policy. With 25% of the Board being black and no female representation following the resignation of Phuti Mahanyele, the Board recognises that it must continue to progress race diversity and female representation in particular. The Board is actively pursuing the appointment of an additional Independent Non-Executive Director to further enhance independence and diversity at Board level.

The Board has concluded that it has the appropriate mix of knowledge, skills, experience and independence.

The Remuneration and Nomination Committee (RNC) annually debates the independence of its Independent Non-Executive Directors who have served on the Board for a period of nine years or more. Laurence Nestadt, Gary Harlow and Joe Mthimunye have been assessed in this regard. The Committee has found them suitably independent, with continuing strong contributions, considering their experience within the Group and sector, and they are considered to continue to operate independently and objectively and have no conflicts of interest.

The Board wishes to assure all stakeholders that the tenure and independence of Non-Executive Directors is vigorously debated and tested and that all Board meetings are robust in terms of their deliberation. Given the complexity of the industry within which Blue Label operates and the complexity of Blue Label itself, the Board believes that long-term knowledge and understanding of the issues surrounding the business are invaluable. A succession plan at Board level is being pursued to ensure a pipeline of new Independent Non-Executive Directors is established.

BOARD APPOINTMENTS

One-third of the directors retire by rotation every three years in terms of the Memorandum of Incorporation (MoI). If eligible, available and recommended for re-election by the RNC, their names are submitted for re-election at the AGM, accompanied by a short biography set out in the integrated annual report. In this regard, Messrs. MS Levy, JS Mthimunye and LM Nestadt will be retiring at the forthcoming AGM and, being eligible, have made themselves available for re-election. A brief biography of each Director appears on pages 24 and 25.

The RNC assists the Board with the assessment, recruitment and nomination of new Directors, subject to the whole Board approving these appointments. Board members are also invited to interview potential appointees.

A formal and transparent procedure applies to all new Board appointments, which are subject to approval by shareholders at the first AGM following that Director's appointment. Prior to appointment, candidates are required to complete a fit and proper test, as per the JSE Listings Requirements.

Ms P Mahanyele resigned as a Director on the Board and as a member of the Investment Committee with effect from 23 November 2018, following her appointment to another Board that would have presented a potential conflict of interest. A policy requiring directors to observe a 'cooling-off' period before accepting appointments to other Boards that may present a conflict of interest has been subsequently included in the Board Charter to regularise this aspect.

Board composition, structure and report back continued

BOARD EFFECTIVENESS

The Board Charter provides for assessment of the Board and its committees every other year, which is recommended by King IV. The Board and its committees assessed its performance and effectiveness according to the following categories:

- effectiveness and composition;
- dynamics;
- risk management;
- succession planning;
- ethical leadership; and
- corporate citizenship.

The Board further assessed its members according to the following categories:

- leadership;
- interpersonal skills;
- strategic thinking; and
- board contribution

Based on the consolidated feedback from the assessment performed in the prior year, the Board is satisfied with the overall performance and effectiveness of the Board, its members and the committees.

The Board is satisfied that the formal, internal evaluation process improves performance and effectiveness.

Evaluations of individual Executive Director's performance take place annually, once during remuneration increase and performance bonus award periods and, as applicable, prior to the AGM regarding the re-election of Directors. Refer to the remuneration section (page 98) for the performance evaluation of the CEOs and the CFO against agreed upon performance measures and targets.

Induction of a new Director is tailored according to the knowledge and experience of the Director in a listed company environment. Focus is placed on providing information on the Board structure, business operations and Group strategy. Ongoing training and development of Directors involve ad hoc presentations to the Board by professional advisers and Senior Management to ensure the Board is kept abreast of governance, regulatory and operational developments.

COMPANY SECRETARY

Our Board remains satisfied with the competency and experience of our Group Company Secretary, Janine van Eden (BProc, LLB, Conveyancing). The performance appraisal of the Company Secretary for the year under review took into account the quality of support received and guidance provided to the Board. She maintains an arm's length relationship with the Board, providing guidance to Board members on execution of their duties and keeps up to date on the latest developments in corporate governance and regulation. All Directors have full access to the services and advice of the Group Company Secretary in all aspects of the Board's mandate and operations of the Group; the Board is satisfied that these arrangements are effective.

BOARD COMMITTEES

The Board has delegated certain functions to well-structured committees without abdicating its own responsibilities and accountability. Board Committees operate under written terms of reference approved by the Board. Board Committees are free to take independent professional advice as and when deemed necessary, for which a formal policy is in place. The Group Company Secretary provides secretarial services for the committees.

There is transparency and full disclosure from Board Committees to the Board. The minutes of Committees are submitted to the Board for noting and discussion. In addition, Directors have full access to all Board Committee documentation and Committee Chairpersons provide the Board with verbal reports on recent activities.

The Board is of the opinion that all Board Committees have effectively discharged their responsibilities, as contained in their respective terms of reference.

Our Board subcommittees are structured as follows:

Attendance at meetings

	Board	Special Board	Audit, Risk and Compliance	Remuneration and Nomination	Social, Ethics and Transformation	Investment
Total number of meetings held during the year	5	1	4	2	3	1
Actual attendance/possible maximum attendance of meetings						
LM Nestadt	5/5	1/1	–	2/2	–	–
KM Ellerine	5/5	1/1	–	–	2/3	1/1
GD Harlow	5/5	1/1	4/4	2/2	3/3	1/1
BM Levy	5/5	1/1	4/4*	2/2*	2/3	1/1
MS Levy	5/5	1/1	4/4*	2/2*	–	1/1
P Mahanyele	3/3***	–***	2/2***	–	0/1****	1/1***
JS Mthimunye	5/5	1/1	4/4	2/2	–	1/1
SJ Vilakazi	5/5	1/1	4/4	–	3/3	–
DA Suntup	4/5	1/1	4/4*	2/2*	–^	1/1
DR Hilewitz	–	–	–	–	–	0/1

* *Attendee.*
*** *Resigned 23 November 2018.*
^ *Alternate to BM Levy.*
**** *Resigned 13 June 2018.*

Board composition, structure and report back continued

SUBCOMMITTEE STRUCTURE AND REPORT BACK

The Board remains accountable for all matters where it has delegated responsibility to its subcommittees. The committees, their members and principal functions and focus areas are set out below:

Executive Committee

Members	
MS Levy (Chairman)	I Zwarenstein
BM Levy	G Jones
DA Suntup	G McKintosh
SN Milne	A Greenblatt
J Smith	A Kodesh
EC de Villiers	DB Rivkind
L Pogir	D Hilewitz
J van Eden	

Key objective and terms of reference

The Group Executive Committee has recently been augmented beyond the Executive Directors by the inclusion of operational and functional management to provide a forum for dissemination of strategies and policies to operating subsidiary levels and provide oversight and feedback from operations on strategic matters in a combined forum. Group-wide strategic and policy decisions are typically formulated by the Executive Directors and approved by the Board.

Certain Group Executive Committee members are represented on boards of operating subsidiaries and act as liaisons with operating subsidiary CEOs and/or management.

The Executive Committee has concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

2019 focus areas and activities

In addition to discharging its obligations in its terms of reference, during the year under review the Executive Committee focused on:

- integration of acquisitions;
- continued focus on efficiencies and economies of scale;
- aggressive informal market expansion;
- building a unified and integrated platform;
- using big data analytics to up-sell and cross-sell;
- actively growing revenue assurance;
- expanding reach, customer service and footprint; and
- overseeing Mexico restructure and monitoring potential investment into the Indian operations.

Refer to CEO discussion and operational review for further details.

2020 focus areas

Key focus areas of the Executive Committee during the 2020 financial year shall include bedding down recent acquisitions and assimilating acquisition targets into the Group. As an ongoing practice, the Executive Committee is responsible for ensuring that subsidiaries:

- adhere to the strategies and policies of the Group;
- adhere to best management practices and functional standards;
- adhere to legal compliance and internal control; and
- are efficiently and competently managed.

Audit, Risk and Compliance

Members and attendees	Number of meetings
JS Mthimunye (Chairman)	4
GD Harlow	
P Mahanyele***	Member attendance
SJ Vilakazi	100%
BM Levy*	
MS Levy*	
DA Suntup*	

* *Attendee.*
*** *Resigned 23 November 2018.*

Key objective and terms of reference

Provides governance over internal controls, compliance, performance of internal and external audit, appropriateness of accounting and adequacy of external reporting.

The Audit, Risk and Compliance Committee concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

2019 focus areas and activities

- Successful integration and accounting treatment of acquisitions.
- Continued implementation of compliance framework for the Group.
- Oversight of accounting change for the adoption of IFRS 9 and 15.
- Bedding down Group control environment with focus on technology and fraud risks.
- Oversight of the resolution of the JSE proactive monitoring panel query on accounting for investments in associate companies.

The Audit, Risk and Compliance Committee, with the support of the Board, have spent significant effort on stabilising and strengthening governance structures and processes at Cell C by:

- benchmarking governance processes to those of BLT and the telecom sector with updates to terms of reference and processes;
- overseeing the process of the appointment of new CFO and CEO and restructuring and strengthening finance resources;
- aligning risk management policy with BLT and establishing risk management committee;
- reviewing and amending Delegation of Authority Matrix;
- reviewing internal audit resources and scoping;
- participation in Liquidity Committee; and
- oversight of stabilisation and control environment.

Refer to governance of risk, technology and information governance, combined assurance and to the Audit, Risk and Compliance Committee report for further details.

2020 focus areas

- Continued focus on effectiveness of governance, risk management, control environment, liquidity and cost management at Cell C;
- Bedding down group control and compliance environment;
- Review investments in associates taking note of the potential impairments of goodwill and intangibles.
- Focus on technology innovation and risk management; and
- Accounting change – IFRS 16.

Remuneration and Nomination Committee

Members and attendees	Number of meetings
GD Harlow (Chairman of Remuneration Committee)	2
LM Nestadt (Chairman of Nomination Committee)	Member attendance
JS Mthimunye	100%
BM Levy*	
MS Levy*	
DA Suntup*	

* *Attendee.*

Key objective and terms of reference

Ensure competitive remuneration and incentive policies aligned with strategy to drive right performance and value creation and to attract and retain the right talent, review design and targets of incentive schemes and remuneration packages, Executive and Non-Executive Director appointments and succession planning, annual evaluation of independence of Non-Executive Directors and composition of Board and its Committees.

The Remuneration and Nomination Committee (RNC) concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

2019 focus areas and activities

The RNC continues to ensure that total rewards are set at levels that are competitive and drive performance in the short and long term ensuring alignment with shareholder interest and at the same time promoting an ethical culture and responsible corporate citizenship.

2019 focus areas included:

- oversight of development of revitalised Group Remuneration Policy
- continued review of equality of pay levels across gender and race groups throughout the Group;
- implementation of the Hay grading scheme to ensure consistency and alignment of remuneration across the Group;
- employment equity targets regarding new appointments; and
- review of financial performance targets in light of recent acquisitions in ensuring a consistent application in future years regarding the definition of Group earnings.

Refer to remuneration report on pages 98 to 120 for further details on our remuneration philosophy, policy and implementation.

2020 focus areas

- Succession planning and diversity at Board/Senior Management level;
- Overseeing implementation of grading systems and new Remuneration Policy; and
- Developing ESG performance measures and targets.

Board composition, structure and report back continued

Social, Ethics and Transformation Committee

Members	Number of meetings
SJ Vilakazi (Chairman)	3
P Mahanyele (13 June 2018)	
KM Ellerine	
GD Harlow	Member attendance
BM Levy (alternate DA Suntup)	77%

Key objective and terms of reference
Monitor the Group's activities and compliance with legislation relating to equality, black economic empowerment, good corporate citizenship, the environment, health, public safety, and consumer and labour relations, as well as advise the Board where necessary and appropriate. Review ethical business conduct, including any activity on the ethics hotline.

The Social, Ethics and Transformation Committee concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

2019 focus areas and activities
Our review has highlighted that more work needs to be done and that we are falling behind on our transformation targets.

Through the appointment of a Group B-BBEE Compliance Manager under whom CSI business development skills training falls, ensures a cohesive and practical approach to achieving these B-BBEE and employment equity goals.

Focus areas for the year included the following:
- Continued emphasis on employment equity targets;
- Development and promotion of black talent in management;
- Development of new Employment Equity Plan for the next five years;
- Alignment of CSI spend in terms of the shares value concept, i.e. business development within communities where we have engaged CSI programmes;
- Monitoring of B-BBEE goals and scorecard ratings;
- Continue to ensure the alignment of business strategy to B-BBEE requirements with particular emphasis on the JSE regulations regarding a Group consolidated scorecard;
- Continue to monitor the Group learning and development initiatives such that they are aligned with strategic intent and B-BBEE requirements;
- Scale up the Group CSI, enterprise development, and supplier development initiatives through the formation of the Trust Blue Foundation as an enabler for the shared value model between the various beneficiaries and the Group; and
- Continue to monitor and support Group health and safety policies and practices.

Refer to the human capital report on page 64, the Social, Ethics and Transformation Committee report on page 96, the effective and ethical leadership report on page 75 and stakeholder relations sections on page 16 for further details.

2020 focus areas
Continued focus on:
- Transformation/B-BBEE strategy and performance;
- Ethical practices throughout the Group; and
- Transformational talent and succession planning.

Investment Committee

Members	Number of meetings
GD Harlow (Chairman)	1
KM Ellerine	
DR Hilewitz	Member attendance
BM Levy	88%
MS Levy	
P Mahanyele***	
JS Mthimunye	
DA Suntup	

*** *Resigned 23 November 2018.*

Key objective and terms of reference
Reviewing, considering and approving proposed acquisitions, investments and disposals of the Group recommended by the Executive Committee.

Reviewing, considering and recommending to the Board acquisitions and investments of the Group.

Annually review the performance of each investment and acquisition made over the past five years.

The Investment Committee concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

2019 focus areas and activities
The Group had come to the end of its expansion phase and, in the 2019 financial year focused on the integration of acquisitions made in the past.

Cell C is presently undergoing a significant debt restructuring programme, management changes and a new strategic direction. The success of these programmes is vital to the Group's performance and share price rerating. BLT's management and Board nominees are playing an active role in these initiatives.

Our review has highlighted the need for a greater and more in-depth analysis of the risk profile of acquisitions and particularly the impact on gearing and shareholder perceptions of the risk and investment merits of these acquisitions.

Finally, our review of the performance, strategic fit and investment merits in Oxigen and Blue Label Mexico have resulted in the ongoing negotiations to sell our stake in Oxigen and a more regular review of the future potential of Blue Label Mexico, notwithstanding a very strategic and supportive local partner, Group Bimbo.

Blue Label's strategy is to grow its businesses organically and to enhance its competitive advantage and offering to its customers, through strategic acquisitions. All new investments considered have to be motivated by alignment with Group objectives, and strategic focus, and they have to enhance future profitability. Among the considerations are the requirements that the future returns exceed Blue Label's weighted average cost of capital (WACC) adjusted with a risk profile metric, meet stringent internal rate of return (IRR) targets, enhance Blue Label's service and product offerings or complement existing ones, attract new skills and management and offer synergy benefits.

The main challenge is that Blue Label operates in a rapidly developing and highly competitive market where the customer is 'king'. Acquisitions need to be strongly motivated to the Investment Committee to meet these challenges. An increased focus will be on affordability within the constraints set by the Board of strengthening the balance sheet.

Past acquisitions over the previous five years are reviewed in terms of actual performance compared to budget and whether they met the criteria set when they were initially approved by the Investment Committee. Any subperformance is analysed in full to assist the committee in shaping its criteria for future acquisitions as well as advising management on corrective steps to be taken. This has led to consolidation of some of these entities and strengthening management teams. In most cases, subperformance has been mitigated by synergies and strategic positioning of other business units (cross-selling) in the Group. Good examples are TicketPro and Viamedia. More will be done to accurately measure the extent of synergies realised.

2020 focus areas

- Cell C stabilisation and future strategy;
- Develop and apply revised risk and return parameters to new investments and monitor previous acquisitions and their performance; and
- Continue to look for buyers in order to dispose of Oxigen in India.

As mentioned, due to the increased risk profile to the Group, attributable to the Cell C acquisition and to a lesser extent 3G and Airvantage, the Investment Committee has considered developing a new risk assessment metric to make target IRR goals more challenging before approval. The Investment Committee recognises that the risk appetite associated with the Cell C acquisition was exceeded, but was motivated by its investment return merits as well as a strategic defensive positioning resulting from the perceived future threat of Network disintermediation.

The Investment Committee and the Board resolved to impose a moratorium on acquisitions for the following 12 months, as we enter a consolidation phase, strengthen our balance sheet and channel our energies to Cell C's refinancing and stabilisation initiatives.

The Committee has also requested certain interventions by the BLT-nominated directors of Cell C, as well as bi-annual Cell C management report backs to the Committee.

King IV functional areas

King IV's philosophy of integrated thinking and governance, promotes the integration of governance functional area report back into the rest of the integrated reporting elements. Oversight of these functional areas is maintained by the Board and its subcommittees as follows:

King IV functional area	Committee oversight	Report back
Risk	Audit, Risk and Compliance	Governance of risk (page 85) Material risks and opportunities (page 13)
Technology and information	Audit, Risk and Compliance	Technology and information governance (page 86) Solutions segment (page 62) Material risks and opportunities (page 13)
Regulatory compliance	Audit, Risk and Compliance Social, Ethics and Transformation	Compliance report (page 87) Social, Ethics and Transformation Committee's report (page 96) Social practices (page 70) Human capital (page 64)
Assurance	Audit, Risk and Compliance	Approach and reporting frameworks (page 1) Combined assurance (page 88) Governance of risk (page 85) Audit, Risk and Compliance Committee's report (page 89)
Stakeholder relationships	Social, Ethics and Transformation	Stakeholder relations (page 16) Ethics in action (page 75) Social, Ethics and Transformation Committee's report (page 96) Responsible corporate citizenship (page 70) Corporate social investments (page 70)
Remuneration	Remuneration and Nomination	Remuneration report (page 98)

Governance of risk

STRUCTURE

The Board accepts its responsibility for the governance of risk, which includes the total process of risk management and the formation of its opinion on the effectiveness of the process. The Board forms its opinion on the process of risk management based on the recommendations of the Audit, Risk and Compliance Committee (ARCC) and is satisfied with the effectiveness of the risk management process. The ARCC is responsible for ensuring that the Group has implemented an effective policy and plan for risk management and that the risk disclosures are comprehensive, timely and relevant. The Board and Committees' responsibilities are documented in the Blue Label Integrated Risk Assurance Policy and Framework.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management. The Internal Risk and Compliance Committee (IRCC), established by management, supports the enterprise-wide risk approach by identifying, evaluating and measuring Group-wide risks and compliance in all functional areas of the Group, as well as maintaining adequate internal controls. The IRCC reports to the ARCC bi-annually in this regard, which oversees the effectiveness of risk management arrangements.

PROCESS

Group-wide strategic risk assessments are conducted bi-annually. These assessments are facilitated by the internal auditor, which plays an important role in evaluating the risk management process and guiding management to continuous improvement. The internal auditor does not take any direct responsibility for making risk management decisions or managing the risk management function.

To encapsulate our focus on the capitals and the triple context in which we operate, the risk process incorporates value drivers that broadly reflect the expectations of our stakeholders and against which risks are identified. The risk assessments conducted involve risk identification and prioritisation at subsidiary and holding company level through interviews with Senior Management and key members of Executive Management to confirm risks, their descriptions and prioritisation. Each risk is evaluated in terms of the potential impact, the likelihood of occurrence and the perceived effectiveness of controls in place to manage the risks according to set criteria. The Group has identified its strategic risks and acknowledges that its appetite to accept risk varies across those identified. The assessment process includes the setting of risk appetite and tolerance on a qualitative basis. The outcome of the risk assessments is integral in refining our strategic response and in developing a risk-based plan for internal audit engagements for the forthcoming year. Action plans are documented in response to risk appetite and tolerance thresholds that are breached. The Group's material risks are listed on pages 13 to 15. The board has adopted a far more conservative risk allocation framework and capital allocation policy following the poor performance of Cell C and Oxigen India.

Technology and information governance

RISK AND COMPLIANCE

The Board is responsible for the Group's technology and information governance risk and compliance. The Board has delegated its responsibility for the implementation of IT governance to management who have adopted an IT governance framework, which we believe mitigates risk and ensures that the Company is agile enough to take advantage of growth opportunities.

The PwC IT General Controls review performed in February 2019 shows a high maturity of internal controls. We are constantly reviewing and revising our controls and procedures to ensure the maximum level of governance maturity is achieved and maintained. Stringent standards for information and infrastructure security controls have been reviewed and reinforced.

Threats from cybersecurity remain a key risk. We continuously drive prevention, detection and education programmes across the organisation and platforms to enhance vigilance at all levels. We proactively assess our risk of vulnerability and exposure on an ongoing basis. Substantial effort is spent with our audit partners and specialist third parties continuously updating and testing our systems to ensure that we have taken every precaution possible on an ongoing basis.

Our big data programme remains compliant to the Protection of Personal Information Act (POPI) and the European Union's General Data Protection Regulations (GDPR). Our systems change management procedures maintain constant quality and review controls to safeguard the delivery of customer-centric solutions which allow for scale, quality, availability and uptime.

Disaster recovery capabilities, processes and procedures remain a top priority within our business continuity plans. Multiple system improvements were implemented to further redundancy across switching platforms.

Finding and maintaining the adequate level of technical skills, specifically within the local South African market, remains a challenge. We continuously drive programmes to maintain competitiveness. We have revitalised our approach to attract, develop and retain top skills and talent and remain known for employing the best in class within our technology teams.

SCALABILITY AND PERFORMANCE

We have renewed investments into our technology platforms to sustain the increased volume requirements generated through the growth of our business. Critical objectives for the modernisation and digital transformation roadmap were set and achieved in line with this priority.

DELIVERING OUR STRATEGY THROUGH TECHNOLOGY

We maintain our strategic drive towards improving customer-centricity within our operating model, underpinned by partnership, collaboration, prioritisation and alignment according to the Group's RITE (Reach, Innovation, Trust and Efficiency) strategy.

Platform renewal, improvement, innovation and transformation remain key to our central mandate to deliver world-class, customer-centric business solutions across our national and international businesses with the primary goal being to enable the delivery of continuous growth.

Our objectives for agile transformation further ensures sustainable delivery methodologies within our strategically-aligned technology functions across the Group. This 'fail-fast-deliver-fast' approach accelerates our go to market strategies for new products and enables the Group to launch new revenue streams on enhanced technology platforms. Our technology function maintains an active, forward-planning approach to embracing change. Providing a future-fit delivery capability is a business imperative.

Compliance report

REGULATORY COMPLIANCE REPORT

The IRCC oversees the discharge of regulatory compliance responsibilities. The Committee monitors, assesses, researches and reports on the regulatory environment in which the Group operates. The IRCC reports to the ARCC.

The process of compliance management encompasses:

- identifying and prioritising all Acts and regulations at a national level applicable to Blue Label;
- incorporating regulatory requirements into control measures such as standard operating procedures, processes, manuals and policies;
- recommending corrective measures or steps to ensure compliance; and
- monitoring compliance through the adequacy and effectiveness of control measures.

The risk of non-compliance is being managed through:

- the annual review and update of the Group regulatory universe;
- the compilation of compliance risk management plans for high risk legislation; and
- the continuous monitoring of the regulatory environment.

In terms of the Group's compliance risk profile, the following represents the top three pieces of legislation that demands our attention in the regulatory universe:

1. Protection of Personal Information Act 2013	The Protection of Personal Information Act imposes an obligation on companies to ensure that personal information is processed in accordance with the eight conditions of the Act. Our business model is heavily reliant on electronic data and digitised products. We have since undertaken various assessments to establish the level of compliance and have improved our control environment to ensure compliance with the Act and regulations. Ensuring adequate information security is an ongoing prerequisite for BLT.
2. WASPA (Wireless Application Services Providers' Association) code of conduct 2017	Membership of an industry body with a recognised code of conduct has been made compulsory by Telkom Mobile, Cell C, MTN and Vodacom for all WASPs (wireless application service providers). As a WASP, we continuously strive to keep abreast and comply to WASPA's code of conduct and advertising rules. In turn, members of the public are able to use mobile services with confidence, assured that they will be provided with accurate information about all services and the pricing associated with those services.
3. Cybercrimes and Cybersecurity Bill 2015	As our business model is heavily reliant on electronic data and digitised products, we have an ongoing obligation to ensure adequate information security. We are focused on cybersecurity within BLT and take a proactive approach in the prevention of cybercrime.

Combined assurance

The objectives of assurance are to assess whether the internal control environment is effective, to assess whether there is sufficient integrity in the information used for internal decision-making and to support the integrity of external reports. The ARCC of Blue Label is responsible for overseeing the effectiveness of combined assurance arrangements within the organisation, which is documented within the Blue Label Integrated Risk Assurance Policy and Framework. The IRCC is responsible for directing and assisting in the co-ordination of the combined assurance arrangements within Blue Label as well as to ensure that a robust integrated risk assurance plan is compiled and executed by the various assurance providers on an annual basis.

Blue Label has adopted a combined assurance model, in line with corporate governance objectives, to optimise assurance obtained from management, corporate functions, and internal and external assurance providers on the risks affecting the business. The combined assurance model is integrated within the risk management process, including reporting to and oversight from the IRCC and ARCC, from which the annual integrated assurance plan is developed in respect of the priority risks for the Group across the four lines of defence (Management, Corporate Functions, Independent Assurance and Oversight Committees) through defined assurance activities. The assurance plan is a key tool to support the ARCC and the Board in making its endorsement on the effectiveness of internal controls in the integrated report and to support the integrity of information that underpins internal decision-making within Blue Label and reporting to its stakeholders.

Embedding and monitoring combined assurance throughout the Group is and will always be an area of focus.

Audit, Risk and Compliance Committee's report

The Audit, Risk and Compliance Committee (ARCC) is pleased to present its report for the financial year ended 31 May 2019.

The Committee is an independent statutory committee appointed by the shareholders of the Company. In addition to its statutory duties, the Board has delegated further duties to the Committee. This report covers both these sets of duties and responsibilities.

Mandate and terms of reference

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and which are reviewed on an annual basis. The responsibilities of the ARCC include:

- examining and reviewing the Group's financial statements and reporting of interim and final results;
- review and consider, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the Internal Risk and Compliance Committee function;
- overseeing the function of the Compliance Officer;
- ensure that Blue Label implements an effective policy and plan for risk management that has been disseminated throughout the organisation and integrated within day-to-day activities in order to enhance the Company's ability to achieve its strategic objectives;
- ensure that the disclosure regarding risk is comprehensive, timely and relevant;
- ensure that a combined/integrated assurance model is applied to provide a coordinated approach to all assurance activities and appropriately addresses all the significant risks facing Blue Label;
- reviewing and satisfying itself of the expertise, resources and experience of the Blue Label finance function;
- overseeing the Group internal audit function;
- establish, implement and maintain a compliance function with adequate policies and procedures to ensure compliance with rules, regulations, statutes and procedures applicable to Blue Label;
- report annually to the Board and shareholders describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including the approval of non-audit services;
- resolve any disagreements between management and the auditor regarding financial reporting;
- retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
- seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties; and
- meet with the organisation's officers, external auditors, or outside counsel as necessary.

Membership and meetings held

In accordance with the requirements of the Companies Act, No 71 of 2008 (the Act), Messrs JS Mthimunye, GD Harlow and SJ Vilakazi were appointed to the Committee by shareholders at the Annual General Meeting held on 29 November 2018.

- JS Mthimunye (Independent Non-Executive Chairman)
- GD Harlow (Independent Non-Executive Director)
- J Vilakazi (Independent Non-Executive Director)

P Mahanyele who was a member of the ARCC previously resigned on 23 November 2018.

The members of the Committee collectively have experience in audit, accounting, commerce, economics, law, corporate governance and general industry. All of the members of the ARCC are independent non-executive directors.

The Committee meets quarterly and the quorum for each meeting is three members present throughout the meeting. Mandatory attendees at the meetings are the Joint Chief Executive Officers and the Financial Director of Blue Label. The external audit partner from PricewaterhouseCoopers Inc. (PwC) and a director from KPMG Services Proprietary Limited (KPMG), to whom Blue Label outsources its internal audit function, are also attendees. Both internal and external auditors are afforded the opportunity to address the meeting and have unlimited access to the Committee. During the year, the Committee met with the external and internal auditors respectively without the presence of management. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

Audit, Risk and Compliance Committee's report continued

Statutory duties discharged

In execution of its statutory duties during the year under review, the Committee:

- nominated and recommended to shareholders the reappointment of PwC as independent external auditors, with Deon Storm the audit partner, as the registered independent auditor;
- approved the fees to be paid to PwC and other external auditors, where applicable, and approved the terms of engagement;
- maintained a non-audit services policy which determines the nature and extent of any non-audit services that PwC may provide to the Group;
- discharged those statutory duties as prescribed by section 94 of the Act, acting in its capacity as the appointed Audit Committee of the subsidiary companies of Blue Label;
- considered the Committee's report describing how duties have been discharged; and
- submitted matters to the Board concerning the Company's accounting policies, financial controls, records and reporting, as appropriate.

Other duties discharged

Financial statements and reporting

The Committee:

- monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- reviewed the external auditor's report to the Committee and management's responses thereto and made appropriate recommendations to the Board of Directors regarding actions to be taken;
- reviewed and commented on the annual financial statements, interim reports, paid advertisements, announcements and the accounting policies and recommended these to the Board for approval;
- reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year; and
- considered the going concern status of the Company and Group on the basis of review of the annual financial statements and the information available to the Committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group and Company is contained in the Directors' report.

External audit and non-audit services

The ARCC has satisfied itself as to the independence of the external auditor, PwC, as set out in section 94(7) of the Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditors, the Committee considered PwC's fulfilment of the agreed audit plan and variations from the plan, and the robustness and perceptiveness of PwC in its handling of key accounting treatments and disclosures.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2019 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy which incorporates a monetary delegation of authority in terms of non-audit services to be provided. The non-audit services rendered by the external auditors during the year ended 31 May 2019 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable to the aforementioned services totalled R1.56 million (2018: R4.1 million), of which Rnil (2018: R2.8 million) relate to non-audit services and the remainder to acquisition-related costs.

The ARCC has nominated, for approval at the Annual General Meeting, the reappointment of PwC as registered auditors for the 2019 financial year.
The Committee also satisfied itself in terms of paragraph 3.84(g)(iii) of the JSE Listings Requirements that PwC is accredited. In addition, the Committee has also satisfied itself that Deon Storm, the PwC audit partner, is accredited and appears on the JSE List of Accredited Auditors.

Internal audit and internal controls

Blue Label's internal audit function is outsourced to KPMG Services Proprietary Limited and the role of the Chief Audit Executive is fulfilled by the Engagement Director. The ARCC concludes that the Chief Audit Executive and internal audit arrangements are effective and independent.

The Committee:

- reviewed the cooperation and coordination between the internal and external audit functions in order to avoid duplication of work and to work towards an effective and efficient combined/integrated assurance approach;
- examined and reviewed the progress made by internal audit against the approved 2018/19 audit plan;
- considered the combined/integrated assurance plan for the 2018/19 financial year;
- approved the revised Group Internal Audit terms of reference;
- approved the risk-based internal audit plan for the 2019/20 financial year;
- considered the effectiveness of internal audit;
- considered internal audit findings and corrective actions taken in response to such findings; and
- reviewed the annual statement from internal audit on the effectiveness of the organisation's governance, risk management and internal control processes.

The ARCC concludes that the design and implementation of internal controls, including financial controls and risk management, are effective.

The ARCC concludes that the combined assurance arrangement is effective and will continue to evolve as the Group grows.

Risk management and compliance

In relation to the governance of risk, the Committee:

- reviewed the integrity of the risk control systems and ensured that the risk policies and strategies of the Company are effectively managed;
- made recommendations to the Board concerning the levels of tolerance and risk appetite, and monitored the management of risk exposures against these levels;
- reviewed and recommended to the Board approval of the Integrated Risk Assurance Policy and Framework;
- monitored bi-annual risk assessments and reviewed the consolidated strategic risk profile to evaluate and ensure all material risks have been identified as they pertain to the triple context of Blue Label, and are being managed appropriately;
- provided feedback to the Board on significant risks, including emerging risks, and significant changes to the risk profile;
- ensured that management considered and implemented appropriate risk responses to significant risks;
- considered the relevance and effectiveness of Information and Technology Governance systems, processes and mechanisms to manage technology-related risks;
- reviewed and recommended to the Board risk information for disclosure, in accordance with King IV principles;
- reviewed legal matters that could have a material impact on the Group in conjunction with Blue Label's legal adviser; and
- reviewed developments in corporate governance and best practice and considered their impact and implications across the Group with particular reference to the principles of King IV™*.

The ARCC is satisfied that it has dedicated sufficient time to its responsibility towards the governance of risk.

The Committee is satisfied that it has exercised sufficient, ongoing oversight of compliance through:

- the appointment of a dedicated Compliance Officer for the Group;
- the approval of the compliance strategy;
- the approval of the regulatory compliance policy and the compliance process;
- annual review of the Company's regulatory universe in order to prioritise regulatory compliance efforts;
- ongoing development and review of compliance risk management plans;
- continuous monitoring of the regulatory environment to ensure that the Group keeps abreast of matters affecting its regulatory environment;
- identification and monitoring of key compliance risks across the Group; and
- making use of a compliance maturity model to assess progress in the management of compliance.

Expertise and experience of the Financial Director and finance function

The Committee considered the appropriateness of the expertise and experience of the Financial Director and finance function in accordance with the JSE Listings Requirements and governance best practice. The ARCC concluded that the finance function is adequately resourced with technically competent individuals and is effective. The Committee confirms that it is satisfied that Dean Suntup possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director.

Audit, Risk and Compliance Committee's report continued

Annual financial statements

The Committee has reviewed the accounting policies and financial statements of the Company and the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards, the JSE Listings Requirements and the requirements of the Act.

The Committee has evaluated the Group annual financial statements of Blue Label Telecoms Limited for the year ended 31 May 2019 and based on the information provided to the Committee, the Committee recommends the adoption of the annual financial statements by the Board.

The significant audit matters considered by the Committee were:

1. the impairment assessment of goodwill arising from business combinations;
2. the impairment assessment of the investment in BLM;
3. the impairment assessment of the investment in Oxigen, Oxigen Online and 2DFine;
4. the impairment assessment of the investment in Cell C Limited;
5. accounting for the bond notes and liquidity support; and
6. the fair value estimate of the Glocell loan.

These matters were addressed as follows:

The impairment assessment of goodwill arising from business combinations

For the year ended 31 May 2019, management performed an impairment assessment over the goodwill balance as follows:

- assessing the recoverable amount as being value-in-use, as entities are held-for-trading and not for sale;
- calculating the value-in-use for each cash-generating unit (CGU) using a discounted cash flow model; and
- performing a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC, i.e. discount rate) to assess the impact on the valuations.

Based on the above impairment assessments, as well as management judgement, the following impairments were applied:

Viamedia goodwill impairment of R74 million

Viamedia's performance has been negatively impacted as a result of a sector-wide decline in the B2C (direct to consumer) WASP industry. Previously this was significantly offset by growth in its Enterprise division. However, over the past six months, the latter division has flat-lined which, together with the continued decline in the B2C channel, has caused a negative impact on operating profits with marginal growth expectations going forward.

Supa Pesa investment impairment of R30 million

A decline in revenue, primarily attributable to legislative changes and loss in clientele, has resulted in the impairment.

Blue Label Connect goodwill impairment of R49 million

Blue Label Connect's performance has been negatively impacted as a result of challenging economic conditions that have affected one of its major clients. Furthermore, margin compression resulting from reduced incentives from the networks, as well as an increase in product costs, has resulted in an impairment to goodwill.

Management concluded there was no need for any further impairment.

The impairment assessment of the investment in BLM

For the year ended 31 May 2019, management performed an impairment assessment over the investment in BLM as follows:

- assessing the recoverable amount as being value-in-use, as BLM is held-for-trading and not for sale;
- calculating the value-in-use for BLM using a discounted cash flow model;
- performing a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC, i.e. discount rate) to assess the impact on the valuation; and
- as a final check, comparing the carrying value of the Group's investment in BLM with the calculated value-in-use.

Management concluded there was no need for any impairment.

The impairment assessment of the investment in Oxigen, Oxigen Online and 2DFine

The investments in Oxigen Services India, Oxigen Online Services India, collectively Oxigen Services India, and 2DFine Holdings Mauritius (2DFine) were historically accounted for as investments in associates and joint ventures, applying the equity method up until 30 November 2016. From that date, the exemption available in IAS 28 – *Investments in Associate and Joint Ventures* for venture capital organisations has been applied to these investments and accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. In the current year a fair value loss was recognised in the income statement.

This accounting treatment was accepted by the Group's auditing firm following rigorous debates and internal consultations. This accounting treatment was highly judgemental, therefore the Group included detailed disclosure on the critical judgement it had applied. This judgement was also listed as a key audit matter in the audit report.

In June 2018, the Group received notification from the JSE proactive monitoring panel stating that they did not agree with the exemption we had applied in IAS 28. This resulted in various letters and face to face meetings to ultimately get to the correct accounting treatment. After months of debates the JSE asked the Financial Reporting Investigation Panel to review and they found in favour of the JSE.

The Group has therefore agreed to not apply the exemption available under IAS 28 – *Investments in Associates and Joint Ventures* to the investment in Oxigen India and 2DFine and now account for these associates and joint venture using equity accounting principles.

For the year ended 31 May 2019, management utilised an independent third-party valuation specialist to calculate the fair value less cost of disposal. The fair value less cost of disposal is calculated by utilising relevant information generated by similar market transactions that have been concluded by comparable businesses. The assumptions and inputs used in calculating the fair value less cost to sell are regarded as level 3 fair value estimates.

The fair value of the 2DFine Group is based on its share of the fair value of Oxigen Services India and Oxigen Online, less the liabilities of the 2DFine Group.

Based on the fair value less cost of disposal, combined with the corporate transaction, referred to in the 30 November 2018 interim results, that did not materialise, and the resultant lack of funding, management concluded that an impairment of its full investment of R118 million in the Oxigen Group was required. The full value of loans to Oxigen Services India of R31 million and 2DFine Holdings Mauritius of R101 million, net of a surety asset raised, were also impaired. In addition, the Group has accounted for a R103 million liability relating to financial guarantee contracts.

The impairment assessment of the investment in Cell C Limited

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company, acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion.

For the year ended 31 May 2019, management appointed an independent third-party valuation specialist to determine the value-in-use based on cash flow projections incorporated in the five-year Cell C business plan. They applied assumptions relating to the business, the industry and economic growth. Cash flows beyond this point were then extrapolated, applying terminal growth rates that did not exceed the expected long-term economic growth rate.

TPC's share of the value-in-use as at 30 November 2018 amounted to R6.04 billion. The valuation declined to a nil value at 31 May 2019. This was primarily attributable to:

(a) A significant downward revision of the mobile subscriber base. The valuation at November 2018 was based on the assumption the CAGR forecast would average 9.3% per annum over a five-year period. In May 2019 the CAGR forecast was revised to an average of 4.6% per annum. This resulted in an originally expected 23.4 million subscribers after five years declining to a revised expectation of 17.9 million.
   - Cell C previously anticipating gaining approximately 6% additional market share by accessing new territories. Instead, Cell C's market share declined by approximately 2% from 16% at November 2018 to 14% at May 2019. This was in line with re-evaluating the inactive subscriber base and a loss of customers to competitors.
   - A deteriorating South African economy since November 2018, with an initial GDP forecast of 1.9% for the calendar year ended 2019 to a revised forecast contraction of 0.2%. Accordingly, the forecast GDP was adjusted downwards each year for the following four years. In addition, Business Monitor Intelligence revised their mobile subscriber growth in April 2019 from a CAGR of 2.2% for the period FY18 to FY23 to 1.8%.
   - Year to date trading being below budget.

Audit, Risk and Compliance Committee's report continued

(b) A substantial decline in forecast other revenue. This is largely due to a significant decline in equipment, Mobile Virtual Network Operator and Business Service Provider revenues over the five-year period in comparison to the initial forecast. Cell C had previously forecast gaining market share from its competitors. This did not materialise.
(c) Lower taxation benefit relating to depreciation as a result of a revised forecasted reduction in capital expenditure.

In determining the revised valuation, cognisance was taken into account of positive cash flow generation from:
(a) A decline in forecast direct expenditure on handset, SIM costs, ongoing commissions and discounts due to lower subscriber growth.
(b) A reduction in forecast payroll costs.
(c) A decline in capital expenditure due to cash flow constraints and lower subscriber base forecast.
(d) A decrease in cash lease payments as a result of less network towers required due to the lower forecast of the subscriber base.

The impact of the transactions in progress relating to a national roaming agreement and the recapitalisation of Cell C were not in effect as at 31 May 2019 and as such have not been accounted for in the valuation at that date.

Accounting for the bond notes and liquidity support

On 2 August 2017, TPC purchased bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited (SPV1), from Saudi Oger Limited with a capital redemption value of USD42 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million. TPC was entitled to assign its rights and obligations, in whole or in part, to a nominee. Accordingly, it has assigned such rights and obligations in respect of 50% of the bond notes, resulting in an effective purchase consideration of USD9 million with a capital redemption value of USD21 million.

As part of the restructure of the debt into Cell C by third-party lenders, TPC will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited (SPV2), which is 100% held by 3C Telecommunications Proprietary Limited, of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD36 million of the aforesaid USD80 million thus reducing TPC's obligation in this regard to a maximum of USD44 million. As at 31 May 2019, the Group has contributed USD24 million to SPV2, toward the latter amount.

SPV1 and SPV2 own 11.8% and 16% of the shares issued by Cell C respectively. No other assets are held by these entities, and as such the Group's bond note and liquidity support arrangements will be settled only when the value of the Cell C shares are realised by SPV1 and SPV2. The substance of these arrangements are therefore derivatives exposing the Group to the share price of Cell C.

The derivatives are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

The fair value of the derivatives are not traded in an active market and are therefore determined by the use of a valuation technique. Management performed the valuations using a Monte Carlo simulation taking into account the expected exit event date of Cell C in the next 11 to 24 months. These calculations use a valuation of Cell C provided by a qualified independent third-party valuation specialist. By way of simulation, the model generates a large number of random paths for the value of the Cell C share price from 31 May 2018 to the expected listing date. The average payoffs across the simulated paths are then discounted at the risk-free rate to obtain the present value of the shares owned by SPV1 and SPV2. As both arrangements are USD denominated, the model accounts for the forward rate of the US dollar at the expected listing date.

As at 31 May 2019, an independent third-party valuation specialist attributed a nil value to Cell C Limited.

As a result, an unrealised fair value loss totalling R750 million was recognised in the current year, of which R167 million related to SPV1 and R583 million to SPV2.

The derivatives are level 3 instruments in the fair value hierarchy.

The fair value estimate of the Glocell loan

TPC acquired a 48% share in Glocell Distribution Proprietary Limited (Glocell Distribution) on 30 June 2018 (refer to note 2.4).

In terms of an agreement entered into between TPC and Glocell Proprietary Limited (Glocell), Glocell has pledged its 40% shareholding in Glocell Distribution to TPC in the event of Glocell defaulting on amounts owing of R343 million to TPC as at 31 May 2019. The right to enforce this pledge is currently not exercisable. This right only becomes exercisable once Glocell has settled its outstanding debt of R121 million to Investec Bank Limited.

Glocell's ability to repay TPC the amounts owing to it is dependent on the extent of dividends receivable from Glocell Distribution on a piecemeal basis. TPC is therefore exposed to the value of Glocell Distribution and accordingly has reclassified the amount due by Glocell to it from trade receivables to financial assets at fair value through profit or loss.

A discounted cash flow valuation of Glocell Distribution has been used to determine the value of Glocell's 40% shareholding in Glocell Distribution. This is used to determine the fair value of the loan. This valuation has been performed by the finance department of the Group using cash flow projections based on forecasts for up to five years which are based on assumptions of the business, industry and economic growth.

A fair value downward adjustment of R141 million of the R343 million owing to TPC was required due to unfavourable wholesale trading conditions impacting on Glocell Distribution's financial performance. The derivatives are level 3 instruments in the fair value hierarchy.

Integrated annual report

The committee considered the integrated annual report, incorporating the annual financial statements for the year ended 31 May 2019. The committee considered the sustainability information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to its members. The committee recommended the approval of the integrated annual report to the Board.

The ARCC is satisfied that it has complied with its legal, regulatory and other responsibilities as per its terms of reference and that it has executed its responsibilities in terms of paragraph 3.84(g)(iii) of the Listings Requirements in its assessment of the suitability of the auditor. The contents of the ARCC report was discussed at the committee meeting and were approved by the committee members on 29 October 2019.

The ARCC is satisfied that it has complied with its legal, regulatory and other responsibilities as per its terms of reference.

On behalf of the Audit, Risk and Compliance Committee

JS Mthimunye
Chairman

29 October 2019

Social, Ethics and Transformation Committee's report

Dear stakeholders,

I am pleased to report on the activities of the Committee for the financial year ended 31 May 2019.

The Committee was formed in February 2012 in accordance with section 72(4) of the Act and operates under Board-approved terms of reference, which include holding at least three meetings per financial year.

As prescribed by the Act, the role of the Committee is to monitor the Group's activities in respect of:

- social and economic development, including the Group's compliance with the Broad-Based Black Economic Empowerment Act and the Employment Equity Act;
- consumer relations and the Group's compliance with consumer protection laws;
- the Group's standing in terms of the ILO protocol on decent work and working conditions, the Group's employment relationships and its contribution to the educational development of its employees;
- good corporate citizenship, including the Group's promotion of equality, prevention of unfair discrimination and reduction of corruption, contribution to development of the communities in which the Group operates, and its record of sponsorships, donations and charitable giving;
- the environment, health and public safety and the impact thereon of the Group's activities; and
- the 10 principles of the United Nations Global Compact.

This year the Committee met three times in line with its terms of reference. Areas discussed with management included transformation across the Group's workplace focusing on continuous improvement in meeting the Company's transformation objectives and regulatory compliance. The Committee ensured that the Group published its consolidated B-BBEE rating in respect of the 2019 financial year as required by the JSE of all listed entities and published a consolidated B-BBEE scorecard on its website, issued a SENS announcement and submitted a report to the B-BBEE commissioner.

In addition to monitoring and reporting on progress to date, the Company continued to explore implementation strategies to increase its B-BBEE compliance levels in line with our good corporate citizenship commitments. The Committee reviewed the impact of the revised and implemented dti codes of good practice to the Group and satisfied itself that management is ensuring a rigorous process to ensure compliance at individual subsidiary levels and that divisional management incorporates the Company's transformation objectives as an integral part of their day-to-day performance scorecards.

The Committee interacted with Senior Management and the Group's joint CEOs to ensure inculcation of the guidance and recommendations of the Committee into both strategic and operational plans within the Group and its subsidiaries.

The Committee continues to monitor progress of the roadmap to address the Company's equity targets and B-BBEE shortfalls. We will continue to review current initiatives and their effectiveness and make appropriate recommendations to the Board.

The following items were also considered and implemented during the year:

- The Committee approved the establishment of a dedicated B-BBEE and transformation business function to drive and support meaningful transformation across the Group.
- The Committee noted and approved the revised final CSI policy whose intention was to ensure that the principle of shared value for all stakeholders is embedded into all Group CSI initiatives. The new philosophy of Group CSI is around creating shared value and centralised co-ordination of resource application for high impact and Group outcomes.
- The Committee noted the establishment of the Trust Blue Foundation, the non-profit arm of the Group. The objective of the foundation is to collaborate with non-profit organisations and social enterprises with a view to create more synergies and better alignment with our shared value ethos. Please refer to the socio-economic and community development report on page 70.
- The Committee continued to monitor all CSI projects in particular our ongoing support of the flagship project since 2011; the Boys and Girls Clubs, which the Group is proud to be associated with as well as the cricket and educational youth development initiative in Alexandra.
- The monitoring of the coaching and skills development initiatives to ensure targeted spend of Group priorities and transformational objectives.
- Employment equity, including feedback from the Group Employment Equity Committee.

- The Committee continued to monitor Group compliance with the 10 principles of the United Nations Global Compact (UNGC). We are glad to report that the Group has implemented measures for the prevention and combating of all forms of corruption in line with all applicable local legislation and the 10th principle of the UNGC. Monitoring of the ethics statement and the implementation of the Whistleblowing Policy of the Group remained a key monitoring tool for the Committee.
- The Committee further noted that all health and safety policies and procedures continue to be well managed and co-ordinated via the Health and Safety Committee.

Key focus areas for 2020:

- Continue to evolve Blue Label's CSI approach in pursuit of shared value by leveraging Trust Blue Foundation to ensure that our initiatives are aligned to deliver on RITE;
- Increase integration of the Group's institutional capabilities to further support our CSI programmes;
- Continue to support the integration of socio-economic and enterprise development initiatives with marketing campaigns to increase synergy;
- Oversee the implementation of the approved stakeholder management programme, which is in line with the principles of King IV;
- Continue to review and assess stakeholder relations;
- Continue to provide oversight on the activities related to global diversity and inclusion;
- Oversee the development of a Group enterprise and supplier development policy to transform the supply chain by introducing 51% black-owned entities, 30% black women-owned entities as well as exempt microenterprises and qualifying small enterprises;
- Ensure the embedding of ethics is done in an ethical, safe and responsible way; and
- Monitor and evaluate the implementation of ethics management.

The Committee believes that the Group complies with the statutory duties, save for issues being addressed by management with regard to employment equity and aspects of procurement as the Group purchases mainly from the networks and power utilities. In addition, work continues to be undertaken to improve on the Group's B-BBEE equity scorecard.

I look forward to reporting on our progress next year.

SJ Vilakazi
Chairman

29 October 2019

Remuneration report

DEAR SHAREHOLDERS

It has been a busy year for the Remuneration Committee. We have engaged actively with institutional shareholders to address concerns expressed with our policy. Our aim is to fortify relationships with our shareholders through aligning interests which is achieved through honest dialogue and an understanding of our remuneration practices and how they will be applied within the organisation.

Working with our Human Capital team we have engaged external advice and support to address these concerns and bring our policy closer to best practice of fair and responsible remuneration aligned to shareholder interests and value creation. In the revision of our policy we have partnered with business to ensure that the policy is fit for purpose and is aligned to the operational strategy and the talent requirements of Blue Label.

In choosing which financial metrics to use in STIs and LTIs, we have benchmarked against our peers, considered best practice, and more importantly incorporated the specific business goals of Blue Label. It is important to ensure consistency and a meaningful analysis of performance.

When considering an appropriate peer group, we gave consideration to the industry sector, the size of comparator companies, the complexity of the business, the extent of international operations and talent considerations (companies from which individuals might be recruited or to where individuals might be lost). We aimed to choose a peer group that is robust and would allow for a fair reflection of our performance over a period of time, which allows a fair unencumbered measure of performance in returning value to shareholders in comparison to alternative investments shareholders could have made.

This report has been drafted in accordance with the requirements of King IV. We have divided the report into three sections:

- Background statement regarding committee considerations and decisions
- Our remuneration philosophy, policy and framework
- Implementation and remuneration disclosure of the prescribed officers (joint CEOs and CFO) and Non-Executive Directors (NED).

Section 1 provides an overview of how the Remuneration Committee has championed our alignment to King IV's Code on Corporate Governance and how we have aimed to address institutional shareholder concerns with changes to our policy. Section 2 summarises our revised remuneration philosophy and policy, together with an overview of our revised total rewards strategy that will be a key focus area for Blue Label in FY20. The full policy can be accessed here. Finally, Section 3 provides an overview of FY19 performance and discloses payments made to Executive Directors during the year in terms of performance against targets, as well as the fees paid to Non-Executive Directors.

Looking forward to FY20, we will implement and anchor our new reward philosophy and policy across the Group. We will continue to champion the pay for performance principle and ensure that the revised policy is aligned to our business strategy and growth agenda and deliver total shareholder returns. The Human Capital team will continue to expand our total reward philosophy, in line with our broader employee value proposition #HappinessisBlu. We trust that our holistic and considered approach will enable us to align our talent to shareholder interests, while differentiating us within the marketplace and enabling us to attract and retain talent.

We invite you to give us your views on our revised policy and its implementation looking forward. We would like to thank everyone who engaged with us through the year and provided valuable input and who have ultimately enabled us to align further to all of our stakeholder requirements. We are mindful that during the year under review, the Group performance and resulting impact on our share price, has been hugely disappointing. The Executive Directors have consequently waived any entitlements to STI bonuses for this financial year. We acknowledge that we are on a journey of moving Blue Label closer to best practice and remain committed to this.

GD Harlow
Chairman of the Remuneration Committee

SECTION 1

Background statement regarding committee considerations and decisions

The Blue Label board and Remuneration committee endeavour to apply the King IV principles regarding responsible and transparent remuneration practices. During the year, the Remuneration Committee have actively engaged with the Board, Deloitte, KPMG, Korn Ferry and various shareholders, to comprehensively review our remuneration strategy and supporting policy. We are confident that the new remuneration policy will align shareholder and management objectives while also providing for employee attraction and retention.

The review was undertaken to:

- Address institutional shareholders feedback and concerns,
- Enable Blue Label to compete within an increasingly competitive talent market, through bringing us closer to best practice fair and transparent remuneration practices;
- Enable us to attract and retain key capabilities and talent required to deliver our growth strategy;
- Align employee performance and value-creating behaviours to our strategy and delivering shareholder returns.

We engaged with the various stakeholders during and after the implementation of the changes. At the end of the engagements, key decisions were taken to review how we positioned ourselves to comparator groups within the South African general market and identified peers to make changes to our short-term and long-term incentives. Our revised remuneration philosophy and policy, demonstrates our desire to move us closer to best practice and maintain our competitiveness within the market.

Bringing us closer to best practice fair and transparent remuneration practices:
King IV™ guides organisations to apply remuneration practices which are fair, responsible and transparent. The Committee has engaged with shareholders and external advisers to bring us closer to best practice.

In summary the following amendments have been made to our remuneration practices:

- created a new total reward philosophy for Blue Label Telecoms;
- revised our remuneration philosophy and policy and engaged consistently with key stakeholders though the process;
- in revising the policy we:
  - aim to achieve a more favourable split between fixed and variable pay over time, taking us closer to a 35% fixed and 65% variable split;
  - are positioning our fixed pay at market median as opposed to the upper quartile;
  - will upweight variable pay and pay for performance;
  - have revised our targets for our STIP and LTIP and removed the outperformance bonus from our policy;
  - have introduced a new malus and clawback clause; and
  - have introduced special short-term incentives to enable us to attract and retain critical skills which are key to our strategy.

Further details can be found in section 2 of the report and the full Remuneration Policy which can be accessed here.

Attracting and retaining key capabilities and talent required to deliver our growth strategy:
In FY18 we saw an increase in staff turnover within Blue Label, particularly within our IT division. As with other organisations, we have had to compete for key skills and high potential talent within an environment where the demand and supply forces of certain skills resulted in management offering remuneration that was on occasion higher than the average remuneration offered to current employees. We have responded in a holistic approach through reviewing our Blue Label talent strategy, talent management practices, and standardising our grading and remuneration practices across the Group.

In FY19 we have:

- updated our talent strategy and implemented new talent management processes;
- engaged Deloitte, the Korn Ferry Hay Group and KPMG to understand what our strengths are as an organisation and where we could improve our remuneration practices;
- revised our total reward framework to create a compelling and competitive employee value proposition that speaks to all employee generations and life cycles, thereby aiming to increase engagement and maintain our high-performance Blue Label culture;
- reviewed our grading and embarked on systematically aligning the organisation across all entities to Hay grades and the newly defined Blue Label bands through updating job descriptions;
- completed a benchmarking process to review our internal pay scales, align the organisation and have begun to consistently apply them to all new appointments;

- been guided by our internal pay scales, when drafting offers for new appointments, and aim to offer packages targeted at the market median, taking into consideration individual criteria, such as availability of skill within the market, employee experience, qualifications, leadership skills and technical competencies;
- conducted an equal pay for equal work assessment, with regard to gender and race, to understand our pay practices across the Group and found that no bias exists within our business based on race and gender, where there is equal representation. The bigger issue that needs to be addressed is female representation and equity representation in Senior Management and Top Management; and
- begun to address pay inequity across various bands and roles where job content has expanded through our growth strategy.

As demonstrated, we have responded in a holistic approach to compete effectively through a total reward philosophy that is fair and transparent and that aims to engage the hearts, hands and minds of our talent.

Aligning employee performance and value-creating behaviours to our strategy and delivering shareholder returns:

In consultation with our institutional shareholders and taking cognisance of our strategy, we have revised our metrics to align employee performance to value-creating behaviours and shareholder returns. In consultation with our Remuneration Committee, Social and Ethics Committee and Group Risk Management Committee, we have revised our metrics to:

- reward delivery of NPAT for Senior Management;
- retain core HEPS growth for Senior Management at Group level and Executive Directors as a key metric;
- introduce EBITDA for senior management at Group level and Executive Directors;
- introduce return on capital employed as a new key metric to ensure an appropriate capital allocation policy is implemented and delivered against; and
- introduce TSR (total shareholder return) targets for our LTIP scheme.

In addition we:

- removed the retention element of our LTIP and replaced it with an ESG performance scorecard, further aligning us to King IV;
- introduced minimum holding requirements for Executive Directors; and
- introduced malus and clawback provisions.

The revised policy and metrics are effective for FY20.

Additional decisions taken in FY19:

- Updated the Remuneration and Nomination Committee Terms of Reference.
- Updated the Remuneration Policy.
- Set performance conditions for short and long-term incentives for FY19 for Executive Directors.
- Approved increases and adjustments for executives, Senior Management and employees.
- Evaluated the LTIP vesting conditions for the 2015 scheme and approved final vesting ratios.

Specifically, addressing institutional shareholder concerns:

Following the results of the non-binding advisory vote on the 2018 remuneration policy, we encouraged and received feedback from various institutional shareholders through the year regarding our policy and the implementation thereof. Specifically, the Chairman of the Remuneration Committee conducted both written and face-to-face meetings with Sanlam, Old Mutual, Allan Gray and Aeon. Engagement with these institutional shareholders allowed us to distil key areas of concern. We have taken steps to address them in a pragmatic and affordable manner and incorporated the required changes in the new remuneration policy. We summarise:

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Fixed annual remuneration (FAR) in proportion to total remuneration is too high for Executive Directors of BLT.	**ASSESSMENT** The split between FAR and performance variable remuneration (Short-term Incentives (STIs) and Long-term Incentives (LTIs)) is skewed towards the Short-term Incentive plan (STIP) and FAR because target pay-outs for the Long-term Incentive plan (LTIP) are too low. Our CFO's total on-target single figure remuneration is below the market median, with fixed pay only marginally above the median. The joint CEOs total on-target single figure remuneration is at the market median, with FAR at the upper quartile. Total remuneration is skewed towards the STIP and FAR. In addition, the benchmarking process was skewed by the dramatic fall in the market capitalisation of BLT without taking into consideration that the CEOs also play a significant role in driving the recapitalisation and new strategy of Cell C. The Executive Directors do not earn any Non-Executive Director fees from Cell C.	We aim to leverage our remuneration policy to attract and retain competent executives and talent into Blue Label, reward them fairly in a way that is consistent with their performance, and align the incentives for these executives with the best interests of shareholders. We have a unique business in that our CEOs are founding members of the organisation and are significant shareholders. This ties them to the long-term success of the company. Further increasing the cap within the LTIP to provide for slightly more shares will not significantly alter their motivation or drive performance. However, while they are in our employment, we will ensure that we incentivise and reward them to deliver against the interests of our institutional shareholders.

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Fixed annual remuneration (FAR) in proportion to total remuneration is too high for Executive Directors of BLT (continued).	**RECOMMENDATIONS** ▶ For our CEOs, the current overall on-target single figure total remuneration should remain the focus and Remco can be comfortable that this is in line with the median. Should the founding CEOs leave the company, then BLT should align the pay mix with market practice, resize the job and pay mix with a more traditional view and mix across fixed pay and variable pay. ▶ Adjust the overall remuneration by paying at the market median for fixed pay and increase cap on STIP and LTIP to bring BLT closer to aligning pay mix and on-target single figure remuneration.	The following amendments have been made: ▶ The outperformance bonus has been removed and we adjusted caps on STIs and LTIs to improve the pay mix and bring us closer to best practice. ▶ Pay mix has been reviewed and adjusted for Executive Directors increasing variable pay proportion and adjusting the mix between STIPs and LTIPs. Joint CEOs: ▶ STIP on-target payout has been reduced from 120% to 100% of FAR. A maximum payout of 150% has been introduced. ▶ LTIP on-target share allocation has been increased from 35% to 50% of FAR. A maximum share allocation of 70% has been introduced. CFO: ▶ STIP on-target payout remains at 70% of FAR. A maximum payout of 100% has been introduced. ▶ LTIP on-target share allocation has been increased from 35% to 50% of FAR. A maximum share allocation of 70% has been introduced. Senior management: ▶ STIP on-target payout remains at 50% of FAR. A maximum payout of 75% has been introduced. ▶ LTIP on-target share allocation has been increased from 18% to 25% of FAR. A maximum share allocation of 35% has been introduced.
Retention shares are being paid to Executive Directors with no performance conditions.	**ASSESSMENT** Retention of the CEOs is key to the firm's success and the restraint of trade payment (a concern raised by shareholders) across three years to cover a further three years after termination of their employment, addresses this. That said, a removal of the retention element in the LTIP is warranted. **RECOMMENDATIONS** An ESG performance scorecard should replace the retention element, aligning BLT even further with King IV and removing the large retention element of pay	The retention element within the LTIP has been replaced with an ESG performance scorecard that will be linked to our strategy and operational requirements. 20% of the LTIP will be linked to the ESG performance scorecard. 100% of the LTIP is now linked to performance measures (both financial and non-financial).

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Long-term rewards should drive governance and long-term shareholder value.	**RECOMMENDATIONS** ▶ Remove the retention element. ▶ Use of relative TSR measure versus an absolute one. ▶ Limit duplication of metrics across STIP and LTIP. The following metrics were suggested, all with an equal 33.3% weighting: ▶ Growth in core HEPS compared to CPI plus a premium (with varying targets and thresholds); ▶ Total shareholder return versus a selected market peer Group; ▶ ESG Performance scorecard (environmental, social, governance) that is weighted average across selected metrics. Value awarded should be weighted average of scores attained versus target.	Blue Label remains committed to aligning our LTIP to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value. In addition, the plan will be structured to retain human capital with scarce or critical skills. In response to our assessment we have: ▶ Removed the retention element within our LTIP and the outperformance bonus; and ▶ Increased the LTIP cap to drive and reward outperformance. From 1 September 2019, the following metrics will apply: ▶ 30% of the allocation will be linked to cumulative growth in core HEPS compared to CPI plus a premium; ▶ 30% will be linked to total shareholder return (TSR) versus the JSE Capped All Share Index (i.e relative outperformance is required); ▶ 20% will be linked to return on capital employed; and ▶ 20% will be linked to a predefined ESG performance scorecard (environmental, social, governance). We chose a broad market index as opposed to a selected peer group as there are only five other listed entities in the telecommunication sector, and the Group operates in other sectors as well.
Minimum shareholding requirements are not in place within the current scheme.	**RECOMMENDATION** Minimum shareholding requirements for management should be implemented.	The policy has been updated to further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation. Executive Directors and Prescribed Officers will be required to accumulate a minimum holding of share allocations from 1 September 2019. ▶ Joint CEOs will be required to accumulate two times FAR over a period of five years. Our joint CEOs own a significant part of Blue Label and we will continue to review this. ▶ The CFO will be required to accumulate one times FAR over a period of five years.

Remuneration report continued

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
It is not clear what the malus and clawback provisions are.	**ASSESSMENT AND RECOMMENDATION** While there is a clawback policy currently in place, it does not include and detail, malus/clawback provisions as pertaining to any award in terms of the remuneration policy.	We have integrated a malus and clawback clause into the revised remuneration policy. It is designed to be preventive rather than a purely remedial or punitive measure and removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay. The clause applies to both the STIP and LTIP. The Board may act on the recommendation of the remuneration committee to adjust (malus) or recover (clawback) vested and unvested "at risk" remuneration paid or payable under the STIP and LTIP, where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including: ▶ Personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct. ▶ Directing an employee, contractor or adviser to act fraudulently, dishonestly or to undertake other misconduct. ▶ Breaching their material obligations to Blue Label, through error, omission or negligence. ▶ Receiving a STIP or LTIP award because of fraud, dishonesty or a breach of obligation committed by another person. ▶ Receiving a STIP or LTIP award because of an error in the calculation of a performance measure. This policy will not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the Company's auditors.

<table>
<tr><th>Key themes</th><th>Assessment and recommendations by certain shareholders</th><th>Amendments to the Blue Label Telecoms remuneration policy</th></tr>
<tr><td>Concerns raised about the use of core HEPS as the only financial performance hurdle factor for the STIs and LTIs.</td><td>RECOMMENDATION
Metrics chosen should drive the achievement of Blue Label's long-term objectives, as well as address any concerns highlighted by shareholders.
▶ Core HEPS should be retained given that Blue Label is an entrepreneurial growth company. It is a metric that has short and long-term applicability and that management has control over in meeting financial performance targets.
▶ Apply TSR versus peer group as a transparent metric to review relative value creation and shareholder return.
▶ ROE will ensure an appropriate capital allocation policy is implemented.
▶ Apply EBITDA as a financial metric as opposed to core HEPS.</td><td>With regard to concerns about the use of core HEPS, the only adjustment made to HEPS to determine core HEPS is the add back of the amortisation of intangible assets as a consequence of purchase price allocations in terms of IFRS 3(R), thus demonstrating the true operational performance of the BLT Group.

In determining growth in core HEPS, cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the REMCO.

Applying EBITDA only as a financial metric, does not factor in the impact on earnings relating to the cost of strategic gearing, to contributions from associates and joint ventures and to depreciation and taxation. The Group is strongly focused on growth in earnings and not just at EBITDA level.

The following financial measures will be applied in determining the STIP for Group head office and Executive Directors:
▶ core HEPS; and
▶ EBITDA.

The following financial measure will be applied in determining the STIP at divisional level:
▶ NPAT.

The following financial measures will be used within our LTIP:
▶ core HEPS;
▶ total shareholder return compared against the JSE Capped All Share Index; and
▶ return on capital employed.</td></tr>
</table>

VOTING AT THE 2019 ANNUAL GENERAL MEETING (AGM)

In line with the Companies Act and King IV, we will table the following resolutions for shareholders voting at the AGM:

- Advisory vote for the approval of the revised remuneration policy for implementation in FY20;
- Advisory vote for FY19 implementation report which is governed by our previous remuneration policy; and
- Binding vote on Non-Executive Directors' fees.

Remuneration report continued

Shareholder votes in favour

REMUNERATION AND REWARD POLICY

73.16%
in 2018

96.32%
in 2017

97.73%
in 2016

REMUNERATION OF NON-EXECUTIVE DIRECTORS

98.33%
in 2018

94.83%
in 2017

99.96%
in 2016

IMPLEMENTATION REPORT

73.28%
in 2018

Shareholders are invited to engage on our new remuneration policy and this remuneration report by sending a request for engagement to the Chairman of the Remuneration Committee to investors@blts.co.za.

Remuneration committee focus areas for FY20:
The Board has mandated the Remuneration Committee to continually assess the executive remuneration market and governance frameworks. Given the current South African economic environment and Blue Label's strategy and operational performance, we anticipate the following focus areas for the year ahead:

- Monitor the implementation of the revised remuneration policy across the organisation to demonstrate our commitment to attracting and retaining critical skills and talent.
- Continue to champion the fair and responsible pay of our talent, support the transformation agenda and eliminate any unfair bias or practices.
- Monitor and assess the remuneration landscape within South Africa, particularly relative to other telcos and similarly sized organisations.
- Review of our peer group applicable to the LTIP.
- Non-Executive Director benchmarking assessment.
- Alignment of metrics to value creating behaviour and hence shareholder interests, and rewarding performance accordingly.
- Assessing who our prescribed officers should be as an outcome of our current organisational re-design.
- Attracting female black talent onto our Board of Directors for BLT.

SECTION 2

Our remuneration philosophy, policy and framework (continued)

Blue Label recognises that our talent is a critical enabler to us achieving our aspirations and strategic goals. Our remuneration policy and practices, together with our Employee Value Proposition (EVP) of #HappinessisBlu aims to differentiate us from our peers. Through our remuneration policy and employment practices, we aim to:

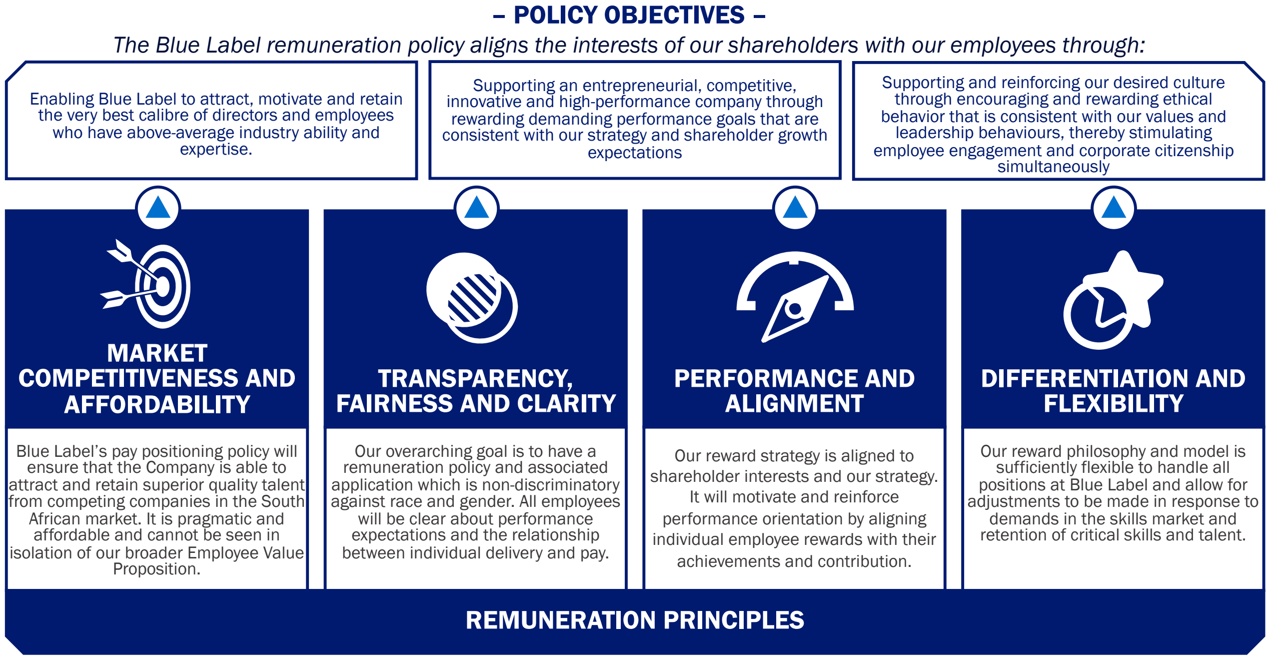
- create shareholder value by aligning our remuneration practices to our strategic goals;
- achieve new employment equity targets;
- align our employees' performance with shareholder interests;
- support our talent strategy through enabling Blue Label to attract, motivate and retain the very best calibre of directors and employees who have above-average industry ability and expertise;
- create an entrepreneurial, competitive, innovative and high-performance company through rewarding demanding performance goals that are consistent with our strategy and shareholder growth expectations;
- achieve our employment equity targets; and
- reinforce our desired culture through encouraging and rewarding ethical behaviour that is consistent with our values and leadership behaviours, thereby stimulating employee engagement and corporate citizenship simultaneously.

The competitive talent landscape, within which Blue Label operates, demands a differentiated reward system that is capable of competitively matching pay for results and which can be executed fairly and without bias.

To create a progressive and yet pragmatic remuneration policy, we have applied the following design principles:

- market competitiveness and affordability;
- transparency, fairness and clarity;
- performance and alignment; and
- differentiation and flexibility.

BLUE LABEL'S REWARD PRINCIPLES



Remuneration report continued

This policy applies to all subsidiaries, associates and joint venture companies in which the Group holds a shareholding in excess of 40%, excluding Cell C who have their own remuneration policy and committee. Furthermore, it applies uniformly in all such jurisdictions, except where it conflicts with either local statutes or regulations, in which case such statutes or regulations will apply. Where an operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply. The Remuneration Committee may approve by exception, for the policy to apply to seconded Blue Label employees.

At Blue Label we subscribe to a total reward philosophy. Fixed remuneration includes cash and benefits. When combined with incentive payments and awards and other non-quantifiable elements, they make up the Blue Label Total Rewards Plan. The components of the Blue Label employee remuneration and reward plans are:

- fixed annual remuneration (FAR);
- short-term incentives (STI);
- long-term incentives (LTI);
- commissions for sales staff;
- ad hoc rewards for performance and behaviours linked to our values, leadership programmes and competitions;
- non-financial benefits aligned to our EVP #HappinessisBlu;
- Blue Label pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments; and
- we reimburse all necessary and reasonable business expenses.

BLUE LABEL TALENT STRATEGY

	GUARANTEED	VARIABLE				NON-FINANCIAL
	Fixed annual remuneration	**Sales commissions**	**Short-term Incentive Plan**	**Short-term variable remuneration**	**Long-term Incentive Plan**	**#HappinessisBlu**
OBJECTIVES	Enables us to attract and retain talent, taking into consideration, skills, experience, high potential and value contribution.	Aligned to drive continuous improvement, improved customer service and increased revenue in sales and operations.	Reward the achievement of challenging strategic, financial and operational objectives, aligning individuals to divisional, Group performance and the interests of our shareholders. The scheme is structured to reward collaborative work across the Group to ensure we leverage our capabilities, increase innovation, improve customer and consumer service, reduce inefficiencies and increase revenue and profits.	Special-purpose variable remuneration arrangements to help attract and retain high potential talent who are the holders of scarce skills. Arrangements are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.	Aligning employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value.	Create a differentiated employee value proposition and work experience to increase the engagement and retention of existing employees and position Blue Label as an employer of choice within an increasingly competitive landscape.
ELIGIBILITY	All	Specific roles within sales and operations.	All	▶ Critical and scarce skills ▶ High-performing employees with high potential and critical skills	Executives and management	All

FY20 APPROACH

BLUE LABEL TALENT STRATEGY

GUARANTEED	VARIABLE				NON-FINANCIAL
Fixed annual remuneration	**Sales commissions**	**Short-term Incentive Plan**	**Short-term variable remuneration**	**Long-term Incentive Plan**	**#HappinessisBlu**
Weighted average increase of up to 6%.	As defined by the operational plan and budget.	Schemes with varying components linked to: ▸ individual performance; ▸ divisional performance (where applicable); and ▸ Group performance. Gatekeeper conditions are in place. Individual metrics are limited to five KPIs and must be verifiable and challenging. The following financial measures will be applied in determining the STIP for Group head office and Executive Directors: ▸ core HEPS; and ▸ EBITDA. The following financial measure will be applied in determining the STIP at divisional level: ▸ NPAT. CEO's thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR. FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay-out at 100% of FAR. *Further details on targets can be found in the full remuneration policy.*	Cash-based signed-on awards and retention bonuses are assessed on a case-by-case instance in line with policy. *Further details on targets can be found in the full remuneration policy.*	Schemes available. Eligibility based on: ▸ senior leadership; ▸ talent key to driving business strategy; ▸ retention of talent with high potential and/or critical skills; and ▸ transformation objective. Gatekeeper conditions are in place. Awards are subject to malus and clawback provisions. Minimum holding requirements are in place for Executive Directors. From 1 September 2019 the following metrics will apply: ▸ core HEPS compounded cumulatively over three years. ▸ total shareholder return versus the all share capped index. ▸ return on capital employed. ▸ ESG performance scorecard. Allocation awards for Executive Directors looking forward are: ▸ 50% of FAR for the CEOs with a maximum of 70%; and ▸ 50% of FAR for the FD with a maximum of 70%. *Further details on targets can be found in the full remuneration policy.*	Individualised employee engagement, development and growth.

BLUE LABEL HIGH PERFORMANCE

In our assessment of our current remuneration practices we have noted that we need to increase our pay for performance through variable pay. The Remco is working closely with management through the application of this policy and our Blue Label remuneration and talent management strategy, to move towards a pay mix of 35% fixed annual remuneration and 65% variable annual remuneration for Executive Directors and senior management for on-target performance. Variable annual remuneration will be equally split between STIs and LTPIs. This will bring us closer to best practice and will enable us to balance attracting and retaining high potential human capital with creating long-term value for our shareholders. This is a three-year goal.

Fixed Annual Remuneration

Fixed Annual Remuneration is a critical enabler in the attraction and retention of human capital, taking into regard skills, experience, high potential and value contribution. The components of guaranteed fixed remuneration are:

- cash salary;
- medical aid benefits;
- allowances; and
- disability and death benefits.

Any changes to benefit contribution levels are cost neutral to the Group.

Consideration is given to local market conditions and FAR, and total annual remuneration is benchmarked against independent market data. We have revised our policy and we aim to pay at the median of the general South African market. We are transitioning to the Hay Grading Methodology across the group and each graded role reflects the scope and depth of role, experience required and level of responsibility. An acceptable earnings range is allocated to each role. In limited instances, salaries above the market median may exist due to historical factors or where we have aimed to attract or retain high potential human capital, with above-average experience or critical skills.

In line with equal pay for equal work, every effort is made to ensure internal equity (between race, gender and grade) within the Group. The policy is flexible and allows for management discretion to consider consistent high-performance, high potential human capital, above-average experience or critical skills within an increasingly competitive talent market place. Where any remuneration levels are not market-related or reflect internal inequity as per our grading and recommended pay scales, an appropriate adjustment can be made. In addition, management may motivate to the CEOs, Group Head of Human Capital and Remco, for senior management and executives remuneration adjustments, within reason, to retain above-average experience, high potential human capital or critical skills.

Annual salary review process

Blue Label's annual salary review process provides an opportunity for management to reward for performance and adjust salaries in line with market increases and organisational affordability. Blue Label's annual performance-based increases are affected in June each year. We aim to differentiate between non-performance, average performance and exceptional performance. A pool of allocated budget linked to inflation is distributed amongst employees. In FY20 the Remco mandated an average increase of up to 6%. All increases above 6% were reviewed, moderated and approved by the CEOs and Remco where appropriate. To qualify for an annual increase in June, employees must have been employed by Blue Label for six months.

Short-term Incentive Plan

Within our revised policy we have extended our Blue Label STI plan to additional bands within our grading framework. Looking forward, STIs will reward the achievement of strategic, financial, and operational objectives. In line with our entrepreneurial spirit, targets and metrics are challenging and align individuals to divisional and Group performance and the interests of our shareholders. In this way, we encourage the achievement of sustainable results within an agreed risk appetite. Further detail on its components, eligibility and operation can be found within our remuneration policy.

We have introduced further incentives for managers to use within exceptional instances. The special-purpose short-term variable remuneration arrangements have been designed to help attract and retain high potential human capital who are the holders of scarce skills. These include sign-on awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

Adjustments have been made to how this scheme is applied to our Executive Directors. Our new policy has removed the outperformance bonus, adjusted thresholds and introduced a maximum bonus set ahead of the market median to encourage superior growth and performance. Malus and clawback policies have been implemented as well as a minimum shareholding.

The emphasis is on performance beyond target for Executive Directors for FY20:

- Individual goals will account for 20% of the STI. In FY20, for Executive Directors, these relate to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt.
- Group performance will account for 80% of the STI.
  - Organisational targets will be linked to the financial metrics as defined within the annual budget and performance management cycle.

		Individual	Division	Group
Executive Directors (Band 8) STI scheme	Group	20%		80%

Executive Directors (Scheme 5) Group STI financial metrics

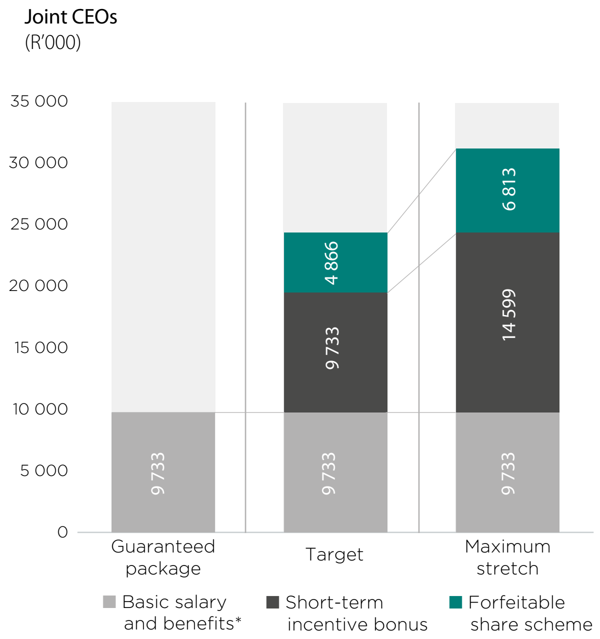
		Threshold	Target	Stretch
EBITDA (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#
Core HEPS (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#

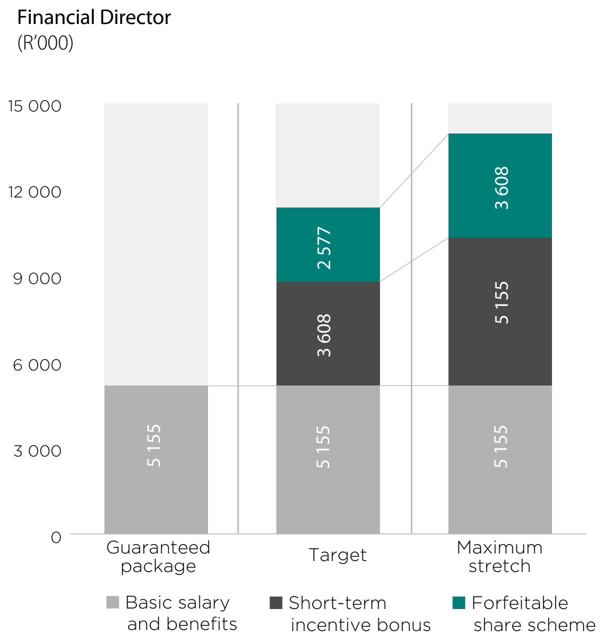
** Remco discretion to be applied for performance above target.*

 # The bonus is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

- CEOs thresholds have been amended and are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR.
- The FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay out at 100% of FAR has been introduced.

Executive Directors' composition of FY2020 total remuneration





* *In addition to the basic salary of R9.733 million each, the joint CEO's will receive R3.3 million each in line with the restraint of trade agreement that was concluded with them in November 2017. (As referred to on page 83 of the 2018 integrated annual report)*
The tenure of the restraint of trade undertaking is 36 months, which commenced on 1 November 2017 and will expire on 31 October 2020.
The total restraint of trade amount payable over the 36 month period is R10.013 million per CEO.
In determining the short term incentives and forfeitable share scheme awards, the above restraint payments do not form part of the base calculation thereof.

Long-term Incentive Plan

Blue Label's LTIP aligns employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value. In addition, they aim to retain human capital with scarce or critical skills. The Remco, through engagement with shareholders, has determined applicable criteria for LTIs, ensuring that the interests of all stakeholders are appropriately considered. These may be reviewed and adjusted in future, upon further engagement with shareholders. Awards are made once a year post our annual performance and pay reviews. All awards are subject to the necessary governance and approval processes. Awards are subject to vesting over a period of no less than three years from the date of the grant.

We have introduced some changes to our LTIP:

- Minimum levels of financial performance must be met. Employees who do not meet minimum performance requirements or are on a performance improvement plan, are not eligible.
- Awards from 2019 onwards are subject to malus and clawback provisions as set out in our policy (further detail can be accessed here).
- To further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be expected to accumulate a minimum holding of shares from September 2019.
- Committees will take into consideration value contribution, experience, skill and transformation requirements.

From September 2019, the following metrics will apply for the performance period 1 June to 31 May of each year:

		Group LTI Financial Metrics*		
		Threshold	**Target**	**Stretch**
Core HEPS (30%) (compounded cumulatively over three years)	**Group**	CPI + 5%	CPI + 10%	CPI + 15%
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
TSR (30%)	**Group**	Greater than or equal to JSE Capped All Share Index	JSE Capped All Share Index Return + CPI + 5% (average not compounded over three years)	JSE Capped All Share Index Return + CPI + 15% (average not compounded over three years)
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
ROCE (20%)**	**Group**	ROCE greater than or equal to WACC compounded over three years	ROCE greater than or equal to WACC + 2.5% compounded over three years	ROCE greater than or equal to WACC + 5% compounded over three years
	Payout %	1/3 of 20%	3/3 of 20%	24% of max
ESG* (20%)**	**Group**	Succession plans for key roles	B-BBEE performance + succession plans for key roles	N/A
	Payout %	1/3 of 20%	3/3 of 20%	N/A

Remco may review targets post-FY20. The LTI is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

** *ROCE is calculated using the following formula:*
ROCE = Net operating profit (EBIT)/(total equity + net debt). Net debt = total liabilities minus cash.

****ESG targets may be replaced for Executive Directors with personal strategic objectives.*

Remuneration report continued

Malus and clawback provision

Our revised remuneration malus and clawback ensures that excessive risk-taking is not rewarded. This malus and clawback clause applies to both vested and unvested 'at risk' remuneration. It is designed to be preventative rather than a purely remedial or punitive measure as it removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay. The clause applies to both the STIP and LTIP from June 2019 and September 2019 respectively. May be implemented up to 10 years after a trigger event and is applicable to financial year ending 31 May 2020 and each financial year-end thereafter.

The Board may act on the recommendation of the Remuneration Committee to adjust (malus) or recover (clawback) unvested and vested 'at risk' remuneration where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results. The malus and clawback clause does not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the company's auditors.

The CEOs or Company Secretary are required to notify the Chairman of the Remco and the Chairman of the Board respectively, of any circumstances that could constitute a 'trigger' under this policy as soon as practical. If either the CEOs or Company Secretary is involved in the trigger event, the Head of Group Risk and Compliance is required to notify the Chairman of the Remco and the Chairman of the Board respectively.

Before the Remco makes a recommendation to the Board to implement malus or clawback provisions under the policy, they shall:

- review the situation to understand the impact of the misstatement;
- assess the involvement of the employee and their level of responsibility regarding the trigger; and
- provide the relevant employee with written notice of the intended actions and the right to respond in writing within 15 working days to raise salient matters.

Having completed an investigation and following due process, the Board, on advice from the Remco, may decide to clawback, cancel or adjust any vested or unvested STI or LTI awards, where they are not satisfied that an award is appropriate or warranted due to exceptional circumstances.

Termination arrangements

Conditions of employment are comparable to those companies in our sector. In ordinary practice, no special or extraordinary conditions are applicable to senior executives. Exceptions may exist because of acquisitions and these must be reviewed and signed off by the Board and Remco.

In the event that services are terminated due to a no-fault basis, Executive Directors, prescribed officers and senior managers are entitled to severance pay equal to two weeks' FAR per completed year of service. Contractual notice and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus or unvested LTPI awards, will be dealt with in accordance with this policy and will in all instances be subject to Group Remco and Board oversight and approval.

In line with King IV, Blue Label has not concluded any termination agreements with its Executive Directors, other than a restraint of trade agreement entered into in 2017 with the joint CEOs. These are unlikely to be renewed after the three-year employment contract term. No fixed sums of money or "balloon payments" in recognition of service to the company, without any performance conditions attached, will be paid on termination of employment.

SECTION 3
Implementation report

Short-term incentive bonus

For the 2019 financial year, the Group did not achieve the levels required in terms of its predetermined targets for growth in core HEPS. As a result thereof, as well as the Executive Directors electing to forfeit bonuses for the non-financial targets, no short-term incentive bonuses were paid to them.

Performance metric	Target	Actual performance	Weighting	Amount paid to Executive Directors R'000	Amount forfeited by Executive Directors R'000
Short-term incentive bonus					
Financial target					
Group core headline earnings per share growth	greater/equal to CPI + 10% = 14.5%	(325%)	80%	–	–
Non-financial targets	Varies across the Group	Varies across the Group	20%	–	5 088*
Total				–	5 088

** The targets were met for the 20% non-financial measures. However, the Executive Directors elected to forfeit this portion of the short-term incentive bonus.*

Long-term Incentive Plan

The Long-term Incentive Plan related to the allocation of shares in 2015, which vested on 31 August 2018. The financial measurement was for the period 1 June 2015 to 31 May 2018.

The retention criteria of 40% was met.

Growth in core headline earnings per share over the three-year period equated to 41%. Growth in CPI over the three-year period accumulated to 16%, which after inclusion of the maximum growth target of 25%, equated to 41%. As the actual growth amounted to 41%, the resultant allocation of 50% was met.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation in September 2015 was R10.17. The required compounded growth of 10% per annum over the vesting period as at 31 August 2018 equated to a targeted share price of R13.54 inclusive of dividends paid totalling R0.76. The qualifying target equated to R12.78 net of dividends. The market price at vesting date was R7.16, therefore the minimum target requirement was not met. Therefore the 10% allocation relating to growth in shareholder returns did not vest.

On 31 August 2018, 90% of the 2015 share scheme allocations fell due.

Outperformance bonus

For the year ended 31 May 2019, the members of the Executive Committee did not qualify for an outperformance bonus due to the decline in the share price. The share price as at 31 May 2018 was R11.80. The target share price equated to R14.16, measured against the share price as at 31 May 2019 of R3.78. Therefore, the outperformance bonus was not achieved.

Performance metric	Target	Actual performance	Weighting	Amount paid to Executive Directors R'000
Long-term Incentive Plan (2015 forfeitable share scheme vested in August 2018)				
Retention	three years		40%	1 713
	25% + (cumulative CPI over three years)			
Growth in core HEPS	41%	41%	50%	2 143
Shareholder returns	R12.78 market price per share	R7.16 market price per share	10%	–
Total vesting related to performance conditions (excluding retention portion) included in 2019 total single figure of remuneration				2 143
Outperformance bonus				
Annual growth in the share price	R14.16 market price per share	R3.78 market price per share	–	–

Tables of single total figure of remuneration for FY2019

The single total figure of remuneration disclosure is based on the IoDSA and SARA application guidance issued in November 2017 on remuneration disclosure in accordance with King IV and presents the remuneration for executive management consisting of the Executive Directors of Blue Label Telecoms. The comparative information has been presented in a manner consistent with the current year presentation.

Executive Directors' remuneration for the year ended 31 May 2019:

Executive Directors' remuneration for the year ended 31 May 2019	Explanatory notes	BM Levy R'000	MS Levy R'000	DA Suntup R'000	Total R'000
Fixed remuneration (including salary, allowances and retirement benefits)		8 991	9 005	4 686	22 682
Other benefits		191	177	177	545
Short-term incentive bonus	1	–	–	–	–
2018 forfeitable share scheme – retention component on award date (1 September 2018) at fair value	2	1 071	1 071	567	2 709
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value	3	847	847	449	2 143
Outperformance bonus on award date at fair value	1	–	–	–	–
Single total figure of remuneration		**11 100**	**11 100**	**5 879**	**28 079**
2018 forfeitable share scheme retention component	5	(1 071)	(1 071)	(567)	(2 709)
2015 forfeitable share scheme – vesting of retention component in the current year at fair value	6	677	677	359	1 713
Dividends on vested shares	7	210	210	111	532
Short-term incentive bonus of prior year paid in August 2018	8	–	–	–	–
Restraint of trade award monthly instalments paid during the year	9	3 338	3 338	–	6 676
Total cash equivalent value remuneration received for the year ended 31 May 2019	10	**14 254**	**14 254**	**5 782**	**34 291**
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		12 520	12 520	4 863	29 903
Total cash equivalent value remuneration received for the year ended 31 May 2018		14 254	14 254	5 782	34 291
Difference to remuneration as disclosed in note 5.3		1 734	1 734	919	4 388
Reconciling items:					
Short-term incentive bonus accrued in May 2018 and settled in August 2018		–	–	–	–
Dividends on shares vested in the current year		210	210	111	532
2015 forfeitable share scheme that vested in the current year at fair value		1 524	1 524	808	3 856
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value		*847*	*847*	*449*	*2 143*
2015 forfeitable share scheme – vesting of retention component in the current year at fair value		*677*	*677*	*359*	*1 713*
		1 734	1 734	919	4 388

1. *No STI or outperformance bonuses, for the year ended 31 May 2019, were payable.*
2. *The 33.33% LTI retention portion of the 2018 forfeitable share scheme, awarded on 1 September 2018, which will vest in three years from that date provided that the Executive Directors remain employed by Blue Label Telecoms. As there are no further performance conditions, this portion of the award is recognised at fair value in 'the Single Total Figure of Remuneration' in the year of award.*
3. *The 60% LTI growth in core HEPS of the 2015 forfeitable share scheme that vested 1 September 2018.*
4. *The restraint of trade payments of the joint CEOs, although payable in 36 equal instalments, were included in the 2018 Single Total Figure of Remuneration in that there were no conditions pertaining thereto other than retention of employment. This took effect from the 1 November 2017.*
5. *The 33.33% LTI retention portion of the 2018 forfeitable share scheme is deducted from 'the Total Cash Equivalent Value Remuneration received', as vesting will only take place on 31 August 2021.*
6. *The 40% LTI retention portion of the 2015 forfeitable share scheme is added to 'the Total Cash Equivalent Value Remuneration received', as vesting took place on 31 August 2018.*
7. *Dividends are the total of cash receipts during the financial year applicable to the 2015 forfeitable share scheme, as vesting took place on 31 August 2018.*
8. *These amounts relate to the STI bonuses paid in August 2018, which were derived from performance for the year ended 31 May 2018.*
9. *These amounts represent the 12 monthly instalments received during the year.*
10. *Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2018 to the 31 May 2019, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.*

Executive Directors' remuneration for the year ended 31 May 2018:

Executive Directors' remuneration for the year ended 31 May 2018	Explanatory notes	BM Levy R'000	MS Levy R'000	DA Suntup R'000	Total R'000
Fixed remuneration (including salary, allowances and retirement benefits)		8 486	8 499	4 425	21 410
Other benefits		176	163	163	502
Short-term incentive bonus	1	–	–	–	–
2017 forfeitable share scheme – retention component on award date (1 September 2017) at fair value	2	1 011	1 011	535	2 557
2014 forfeitable share scheme – growth performance component on vesting date (31 August 2017) at fair value	3	3 143	3 143	1 665	7 951
Outperformance bonus on award date at fair value	1	–	–	–	–
Three-year restraint of trade award settled in equal monthly instalments over 36 months with effect from 1 November 2017	4	10 013	10 013	–	20 026
Single total figure of remuneration		22 829	22 829	6 788	52 446
2017 forfeitable share scheme retention component	5	(1 011)	(1 011)	(535)	(2 557)
2014 forfeitable share scheme – vesting of retention component in the current year at fair value	6	2 096	2 096	1 110	5 302
Dividends on vested shares	7	317	317	168	802
Short-term incentive bonus of prior year paid in August 2017	8	7 808	7 808	2 412	18 028
Restraint of trade award still to be settled in 29 equal monthly instalments	9	(8 066)	(8 066)	–	(16 132)
Total cash equivalent value remuneration received for the year ended 31 May 2018	10	23 973	23 973	9 943	57 889
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		10 609	10 609	4 588	25 806
Total cash equivalent value remuneration received for the year ended 31 May 2018		23 973	23 973	9 943	57 889
Difference to remuneration as disclosed in note 5.3		13 364	13 364	5 355	32 083
Reconciling items:					
Short-term incentive bonus accrued in May 2017 and settled in August 2017		7 808	7 808	2 412	18 028
Dividends on shares vested in the current year		317	317	168	802
2014 forfeitable share scheme that vested in the current year at fair value		5 239	5 239	2 775	13 253
2014 forfeitable share scheme – growth performance component on vesting date (31 August 2017) at fair value		3 143	3 143	1 665	7 951
2014 forfeitable share scheme – vesting of retention component in the current year at fair value		2 096	2 096	1 110	5 302
		13 364	13 364	5 355	32 083

1. No STI or outperformance bonuses, for the year ended 31 May 2018, were payable.
2. The 33.33% LTI retention portion of the 2017 forfeitable share scheme, awarded on 1 September 2017, which will vest in three years from that date provided that the Executive Directors remain employed by Blue Label Telecoms. As there are no further performance conditions, this portion of the award is recognised at fair value in "the single total figure of remuneration" in the year of award.
3. The 66.67% LTI growth in core HEPS and shareholder return of the 2014 forfeitable share scheme that vested 1 September 2017.
4. The restraint of trade payments of the joint CEOs, although payable in 36 equal instalments, have been included in total in "the single total figure of remuneration" in that there are no conditions pertaining thereto other than retention of employment. This took effect from 1 November 2017.
5. The 33.33% LTI retention portion of the 2017 forfeitable share scheme is deducted from 'the single total figure of remuneration', as vesting will only take place on 31 August 2020.
6. The 33.33% LTI retention portion of the 2014 forfeitable share scheme is added to 'the single total figure of remuneration', as vesting took place on 31 August 2017.
7. Dividends are the total of cash receipts during the financial year applicable to the 2014 forfeitable share scheme, as vesting took place on 31 August 2017.
8. These amounts relate to the STI bonuses paid in August 2017, which were derived from performance for the year ended 31 May 2017.
9. These amounts represent 29 equal monthly instalments, being the balance payable, post 31 May 2018, on the restraint of trade agreements.
10. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2017 to the 31 May 2018, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

Compliance with policy

The Remuneration and Nomination Committee is satisfied that the Remuneration and Reward Policy has been complied with for the year under review in so far as Executive Management is concerned.

Forfeitable share scheme – granted and unvested

	Issue date	Issue price R	Vesting date	Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year# R'000	Fair value at grant date R'000	Fair value at 31 May 2019* R'000
Forfeitable share scheme per Director										
For the year ended 31 May 2019										
BM Levy	1 September 2015	10.17	31 August 2018	262 834	–	(26 283)	(236 551)	–	2 673	–
BM Levy	18 October 2016	20.75	31 August 2019	137 194	–	–	–	137 194	2 847	519
BM Levy	1 September 2017	18.49	31 August 2020	163 970	–	–	–	163 970	3 032	620
BM Levy	3 September 2018	7.16	31 August 2021	–	448 843	–	–	448 843	3 214	1 697
				563 998	448 843	(26 283)	(236 551)	750 007	11 765	2 835
MS Levy	1 September 2015	10.17	31 August 2018	262 834	–	(26 283)	(236 551)	–	2 673	–
MS Levy	18 October 2016	20.75	31 August 2019	137 194	–	–	–	137 194	2 847	519
MS Levy	1 September 2017	18.49	31 August 2020	163 970	–	–	–	163 970	3 032	620
MS Levy	3 September 2018	7.16	31 August 2021	–	448 843	–	–	448 843	3 214	1 697
				683 367	448 843	–	(283 339)	750 007	11 765	2 835
DA Suntup	1 September 2015	10.17	31 August 2018	139 207	–	(13 921)	(125 286)	–	1 415	–
DA Suntup	18 October 2016	20.75	31 August 2019	72 663	–	–	–	72 663	1 508	275
DA Suntup	1 September 2017	18.49	31 August 2020	86 845	–	–	–	86 845	1 606	328
DA Suntup	3 September 2018	7.16	31 August 2021	–	237 725	–	–	237 725	1 702	899
				361 937	86 845	–	(150 067)	397 233	6 231	1 502

Awards include both the retention and performance instruments not yet vested.

* *The fair value is based on the closing price of R3.78 at 31 May 2019 and excludes performance criteria.*

Non-Executive remuneration

	Total R'000
Non-Executive Directors	
LM Nestadt	1 950
K Ellerine	604
G Harlow	1 638
J Mthimunye	1 065
JS Vilakazi	747
P Mahanyele**	374
	6 378

*** P Mahanyele resigned with effect from 23 November 2018.*

The proposed fees payable to Non-Executive Directors are set out below:

	Current fee 2019 R	Proposed fee 2020 R
Services as Directors		
– Chairman of the Board (per annum)	1 802 000	1 910 120
– Board members (per annum)	397 500	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	360 400	382 024
– Member (per annum)	222 600	235 956
Remuneration and Nomination Committee		
– Chairman remuneration (per annum)	212 000	224 720
– Chairman nomination (per annum)	148 400	157 304
– Member (per annum)	127 200	134 832
Investment Committee		
– Chairman (per annum)	212 000	224 720
– Member (per annum)	127 200	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	127 200	134 832
– Member (per annum)	79 500	84 270
Ad hoc Committee		
– Chairman (per meeting)	47 700	50 562
– Member (per meeting)	28 620	30 337

GD Harlow
Remuneration Committee Chairman

29 October 2019

Notice of Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 18 October 2019, that the twelfth Annual General Meeting (AGM) of shareholders of Blue Label Telecoms Limited will be held in the boardroom, Blue Label corporate offices, 75 Grayston Drive, Sandton, on Thursday, 28 November 2019 at 10:00 (South African time), to conduct such business as may lawfully be dealt with at the AGM and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008 (Act or Companies Act), as read with the Listings Requirements.

In terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Acceptable forms of identification include original and valid identity documents, driving licences and passports.

RECORD DATES, PROXIES AND VOTING

In terms of sections 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the AGM) as Friday, 18 October 2019; and
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to participate in and vote at the AGM) as Friday, 22 November 2019.

Certificated shareholders or own-name dematerialised shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the Transfer Secretaries at the address given in the form of proxy by no later than 10:00 on Tuesday, 26 November 2019.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, should contact their central securities depository participant (CSDP) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker: to furnish their voting instructions; or in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Certificated shareholders or own-name dematerialised shareholders who are entitled to attend and vote at the AGM are entitled to appoint a proxy to attend, participate in and vote at the AGM in their stead. A proxy need not also be a shareholder of the Company. The completion of a form of proxy will not preclude a shareholder from attending the AGM.

ELECTRONIC PARTICIPATION

The Company will provide for electronic participation in the AGM, as set out in section 63 of the Act. Please refer to the notes on page 125 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 125 and 126.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group annual financial statements, including the external auditor, Audit, Risk and Compliance Committee and Directors' reports for the year ended 31 May 2019, have been distributed as required and will be presented to shareholders at the AGM.

The Audit, Risk and Compliance Committee's report is set out on pages 89 to 95.

ORDINARY RESOLUTIONS

In terms of sections 62(3)(c) and 65(7) of the Act, unless otherwise specified, in order for each of the following ordinary resolutions to be passed, each resolution must be supported by more than 50% of the voting rights exercised.

1. **Ordinary resolution number 1:** Re-election of Mr MS Levy as a Director of the Company

   Resolved that Mr MS Levy, who was first appointed to the Board on 1 February 2007, and who retires in terms of the Memorandum of Incorporation (MoI), and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr MS Levy is on page 24.

2. **Ordinary resolution number 2:** Re-election of Mr JS Mthimunye as a Director of the Company

   Resolved that Mr JS Mthimunye, who was first appointed to the Board on 5 October 2007 and who retires in terms of the MoI, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr JS Mthimunye is on page 25.

3. **Ordinary resolution number 3:** Re-election of Mr LM Nestadt as a Director of the Company and Chairman of the Board

   Resolved that Mr LM Nestadt, an Independent Non-Executive Director who was first appointed to the Board on 5 October 2007 and who retires in terms of the MoI, and who is eligible and available for re-election, is re-elected as a Director and Chairman of the Company with immediate effect.

   A brief biography of Mr LM Nestadt is on page 24.

4. **Ordinary resolution number 4:** Reappointment of external auditor

   Resolved that on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Incorporated, is reappointed as independent registered auditor of the Company for the ensuing year until the conclusion of the next AGM of the Company.

5. **Ordinary resolution number 5:** Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2020

   Resolved that, in terms of section 94(2) of the Act, but subject to his re-election as a Director in terms of resolution number 2, Mr JS Mthimunye, an Independent Non-Executive Director of the Company, is elected as a member and Chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr JS Mthimunye is on page 25.

6. **Ordinary resolution number 6:** Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2020

   Resolved that, in terms of section 94(2) of the Act, Mr GD Harlow, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 25.

7. **Ordinary resolution number 7:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2020

   Resolved that, in terms of section 94(2) of the Act, Mr SJ Vilakazi, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr SJ Vilakazi is on page 25.

8. **Ordinary resolution number 8:** Non-binding advisory endorsement of Blue Label Telecoms Limited Group's remuneration and reward policy

   Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group remuneration and reward policy (excluding the remuneration of Non-Executive Directors and the members of the statutory and Board committees for their services as Directors and members of committees) as set out in the remuneration report in the integrated annual report 2019 is endorsed.

9. **Ordinary resolution number 9:** Non-binding advisory endorsement of the Blue Label Telecoms Limited Group's remuneration implementation report

   Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group's remuneration implementation report set out in the remuneration report in the integrated annual report 2019 is endorsed.

10. **Ordinary resolution number 10:** Directors' authority to implement ordinary and special resolutions

    Resolved that each and every Director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

SPECIAL RESOLUTIONS

In terms of sections 62(3)(c) and 65(9) of the Act, the minimum percentage of voting rights required for each of the following special resolutions to be passed is 75% (seventy-five percent) of the voting rights exercised.

1. **Special resolution number 1:** Non-Executive Directors' remuneration

   Resolved that in terms of section 66(9) of the Act, the following remuneration shall be payable to the Non-Executive Directors for their services as Directors for the period 1 June 2019 to 31 May 2020.

   The proposed fees payable to Non-Executive Directors are set out below:

	Current fee 2019 R	Proposed fee 2020 R
Services as Directors		
– Chairman of the Board (per annum)	**1 802 000**	1 910 120
– Board members (per annum)	**397 500**	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**360 400**	382 024
– Member (per annum)	**222 600**	235 956
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**212 000**	224 720
– Chairman Nomination (per annum)	**148 400**	157 304
– Member (per annum)	**127 200**	134 832
Investment Committee		
– Chairman (per annum)	**212 000**	224 720
– Member (per annum)	**127 200**	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**127 200**	134 832
– Member (per annum)	**79 500**	84 270
Ad hoc Committee		
– Chairman (per meeting)	**47 700**	50 562
– Member (per meeting)	**28 620**	30 337

2. **Special resolution number 2:** General authority to repurchase shares

   Resolved that, pursuant to the MoI, the Company or any of its subsidiaries are hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the Act and the Listings Requirements, provided that:

(a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% (twenty percent) of the ordinary shares in issue at the date on which this resolution is passed;

(b) this authority shall lapse on the earlier of the date of the next AGM of the Company or the date 15 (fifteen) months after the date on which this resolution is passed;

(c) the Board has resolved to authorise the acquisition and that the Group will satisfy the solvency and liquidity test immediately after the acquisition and that since the test there have been no material changes to the financial position of the Group;

(d) the acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;

(e) the Company only appoints one agent to effect any acquisition(s) on its behalf;

(f) the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five (5) business days immediately preceding the date on which an acquisition is made;

(g) the number of shares acquired by subsidiaries of the Company shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at the relevant times;

(h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements;

(i) an announcement containing full details of such acquisitions of shares will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% (three percent) in aggregate of the initial number (the number of that class of shares in issue at the time that the general authority from shareholders is granted) acquired thereafter; and

(j) an issuer or its subsidiary company may repurchase securities during a prohibited period as defined in paragraph 3.67 if they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investment decisions in relation to the issuer's, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:

- major shareholders – refer to page 130 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 104 of the Group annual financial statements; and
- responsibility statement – refer to page 1 of the Group annual financial statements.

By order of the Board

J van Eden
Group Company Secretary

Sandton

29 October 2019

EXPLANATORY NOTES

Presentation of the annual financial statements

In terms of section 61(8)(a) of the Act, the Directors' report, audited Group annual financial statements for the immediately preceding financial year and the Audit, Risk and Compliance Committee report are to be presented to shareholders at the AGM.

Ordinary resolution numbers 1 to 3 (inclusive): Re-election of Directors

In accordance with the MoI, one-third of the Directors are required to retire at each AGM and may offer themselves for re-election. Messrs MS Levy, JS Mthimunye and LM Nestadt retire by rotation at the AGM in accordance with article 25.17 of the MoI, and have offered themselves for re-election.

Brief biographies of the Directors are on pages 24 and 25.

The Board is satisfied with the performance of each of the Directors standing for re-election and that they will continue to make an effective and valuable contribution to the Company and to the Board.

The Board recommends to shareholders that they should vote in favour of the re-election of each of the Directors referred to in ordinary resolution numbers 1 to 3 (inclusive).

Ordinary resolution number 4: Reappointment of external auditor

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor meeting the requirements of section 90(2) of the Act.

PricewaterhouseCoopers Incorporated (PwC) expressed its willingness to continue in office and this resolution proposes the reappointment of PwC as the Company's auditor until the next AGM. In addition, Mr Pietro Calicchio is appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditor, PwC and Mr Pietro Calicchio, who replaces Mr D Storm in line with mandatory audit partner rotation are independent of the Company in accordance with sections 90 and 94 of the Act and the applicable rules of the International Federation of Accountants.

The Audit, Risk and Compliance Committee has recommended the reappointment of PwC as independent registered auditor of Blue Label for the 2020 financial year.

Ordinary resolution numbers 5 to 7 (inclusive): Election of Audit, Risk and Compliance Committee members

In terms of section 94(2) of the Act, each Audit Committee member must be elected by shareholders at its AGM. King IV likewise requires shareholders of a public company to elect each member of an audit committee at an AGM.

In terms of Regulation 42 of the Companies Regulations 2011, relating to the Act, at least one-third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on page 25.

Ordinary resolution number 8: Non-binding advisory vote: Endorsement of the remuneration and reward policy

King IV requires a company to table its remuneration and reward policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the Remuneration Policy adopted for Executive Directors. The Blue Label Remuneration Policy is contained on pages 98 to 120.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration and reward policy is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 9: Non-binding advisory vote: Endorsement of the remuneration implementation report

King IV requires a company to table its remuneration implementation report for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration implementation report for Executive Directors. The Blue Label remuneration implementation report is contained on pages 115 to 120.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration implementation report is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 10 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Special resolution number 1: Non-Executive Directors' remuneration

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their services as directors may be paid only in accordance with a special resolution approved by shareholders.

Special resolution number 2: General authority to repurchase shares

Special resolution number 2 seeks to allow the Group, by way of a general authority, to acquire its own issued shares (reducing the total number of ordinary shares of the Company in issue in the case of an acquisition by the Company of its own shares). This resolution is required in order to allow the Company to take advantage of any opportunity that presents itself to enhance shareholder value by repurchasing shares where the Company's share price is at a level which results in a share repurchase being to the benefit of shareholders. Any decision by the Directors to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions, share price, cash needs of the Group, together with various other factors, and in compliance with the Act, Listings Requirements and the MoI.

Electronic participation at the AGM

(a) Shareholders wishing to participate electronically in the AGM are required to:
  - (i) deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, 2196 (marked for the attention of the Group Company Secretary) that they wish to participate via electronic communication at the AGM; or
  - (ii) register on the Company's website at www.bluelabeltelecoms.co.za, where a link to the registration page will be placed, by no later than 10:00 on Tuesday, 26 November 2019 (electronic notice).

(b) In order for the electronic notice to be valid it must contain:
  - (i) where the Blue Label shareholder is an individual, a certified copy of his/her identity document and/or driver's licence and/or passport;
  - (ii) where the Blue Label shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out from whom the relevant entity is authorised to represent the entity at the AGM via electronic communication;
  - (iii) a valid e-mail address and/or facsimile number (contact address/number); and
  - (iv) by no later than 24 (twenty-four) hours before the AGM the Company shall use its reasonable endeavours to notify a shareholder at its contact address/number of the relevant details through which the shareholder can participate via electronic communication.

(c) Should a shareholder wish to participate in the AGM by way of electronic communication as aforesaid, the shareholder, or his/her/its proxy(ies), will be required to dial-in on the date and commencement time of the AGM. The dial-in facility will be linked to the venue at which the AGM will take place. The dial-in facility will enable all persons to participate electronically in the AGM, save for voting, which should be done through normal voting procedures stipulated by your CSDP in this manner (and as contemplated in section 63(2) of the Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the AGM. The costs borne by the shareholder or his/her/its proxy(ies) in relation to the dial-in facility will be for his/her/its own account.

Form of proxy

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
(Blue Label or the Company)

For use by certificated shareholders or own-name dematerialised shareholders at the Annual General Meeting of the Company to be held at 10:00 on Thursday, 28 November 2019 at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg.

If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the AGM in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own-name dematerialised shareholders and who wish to attend the AGM must obtain the necessary letter of representation from their CSDP or broker, as the case may be. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. Such dematerialised shareholders, other than own-name dematerialised shareholders, must not complete this form of proxy and should read note 10 overleaf.

Full name: I/We of (address)

(BLOCK LETTERS)

Telephone: (Work) (area code) Telephone: (Home) (area code)

Fax: (area code) Cell number:

being the holder(s) of ______ Blue Label shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the AGM of Blue Label shareholders to be held at 10:00 on Thursday, 28 November 2019 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Re-election of Mr MS Levy as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr JS Mthimunye as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr LM Nestadt as a Director of the Company and Chairman of the Board			
Ordinary resolution number 4: Reappointment of external auditor			
Ordinary resolution number 5: Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 9: Non-binding advisory endorsement of the remuneration implementation report			
Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions			
Special resolution number 1: Non-Executive Directors' remuneration			
Special resolution number 2: General authority to repurchase shares			

Signed at this day of 2019

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.

Notes to the form of proxy

A shareholder entitled to attend and vote at the AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the AGM. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder shall have one vote (irrespective of the number of shares held). On a poll, every shareholder shall have, for each share held by him/her/it that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the Company.

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the spaces provided with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the Blue Label shareholder. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert with an "X" or insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label shares exercisable by you, insert the number of Blue Label shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the Chairman, if the Chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she/it deems fit, in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or his/her/its proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his/her/its proxy.
3. For administrative purposes, forms of proxy must be lodged with the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. (PO Box 61051, Marshalltown, 2107). Faxed to: +27 11 688 5238 or e-mailed to: proxy@computershare.co.za, to be received by no later than 10:00 on Tuesday, 26 November 2019. Should the form of proxy not be delivered to the Transfer Secretaries by this time, you will be required to furnish a copy of such form of proxy to the Chairman of the meeting before the appointed proxy exercises any of their rights at the meeting.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the Chairman of the AGM.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The Chairman of the AGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Where there are joint holders of shares:
   - 8.1 any such persons may vote at the AGM in respect of such joint shares as if he/she/it were solely entitled thereto;
   - 8.2 any one holder may sign this form of proxy; and
   - 8.3 if more than one such joint holders are present or represented at the AGM, the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
9. Own-name dematerialised shareholders will be entitled to attend the AGM in person or, if they are unable to attend and wish to be represented thereat, must complete and return the attached form of proxy to the Transfer Secretaries in accordance with the time specified on the form of proxy.
10. Shareholders who hold shares through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the AGM or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary letter of representation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instruction should they not wish to attend the AGM in person, in order for their nominee to vote in accordance with their instruction at the AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death of the person granting it, the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the Transfer Secretaries, before the commencement of the AGM.
12. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless previously recorded by the Transfer Secretaries or unless this requirement is waived by the Chairman of the AGM.
13. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Blue Label or the Transfer Secretaries.
14. Unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the AGM or any postponement or adjournment of the AGM. This form of proxy shall be valid at any resumption of a postponed or adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of the postponed or adjourned AGM if it could not be used at the AGM for any reason other than it was not lodged timeously for the AGM. This form of proxy shall, in addition to the authority conferred by the Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

Glossary

WORD	DEFINITION
3G Mobile	3G Mobile Proprietary Limited, a private company which procures high-end branded mobile handsets for supply to Cell C and major retailers in South Africa and beyond. Its wholly owned subsidiary, Comm Equipment Company (CEC), provides the financing to Cell C for the mobile handset element of postpaid contracts
Act/the Act/ Companies Act	Companies Act, No 71 of 2008, as amended from time to time
ADRs	American Depository Receipts
AEON	Blue Label's proprietary switch through which all transactional capability is accessed. Banking grade transactions are switched through the Postilion platform
AEON EVD	The AEON Electronic Voucher Distribution platform is a central repository in which electronic (or virtual) stock is housed. It is referenced by other internal platforms like EVMS, AMS and AEON
AGM	Annual General Meeting
Airvantage	Airvantage, a private company whose Prepaid Airtime Advance System (PAS) offers Mobile Network Operators airtime, data and mobile money services: the ability to advance airtime, data or mobile money to subscribers
AMS	Airtime management system
ARCC	Audit, Risk and Compliance Committee
ARPU	Average revenue per user
B2B	Business-to-business, a commercial transaction between businesses
B2C	Business-to-consumer, a commercial transaction between a business and a consumer
B-BBEE	Broad-based black economic empowerment
BGCSA	Boys & Girls Clubs of South Africa
BLD	Blue Label Distribution Proprietary Limited
BLDS	Blue Label Data Solutions Proprietary Limited
BLM	Blue Label Mexico S.A. de C.V.
BLT	Blue Label Telecoms Limited
Blue Label/Blue Label Telecoms	Blue Label Telecoms Limited
Cell C	Cell C Proprietary Limited, launched operations in 2001, seven years after the launch of the two incumbents, Vodacom and MTN (launched in 1994)
CEO	Chief Executive Officer
CIO	Chief Information Officer
CIPC	Companies and Intellectual Property Commission
Company	Blue Label Telecoms Limited
content aggregator	An organisation which gathers web content and applications from different online sources for reuse and resale
CPA	Consumer Protection Act
CRC	Customer relation consultant
CRM	Customer relationship management
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CSR	Corporate social responsibility
disintermediation	Reduction in the use of intermediaries between network operators and consumers
distribution channels	For Blue Label, our distribution channels include retail and wholesale outlets, petroleum forecourts, informal retail outlets, individual merchants/entrepreneurs, corporates and independents (Mom & Pop stores)
DTH (TV)	Direct-to-home television, a method of receiving satellite television services
dti	Department of Trade and Industry
EAP	Economically active population
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EEC	Employment Equity Committee, which reports to the Social, Ethics and Transformation Committee
EFT	Electronic funds transfer
e-tokens	Electronic tokens – a form of electronic cash used for secure transactions
Exco	Executive Committee
fintech	Technology businesses that compete against, enable and/or collaborate with financial institutions
GDPR	General Data Protection
GRI	Global Reporting Initiative. Established in 1997, with the mission of designing globally applicable guidelines for the preparation of enterprise level, sustainable development reports
Group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures
IBC	Inside back cover
IC	Investment Committee
IoDSA	Institute of Directors in Southern Africa
Indian operations	Oxigen Services India, Oxigen Online and 2DFine
IRCC	Internal Risk and Compliance Committee
JSE	JSE Limited

Glossary continued

WORD	DEFINITION
JV	Joint venture
King IV	King IV Report on Corporate Governance for South Africa
KPMG	KPMG Services Proprietary Limited
LBS	Location-based services
LSM	Living standards measure
LTI	Long-term incentives
M-commerce	Mobile commerce
Main market	The informal, mostly rural, market in South Africa, from which the Group derives the bulk of its revenues
M&A	Mergers and acquisitions
MNO	Mobile network operator, such as Vodacom, MTN, Telkom and Cell C in South Africa
MoI	Memorandum of Incorporation
money remittances	The ability to transfer money to another individual without a bank account
NAV	Net asset value
NC	Nomination Committee, part of the Remuneration and Nomination Committee
NERA	National Empowerment Rating Agency
NPCI	National Payments Corporation of India, the national transactions switch
NQF	National Qualifications Framework, the system that records levels of learning activities
Oxigen/Oxigen India	Oxigen Services (India) Private Limited
Oxigen Online	Oxigen Online Services (India) Private Limited
physical prepaid airtime	Prepaid vouchers that are available as physical items
PINless top-up	E-token recharge directly to mobile phone via a POS device
POP	Points of presence
PoPI	Protection of Personal Information Act
POS	Point of sale, usually a place or a device
PowerPin voucher	Offline prepaid electricity top-up, consolidates the purchase of prepaid electricity across national municipalities
PwC	PricewaterhouseCoopers Inc.
Reware	Reware is a distributor of certified pre-owned smartphones
RC	Remuneration Committee, part of the Remuneration and Nomination Committee
RNC/Remco	Remuneration and Nomination Committee
SAICA	South African Institute of Chartered Accountants
SBI	State Bank of India
SDP	Service delivery platform
SED	Socio-economic development
SHEQ	Safety, Health, Environment and Quality
SIM card	Subscriber identification module card
SMS	Short message service
spaza shop	An informal convenience outlet
SRI Index	Socially Responsible Investment Index
SSETA	Services Sector Education and Training Authorities
STI	Short-term incentives
TJ	Transaction Junction Proprietary Limited
touch points	Devices through which consumers are able to purchase Blue Label products and services
TPC	The Prepaid Company Proprietary Limited
transactional services	Includes money transfers, payments of bills and the like
unbanked	People without bank accounts
underbanked/badly banked	People with poor access to mainstream financial services, such as banks and therefore rely on alternative financial services or alternatively people with bank accounts who do not make effective use of the broader services offered by the bank – they merely deposit and withdraw cash from their accounts
UniPIN	Universal PIN for prepaid electricity
USSD	Unstructured supplementary service data
value added	Measure of wealth the Group has created in its operation by “adding value” to the cost of products and services
VAS	Value-added services
Viamedia	Viamedia Proprietary Limited
virtual distributor	Distribution of e-tokens of value in electronic format
virtual prepaid airtime	Airtime top-up in an electronic format
WAP	Wireless application protocol
WASP	Wireless application service provider
WASPA	Wireless Application Service Providers Association

Administration

Directors
LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine**, GD Harlow*, JS Mthimunye*, DA Suntup, J Vilakazi*
*(*Independent non-executive) (**Non-executive)*

Company Secretary
J van Eden

Sponsor
Investec Bank Limited

Auditors
PricewaterhouseCoopers Inc.

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)

Registered address: 75 Grayston Drive, corner Benmore Road, Morningside Ext 5, Sandton, 2196

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Youtube: Blue Label Telecoms

JSE share code
BLU

ISIN
ZAE000109088
("Blue Label" or "BLT" or "the Company" or "the Group")

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