BLUE LABEL

TELECOMS

CONNECTING OUR WORLD TO **YOURS**

INTEGRATED ANNUAL REPORT 2020

CONNECTING OUR WORLD TO YOURS

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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 annual 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), the JSE Listings Requirements 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 2020. 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 22 to 29).

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), the JSE Listings Requirements and the Companies Act of South Africa, No 71 of 2008, as amended.

This report contains the notice of Annual General Meeting (AGM), 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, the JSE Listings Requirements 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. Material matters are defined as those matters that substantively affect the ability of Blue Label to create value over the short, medium and long term.

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 aside from the annual financial statements, which the external auditor, PricewaterhouseCoopers Inc. (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 (ARCC). 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
23 September 2020

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.

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 groundbreaking 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.

Our value system

CUSTOMER SERVICE ORIENTATION

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

ACHIEVEMENT AND DRIVE TO SUCCEED

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

HONESTY AND INTEGRITY

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

ENJOYMENT

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

COLLABORATION

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 vision

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

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

A snapshot overview of Blue Label's financial performance for the year ended 31 May 2020.

Headline earnings of
58.16 cents per share**
(2019: 312.49 cents loss pare share)

Core headline earnings of
62.71 cents per share**
(2019: 304.77 cents loss per share)

Revenue of **R21.1 billion***

Successful completion of the disposal of the Blue Label Mobile Group and the Handset division of 3G Mobile

Gross profit of **R2.12 billion**

Interest-bearing borrowings reduced to **R2.3 billion**
(2019: R3.2 billion)

Increase in gross profit margin from **9.21%** to **10.05%**

Net cash generated from operating activities of **R1.3 billion**

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* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 7% from R56.0 billion to R59.9 billion.

** On exclusion of negative contributions by the ceased operations of WiConnect and fair value downward adjustments, core headline earnings equated to 86.13 cents per share.

How we create value

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

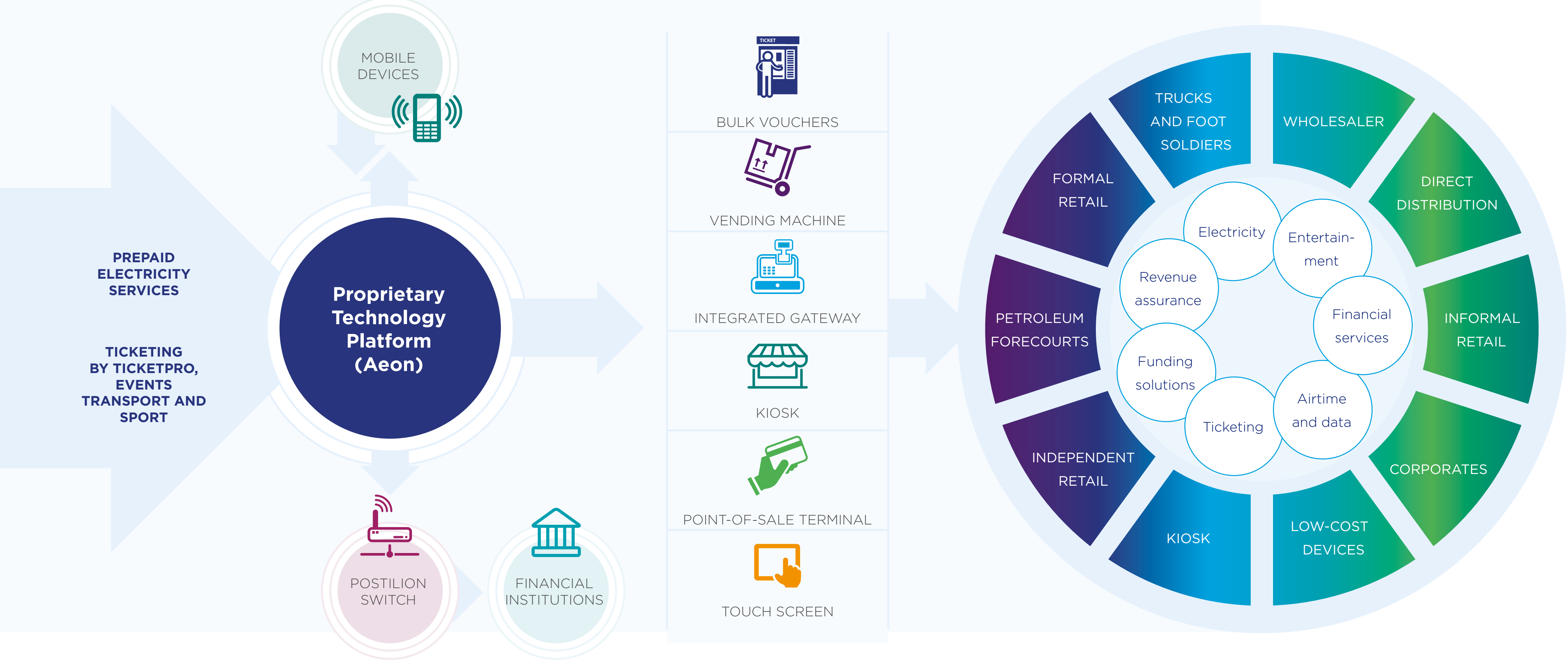
- the owner of scalable and transferable proprietary technology;
- hardware agnostic;
- product and services agnostic;
- channel agnostic; and
- a payment facilitator.

Our products and services

Further, Blue Label Telecoms:

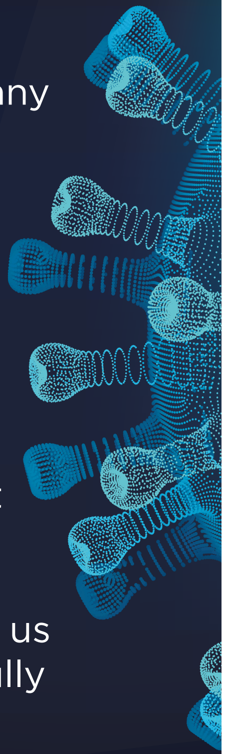
- is a virtual mall – our products and services require no inventory management for the merchants thereby eliminating obsolescence;
- our devices accommodate all methods of payment by the consumer and significantly reduce the cost of capital for customers;
- Ticketpro is a provider of event and transport ticketing across South Africa;
- provider of innovative funding for hardware sold by third-party companies to their clients; and
- utilising internal rich data and in-depth analysis to refine targeting and sales processes.

COVID-19 impacts →



Blue Label's preparations for a potential COVID-19 lockdown level 5 began in earnest in late February/early March 2020. Enormous effort went into preparing how to efficiently respond and facilitate staff working from home without interrupting any of our core services.

Not only did this entail the speedy procurement of hardware and software where needed, the training of those staff needing to take large PCs and desktops home and re-assemble them there, the provision of data access to those without service at home but also constant communication with staff, suppliers and customers to seamlessly manage the transition period. Our preparation allowed us to have all staff working remotely and a fully functioning remote Customer Interaction Centre available by 27 March 2020.



COVID-19 impacts

Blue Label's technical prowess came to the fore and we showed our resilience by continuing to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The COVID-19 lockdown has not impacted negatively on airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access to all our products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Buying patterns continue to evolve and were accelerated by the lockdown. Our data clearly points to consumers increasingly moving to digital channels at the expense of petroleum forecourts and traditional retailers. Blue Label is channel agnostic and was easily able to divert digital stock to meet demand wherever needed.

We have noted an increase in the productivity of our people as they strive to continue delivering innovatively and we are proud to have launched new digital products and services despite the COVID-19 chaos.

The majority of our companies have evolved to meet the changing market dynamics and used COVID-19 to spur innovation in order to continue delivering uninterrupted services and develop new services. Cigicell, our provider of pre-paid electricity tokens and revenue assurance services launched a zero-rated unstructured supplementary service data (USSD) service to provide indigent customers with their free basic electricity (FBE) token without the need to leave their places of residences. Apart from the phenomenal work done by our Information Technology division to cater for remote working conditions and the need to seriously up our data protection and prevention of cybercrime initiatives, the division also launched a WhatsApp bot providing customers with the ability to purchase many of our products without the need to establish an independent electronic wallet. All that is needed is WhatsApp and a bank or South African Social Security Agency (SASSA) card.

Despite these relatively upbeat stories, Blue Label has experienced significant pressure in some of our operating divisions.

Ticketpro was on track to have its most profitable year – then COVID-19 struck, crippling the industry. Despite this major setback, Ticketpro has used the time to rebuild and technically develop new and improved systems and infrastructure. We continue to expand the ticketing footprint in SA – 3 929 independent venues to access Ticketpro's event, sporting and transporting ticketing services.

Ticketpro also launched an online streaming events platform – COVID Zero – to maintain relevance and provide artists and fans a platform to share and enjoy content safely. COVID Zero empowers entertainers and raises funds for charities to provide less fortunate South Africans with face masks, hand sanitisers and food parcels.

Funds raised were managed by Blue Label's corporate social investment (CSI) arm, the Trust Blu Foundation who worked with Uconomy and Uconomy Youth, social enterprises that aim to create and maintain an integrated network of self-sustainable economic ecosystems that address unemployment from grassroots level. With the COVID-19 enforced shutdown, Uconomy was faced with the challenge of continued support to their small, medium and micro-enterprises (SMME) and youth. With the mentorship and support from Blue Label Telecoms and Trust Blu Foundation, Uconomy was able to mobilise over 3 000 unemployed and previously disadvantaged youth and their small and microenterprise network and repurpose them to address the COVID-19 crisis. This entailed repositioning them as a final stage in the production of reusable face masks, disposable gowns and shoe covers and packaging of hand sanitiser which were distributed to communities in need.

Our starter pack business was severely hampered by the hard lockdown, losing R38 million in the months of March and April. Our gaming business, in which we provide digital tokens for use at gaming outlets, also had nothing to bet on given that no sporting events took place. The starter pack business has now recovered to pre-COVID-19 levels and gaming appears to be picking up as punters bet on European football which has restarted. COVID-19 severely interrupted operations some of our call centre operation with 800+ call centre agents furloughed during the hard lockdown. Our large clients restricted operations while they were assessing the COVID-19 impacts. There were no new sales in April and May 2020. Business has slowly started to pick up again and we currently have 526 agents working remotely, 400 agents are now back in the office with temperature screening, hand sanitising stations, attendance records and they are appropriately socially distanced. We are planning scenarios where between 50% and 65% of our agents will be able to work offsite within 12 months.

COVID-19, however, had a significant negative impact on the retail operations of WiConnect. WiConnect's financial feasibility was impacted by the losses directly attributable to the lockdown and by the uncertainty of the duration of the pandemic. A decision was made to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R184 million on the Group's core headline earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores will, however, be confined to approximately R30 million.

In addition, challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the networks and an increase in product costs, exacerbated by COVID-19, necessitated an impairment of goodwill in Blue Label Connect of R157 million, a partial impairment in Glocell Distribution of R57 million and a fair value downward adjustment of the Glocell loan, net of taxation, of R47 million.

Our budgeting and planning process for the 2021 financial year has been complex given the need to cater for multiple scenarios, given the possibility of further waves of the virus and potential returns to harder lockdown level. We have also had to plan for possible further changes in the different markets within which we operate. This has necessitated the creation of an inherent flexibility to all our strategic and operational plans.

We are proud of the technical prowess of the Company and its people and we look forward to emerging from the COVID-19 crisis with reduced cost of acquisition, and further improved innovation and flexibility.

The Ⓡ Ⓘ Ⓣ Ⓔ 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 amongst 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

Continue to expand all our distribution channels in banking, retail, independent and informal markets, including the investigation of new, primarily digital channels. Expanding our reach also encompasses the adding of innovative products and services to our portfolio. We are a magnet for foot traffic into our customers retail or digital environments.

Ⓘ 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 and entrench our entrepreneurial culture and add flexibility that increase our speed to market.

Ⓣ Trust

We have redesigned our operating structure to improve the ability to service customers according to their needs. A customer centric approach assists us in providing exceptional service that is intelligently tailored to the needs of and builds trust with merchants, suppliers and customers.

Ⓔ Efficiency

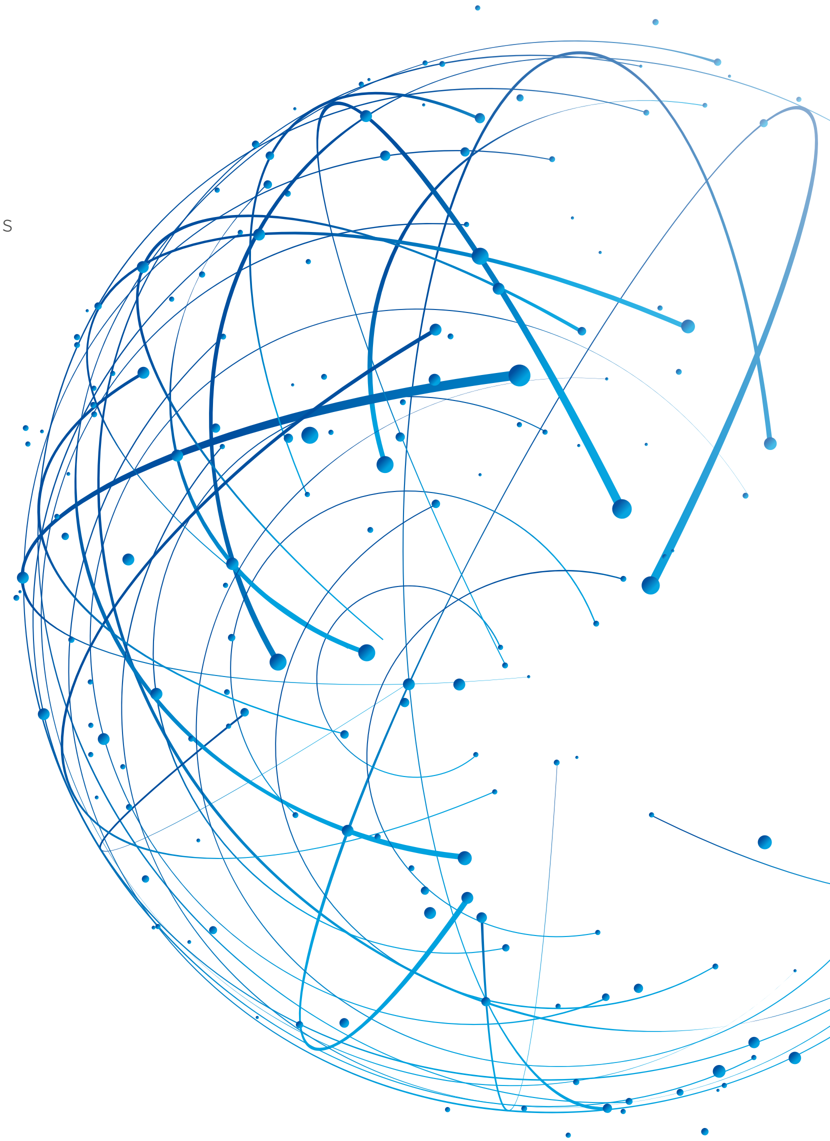
Efficiency of business processes and capital allocation is central to the running of our business.

Our integrated strategic response to the COVID-19 pandemic

There are seldom times that a business's disaster recovery and business continuity plans are put to the test. The COVID-19 pandemic and ensuing lockdown regulations demanded that Blue Label respond immediately and with supreme flexibility in order to continually supply our products and services, many of which are regarded as essential. Intense preparations for protecting our staff and anticipating a remote working environment began in earnest in late February/early March 2020 and by the time lockdown level 5 was implemented, our entire staff compliment was working remotely. This necessitated some innovative responses in terms of providing equipment and data accessibility to certain employees and ratcheting up information technology protection and security.

As the lockdown has eased, many of our staff have been able to come back to their respective offices and are appropriately socially distanced and with multiple temperature checks, hand sanitising stations and attendance records in place. We believe that the future of work will change, and we are in the process of assessing work spaces and optimal working from home rosters. We have been pleasantly surprised at the general increase in productivity levels across our staff compliment.

The COVID-19 crisis, including the new market dynamics which are unlikely to fade in our view, has highlighted that our approach to technology – accelerating innovation, go-to-market strategies and digital enablement – is the correct approach and forms the dynamic bedrock of our short, medium- and long-term strategies. Our purpose is to drive financial inclusion and our methodologies will be increasingly digital.



The RITE strategy and the six capitals continued

CAPITAL | **REACH** | **INNOVATION**

1.

FINANCIAL CAPITAL

The pool of capital available to Blue Label, comprises 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 from 2000 stores to 3929 stores in South Africa. This rapid expansion is due to our ever-expanding ability to include more products and services directly into our point of sale devices that exist in our retail, independent and informal markets.

INNOVATION

- R31 million capex devoted to investing in technology.
- To launch first truly home-grown near field communication (NFC) solution and fan-based experience platforms in November 2020.
- New digital products launched.

2.

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. With the COVID-19 pandemic, we adopted a people-first approach to ensure the health and safety of our people and in turn our merchants and our customers.

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 and services portfolio.
- Skills development learnership initiatives are focused on enabling us to extend our reach, support innovation and rapid market expansion initiatives and provide us with a pipeline for key roles within our organisation.

	2020 R'000	2019* R'000	Increase/ (decrease) in spend %
Skills development	**13 030**	10 789	21

* The prior year numbers have been restated to include the cost relating to the continuing operations only.

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	EFFICIENCY	OUTCOMES OF OUR ACTIVITIES
• 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 R17 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.	• An efficient treasury function primarily within The Prepaid Company, CEC and Cigicell is vital to the acquisition and wholesaling of all products, supporting our funding of electricity projects and increasing funding of third-party hardware sales. An efficient treasury function is essential to the success and profitability of our business. • Risk assessment has been re-engineered and a new risk framework is in place. • The executive and Board are actively working on a new, comprehensive capital allocation policy.	• Blue Label has managed to grow gross transactional values, which include imputed PINless revenue and electricity, by 7% to R59.9 billion. • On exclusion of extraneous costs of R210 million in the current year and R3.66 billion in the comparative year, as illustrated in the Financial Director's report, core headline earnings from trading operations declined by R100 million (11%) from R872 million to R772 million, equating to core headline earnings of 86.13 cents per share.
• We value our talent and aim to build relationships within and across teams grounded in trust and our Blue Label values. • Our organisation has been restructured to enable improved customer service that supports 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. • We have engaged in multiple employee communication programmes aimed at entrenching our cultural values and providing employees with multiple feedback points • During the COVID-19 pandemic we have aimed to give our people access to trusted advisors to enable them to navigate the impact of COVID-19 on our work environment and our families. Through our Health and Safety plan, supported by our communication and engagement plan, employees have access to speak to and engage the support of their leaders, psychologists, specialist doctors and financial planners.	• We are actively leveraging key skills for the benefit of a broader number of subsidiaries. • We have implemented the Hay grading system. • We are working with subsidiaries to revise processes in order to improve delegation of authority to reduce risk and to deliver efficiencies while improving customer service. • We are automating key processes across the business in support of our drive to improve efficiency and customer service. • Through the sale of our assets and refining our skills development strategy, we have reduced the number of heads within the organisation. • At the beginning of the COVID-19 pandemic we responded immediately with our people-first approach and implemented social distancing and new health and safety practices across the business. • We swiftly transitioned and pivoted the entire organisation to remote working.	• Employees have decreased from 1 111 in FY19 to 922 in FY20. • 68% of South Africans employed within BLT are equity talent. This is a 4% increase from last year. • 52% of our employees (excluding foreign nationals) are African males and African females. There has been a decrease from last year due to the disposal of Blue Label Mobile and the handset division of 3G Mobile. • 77% of talent recruited into BLT were black candidates. • 63% of black talent recruited into BLT were African candidates. • African female representation decreased by 10%. Largely due to not absorbing learners at the unskilled level. • Female talent recruited into BLT decreased from 45% in FY19 to 40% in FY20. • 63% of all promotions were awarded EAP employees. • 44% of total promotions were awarded to African talent. • R13 million was invested in skills development. • R1.2 million was invested in bursaries. • Average training spend per employee in FY20 was R2 031 per employee. • 87% of respondents in our Engagement Survey are proud to be part of their teams.

The RITE strategy and the six capitals continued

CAPITAL	REACH	INNOVATION
3. **SOCIAL AND RELATIONSHIP CAPITAL** The strength/efficacy of supply chain relationships, community acceptance, government relations, relationships with competitors and customer loyalty.	• 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 and revenue assurance for municipalities further entrenches our relationships and provides exclusivity for other Group products and services. • A focus for FY20 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 enhances our customers' businesses. • The Trust Blu Foundation has been officially launched and has focused on early childhood development programmes and specifically, an urgent response in terms of food vouchers, hand sanitisers and masks for the communities in which we operate.	• We continue to move our technology platforms into agile stacks which improve our customer service and speed to market while allowing the development of new digital products and services.
4. **MANUFACTURING CAPITAL** Material goods and infrastructure owned, leased or controlled by Blue Label that contributes to products or services sold.	• Our proprietary Aeon switch and leased Postilion switch are capable of seamlessly handling increased volumes as a result of growing reach. • We are accelerating innovation, go-to-market strategies and digital enablement. By entrenching our entrepreneurial culture and agile practices, our ability to execute on strategic growth objectives has improved. We continue to expand our digital solution footprint with active POPs (Points of Presence) in the main market, retail and petroleum channels. • We have invested in significant additional redundancy for improved stability and business continuity.	• 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. • We have deployed innovative tokenised products: food vouchers with cash redemption; virtual vouchers for partner redemption (BluVoucher) and airtime (Ringas) with consumer-ready digital redemption mechanisms (USSD, Online). We have expanded consumer convenience with universal bus flows and new carriers for long-haul bus transport. In addition, we have deployed hyper automation and RPA technologies to assist the merchant and consumer experience. We have also expanded the software development stack with low-code, no-code application development functions to fast-track our go-to-market strategies. • All this while enabling employees to work from home through numerous digital remote working tools. • As mentioned above, we launched payment mechanisms into trusted consumer apps to purchase value-added products (VAS). We also created the ability to white label our core technology offerings and deployed consumer applications to specific communities with content and bespoke service requirements.

TRUST	EFFICIENCY	OUTCOMES OF OUR ACTIVITIES
• 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. During COVID-19 we intensified our engagement processes and conducted digital meetings via ZOOM and Microsoft Team with all stakeholders, including investors.	• Across all our stakeholder groups, we have vigilant and accessible processes in place to engage and service all interest groups and customers.	• We have increased our customers in the formal retail, banking and mass market as well as in the informal market segments and municipalities. • Our engagement with Eskom, NERSA and the National Treasury continues to increase as we advance our revenue assurance business. • Our relationship with the mobile network operators has improved as the industry begins to grapple with the complexities of infrastructure and services sharing.
• Our platform, systems and devices work efficiently. 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. • Active-active was deployed with transactional success rates and uptime increasing to beyond 99% and transactional volume growth sustained at over 20% per annum. There has been a 71% reduction in production defects from prior years. The reliability of our systems is core to building and maintaining customer trust.	• We strive to utilise all of our assets to become the lowest cost producer or distributor of transactions, messages and digital products. • We have concentrated specifically on scalability and platform refactoring. • Optimal scalability was achieved for high-speed throughput. • We expanded hybrid-cloud strategy which enables uptime of business-critical applications. • We have invested in infrastructure and software to improve stability and ensure future capacity in line with up and downstream. • We simplified integration mechanisms deployed as restful APIs, on a roadmap towards an open integration gateway and marketplace.	• Volumes of transactions and more complex solutions continue to increase.

The R I T E strategy and the six capitals continued

CAPITAL | **REACH** | **INNOVATION**

5.
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

- 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

- 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.

6.
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.

REACH

- 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, discontinued and sold operations as well as associates and joint ventures.

	2020		2019*		Increase/ (decrease) in spend	Increase/ (decrease) in usage
	R'000	**Usage**	R'000	Usage	%	%
Electricity (kWh)	**3 305**	**2 457 984**	2 865	2 314 518	15	6
Water (Kℓ)	**445**	**11 742**	432	11 279	3	4
Petrol (ℓ)	**8 494**	**537 723**	10 312	661 630	(18)	(19)
Diesel (ℓ)	**752**	**45 775**	827	51 460	(9)	(11)
Paper (kg)[1]	**110**	**6 145**	189	8 819	(34)	(30)

* The prior year numbers have been restated to include the costs relating to the continuing operations only.

INNOVATION

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

TRUST	EFFICIENCY	OUTCOMES OF OUR ACTIVITIES
• 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 and pandemics. New products and services will continue to propel growth into the future.	• 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.
• The Board and Executive Management are developing savings targets for all of these categories.	• We continue to automate and employ the latest technologies to reduce our use of scarce and valuable natural resources.	• Usage and tariffs relating to electricity and water increased in the 2020 financial year. • The decrease in the use of petrol, diesel and paper was largely as a result of the COVID-19 lockdown and environmental awareness efforts.

Material risks and opportunities

In pursuing our goals towards creating, preserving and realising value for our stakeholders, within our ERM framework, we aim to proactively manage risk and opportunities in a dynamic operating context.

Risk management

The main purpose of risk management is to adequately position the organisation to understand and respond to the potential risks that could materially impact on the execution of our strategy and value creation.

Our Group's primary risks are identified in consideration of our strategy, and ever-changing internal and external operating environment. We continue to ensure that we strengthen the link between our strategy and the Group's risks by applying our Enterprise Risk Management (ERM) process in the context of our key business requisites. In pursuing our goals towards creating, preserving and realising value for our stakeholders, within our ERM framework, we aim to proactively manage risk and opportunities in a dynamic operating context. In 2020 we faced challenges and risks associated with various events that significantly impacted on our business, including COVID-19 and the recapitalisation process of Cell C. We continue to focus our risk management process on ensuring the adequacy, appropriateness and effectiveness of our key responses to mitigate potential significant business impacts and to ensure delivery on our committed targets.

Risks and opportunities surrounding the COVID-19 pandemic

Despite certain national restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. The majority of subsidiaries have evolved to meet the realities of the pandemic. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted.

The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services.

The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. However, starter pack distribution and gaming voucher trading volumes are now back to pre-COVID-19 levels.

The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting on its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R318 million on the Group's basic earnings for the year ended 31 May 2020.

In considering credit risk, management included considerations related to COVID-19 when calculating expected credit losses (ECL). These considerations resulted in increased probability of default percentages in the current year when compared to the prior year and ultimately in an increase of the average ECL/ impairment ratio on total trade receivables from 2.46% in the prior year to 3.68% in the current year. The Group did not experience any significant defaults or requests from material clients for easing of payment terms or payment holidays.

Top ten risks based on inherent risk exposures

1 Increased Threat of Cybercrime

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Technology	As the 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 managing 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 risk has been elevated due to the implementation of remote working arrangements for the majority of our staff as a direct consequence of the COVID-19 pandemic.	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 in order to ensure that the systems are as secure as possible and that new threats are appropriately addressed. An ongoing mandatory cybersecurity awareness training programme has been rolled out for all staff in light of the majority of them working remotely.

Material risks and opportunities continued

2 Unsuccessful Execution of Cell C Debt Restructure

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Strategy	The debt restructure of Cell C is critical to the successful turnaround thereof and the successful outcome would reduce the negative perception of the market on Blue Label's inherent value. Failure in this regard would have a negative impact on Blue Label's profitability to the extent of cessation of its trading activities with Cell C.	• Liquidity platform was put in place to manage cash flow within the business and to see Cell C through the recapitalisation process. • Network strategy: implementation of the extended roaming agreement with MTN commenced on 1 May 2020, which enables network innovation, promotes efficient network infrastructure utilisation and sustainable investment in network infrastructure. • Operational rationalisation: the Company has taken active steps to reduce its focus on pure revenue and subscriber growth to focus on profitable, long-term growth. There is an unrelenting focus on cost-cutting and there is a change in the operating model from build, own and operate all functions to focused investment, partnering and an acquirer of services. • Cell C has deliberately decreased its subscriber base by 28% over the 12 months to end May 2020, taking total subscribers down to 11.8 million. In spite of this, service revenue only declined by 2% to R13.9 billion. By right sizing the customer base and focusing on profitable customers, Cell C achieved a 10% increase in EBITDA to R3.7 billion. • The turnaround strategy is clearly delivering improved operational efficiencies with the positive impact of these changes filtering through during the latter six months of the reporting period. • All stakeholders are actively involved in the recapitalisation process and progress is being made for its successful conclusion.
	Comm Equipment Company Proprietary Limited, which provides financing for cellular handsets and other devices is largely dependent on the sustainability of Cell C. The business model of this financing arrangement indirectly exposes the Group to the credit risk of Cell C Proprietary Limited.	• Management believes it has effectively mitigated this risk through the operational model utilised as well as the very high collateral requirements contractually in place. • The Group has stringent requirements for the granting of credit to these customers. • The Group has direct access to the customer cash flows received by Cell C in respect of the handsets and devices financed. • The Group has direct access to the customer cash flows received by Cell C in respect of the customer subscriptions. • In the unlikely event of default, the Group has the right to sell the customer base.

3 Unethical Behaviour and Fraud

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Reputation and Ethics	BLT has a zero tolerance towards fraud and irregularities, with a requirement for all incidents to be investigated irrespective of the amount involved. The Group is vulnerable to fraudulent activities based on the nature of our digital inventory. The Group has embarked on a roll-out of new products/ solutions, which increased the exposure to potential fraudulent-related activities.	We continue to refine operational controls, security and our infrastructure to prevent the risk of 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 Services Proprietary Limited (KPMG) hotline remains available for anonymous reporting of any suspicions of fraud. Mandatory digital staff programmes have been developed in order to enhance awareness relating to fraud and ethics. We are in the process of developing a Fraud Management Framework to address the risk of fraud within the Group.

4 Prolonged Business Model Transformation Impacting Market Relevance

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Operational Excellence	Inability of the Group to transform from a product-centric business to a digital and technology company. Historically, the Group was focused on distribution of products. Going forward, the Group needs to evolve so that technology will drive product development.	Management have embraced this change in mindset, especially from the onset of COVID-19. Accordingly, various technology-driven initiatives have been developed and brought to market. Emphasis has been placed on automation, consumer reach, consumer-centric design, enhanced software build and release mechanisms, simplified integrations as well as platform flexibility and scalability to transform the commercial offerings of the Group.

Material risks and opportunities continued

5 Maturity of Business Continuity Management

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Operational Excellence	Business Continuity Plans (BCPs) and the Disaster Recovery Plan (DRP) 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. A lack of understanding and proper planning and implementation of business continuity can result in critical business processes being halted, severely affecting Group profitability and its reputation amongst our key stakeholders.	A business continuity Management Steering Committee has been formed to ensure appropriate management of business continuity. Implementation of the active-active failover architecture throughout the Group. BCPs have been reviewed by BCP consultants and we are currently addressing gaps in our plans. COVID-19 produced a unique opportunity to test our DRP which proved to be resilient with staff being able to successfully operate remotely with minimal disruption to operations. We will conduct 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 similar to COVID-19.

6 Potential Theft of e-tokens of Value

VALUE DRIVER	GROUP TOP RISK	KEY RESPONSES
Technology	The business is reliant on high-volume, low-margin distribution and sale of e-tokens of value. E-tokens are a form of electronic cash utilised for secure transactions. The potential theft of e-tokens of value and the increased threat of cybercrime has to be closely managed in order 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. A robust set of automated internal controls have been implemented to timeously detect and prevent the theft or corruption of voucher pins and related digital products.

7 Customer and Revenue Concentration Risk

VALUE DRIVER	Group Top Risk	Key Responses
Operational Excellence	Certain financial institutions and large retailers are reliant on Blue Label for service delivery based on the large volume of transactions to support growth in their businesses. Non-service delivery to these stakeholders could result in a major negative financial impact on Group profitability and its reputation.	Long-standing relationships with these parties have been developed and a solid track record in respect of service delivery with key stakeholders is actively managed. Failover and business continuity mechanisms have been matured to provide a high degree of certainty to maintain uptime beyond 99% despite continuous transaction volume growth. Software release methodology and application-level failover introduced which reduces the need for system downtime during system release and maintenance windows.

8 Group-wide Reconciliation and Settlement Process

VALUE DRIVER	Group Top Risk	Key Responses
Operational Excellence	The business processes large transaction volumes to multiple vendors and across various systems. In order to prevent loss of revenue and minimise any customer dissatisfaction, it is essential that we ensure that our reconciliation and settlement process is efficiently run.	All main reconciliations have been automated across the Group with the finance department resolving any partially matched and unmatched files on a daily basis.

9 Supplier Relationships (Network Operators and Utilities)

VALUE DRIVER	Group Top Risk	Key Responses
Operational Excellence	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 the market dealing directly with the utilities. This can result in a loss of revenue as our customers would 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 solid track record with existing suppliers and to strengthen relationships. Long-term contracts remain in place with suppliers, ensuring sustainable business relationships. Management of margin, the breadth of product suites and efficient technological integration into customer backend systems discourage them dealing directly with utilities.

Stakeholder relations

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.

Background

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.

We recognise that engagement and co-operation with stakeholders, including understanding their needs and concerns, as well as acknowledging that Blue Label is reliant on them is paramount, especially when navigating the COVID-19 pandemic. The intensity and quality of engagement with employees was ramped up in preparation for COVID-19 and has continued as the majority of employees work from home and will continue into the future given the very positive feedback received from staff. In preparing for lockdown level 5 that came into force on 27 March 2020, employees were provided with detailed guidelines on remaining safe and provided with training in ordered to install PCs and laptops in their homes. The Group provided employees with data and routers where required. Employees were invited to frequent webinars from leading medical experts and we continue to provide weekly communication from our joint CEOs and "hang-out" sessions with comedians and motivational speakers.

Digital innovation is the lifeblood of Blue Label and came to the forefront during lockdown. We created new products that allow indigent customers to access their free basic electricity grants via USSD and WhatsApp without leaving their homes, we developed specific products that combine a number products into single vouchers to help customers limit their need to venture out and we developed a streaming platform called COVID Zero. This platform helps Ticketpro, whose business has been severely impacted by the lockdown, to maintain relevance and provide artists and fans a platform to share and enjoy their content safely. COVID Zero empowers entertainers and raises funds for charities to provide less fortunate South Africans with face masks, hand sanitisers and food parcels. Importantly, Blue Label was able to set up a fully functioning remote Customer Interaction Centre to deal with any and all problems face by customers. The lockdown has not dented Blue Label's ability to provide to provide airtime, data, electricity, bill payment and other financial services products seamlessly and 24/7. Our multi-channel approach provided customers with alternative outlets to access our products when retail stores were close and petroleum forecourts not utilised as much. The continuing move to digital buying patterns has seen banks and online applications increase in importance.

We have been pleased to note an uptick in productivity from our employees and management team. Working remotely has saved significant time in not having to commute. We believe that the requirement to engage online with all our stakeholders has worked well and saved all involved both time and money.

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's 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, e-mail feedback forms, focus groups and workshops. Our processes are designed to both be proactive in terms of engagement and responsive to any attempt by stakeholders to engage with us. We actively use the data provided by our billions of transactions that we process annually to provide intelligent analysis of who we should actively engage with and how best to respond to any stakeholder needs.

We rely on the results of perception studies, independent research, reputation audits, whistleblowing facilities and formal grievance mechanisms as well as questions pertaining to our 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

Stakeholder relations continued

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 is 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. Each subsidiary is also responsible for generating proactive leads to engage with new potential stakeholders.

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 FY20

Apart from continuing daily engagement with all our staff, customers and suppliers, the major concern during the FY20 has been Blue Label's urgent response to the COVID-19 pandemic as detailed on pages 6 and 7, providing guidance to investors regarding the progress of the Cell C recapitalisation and keeping stakeholders apprised of our "back-to-basics" strategic approach to operating the business. The success of our back-to-basics approach is evident in our financial results to the year ended 31 May 2020. Our approach to investors is to provide them with continuous access to Executive Management at both Cell C and Blue Label via conference calls, face-to-face meetings and more recently via Microsoft Teams and Zoom. We provide updates to investors regarding our progress, over and above out regulatory obligations, as often as we are able to and whenever directly asked for information. Continuous engagement is necessary to remain up to date with the prevailing ideas and concerns of our stakeholders.

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

Our new operating structure has increased our ability to rapidly meet our customers' needs, 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. Surveys regarding the performance of our Customer Interaction Centre have demonstrated that our customers are pleased with the increased speed of our turnaround times.

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. Our employees needed extremely frequent engagement, direction and encouragement to help deal with the COVID-19 crisis. All our communication lines are open, and we pride ourselves on responsiveness to their concerns and the continual encouragement and advice we provide. We have also made particular efforts to engage with our employees on the strategic direction of the Company.	Ongoing and daily engagement at all levels as required by employees, supported by a Group employee and engagement plan.	Regular, direct communication between managers, teams and individuals. There is also a robust combination of face-to-face, written, digital and broadcast communications, culture and engagement surveys, Blue Label results presentations, leadership seminars, EE workshops and committee meetings. We also use e-mails, intranet communications as well as employee functions and community events. Blue Label Telecoms employees completed an engagement survey. The survey found that our employees had a weighted average engagement score of 8.09/10.

Stakeholder relations continued

Stakeholder engagement matrix continued

REASONS FOR ENGAGEMENT	WHY ENGAGE WITH BLUE LABEL	FREQUENCY OF ENGAGEMENT	METHODS OF ENGAGEMENT
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. To understand how Blue Label can better service their needs and to proactively promote products and services that are beneficial to customers. We have maintained open lines of communication to address any concerns related to changes in operational procedure brought about by the COVID-19 lockdown. We are using our rich data lakes to provide customers with intelligent advice with respect to servicing their needs. Despite tough economic conditions and the COVID-19 lockdown, Blue Label has managed to grow gross revenue and improve gross margins.	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, online meetings as well as formal consultation. The Group has a customer relationship management (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 our business.	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. Blue Label benefits from shareholder insights and applies them to consideration of our strategic direction. Shareholders have been very encouraged by the success of our back-to-basic strategy evident in declining debt levels and strong cash generation. Shareholders are encouraged by Cell C's strategic approach in roaming on MTN's radio access network and look forward to a successful conclusion of the Cell C recapitalisation transaction.	On a formal basis, three times a year to coincide with the release of year-end results, half-year results and the AGM. On a continual basis and as requested by the financial media, investment analysts and investors during open periods. We also participate in 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 meetings with Blue Label's investor relations together with meeting executive and Senior Management. Following the presentation of Blue Label's annual results, the share price has staged somewhat of a recovery from a historically low level. Investor interaction has increased thanks to virtual meetings now being the norm. We expect this method of engagement to grow and replace many face-to-face meetings.
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.

Stakeholder relations continued

Stakeholder engagement matrix 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, 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 South Africa 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 living standards measure (LSM) communities. Blue Label's goal is to improve the levels of financial inclusion in the mass market. Blue Label has engaged with National Treasury, National Energy Regulator of South Africa (NERSA), Eskom and various municipalities in order to fully understand how we can assist local government to trace and recover lost or stolen electricity revenue. Good progress is being made.	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 South Africa.
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 South Africa economy and our products and services. To empower their audiences to make informed financial decisions. To advise on product and service developments. Blue Label has proactively engaged with the media on the launch of new products during COVID-19 and the launch of our streaming platform to raise money for charity and provide entertainers and audiences a platform through which they can safely enjoy content in their own homes.	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, broad-based black economic empowerment (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. To be provided with guidance and methodology or continuing business during the COVID-19 lockdown. The provision of our core products of airtime, data, electricity and financial services has remained uninterrupted during the COVID-19 lockdown. We attribute this to our good relationships and open lines of communication with our business partners and suppliers.	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

◉ (Chair of Nomination Committee)

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, Universal Partners 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.

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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 the Top Entrepreneur accolade in the African Access National Business Awards with Mark.

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

◉ Investment Committee
◉ Remuneration and Nomination Committee
◉ Audit, Risk and Compliance Committee
◉ Social, Ethics and Transformation 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 the Top Entrepreneur accolade in the African Access National Business Awards with Brett.

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

●
● (alternate to Brett Levy)

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
● Remuneration and Nomination Committee
● Audit, Risk and Compliance Committee
● Social, Ethics and Transformation Committee

Board of Directors continued

● (Chair)

● (Chair of Remuneration Committee)

●

●

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 serves on various other private and public boards including Imbalie Beauty Limited and Cell C Limited, where he is the chairman of the Audit and Risk Committee.

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

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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.

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● Investment Committee

● Remuneration and Nomination Committee

● Audit, Risk and Compliance Committee

● Social, Ethics and Transformation Committee

◉ (Chair)
◉

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 served on the boards of PPC Limited, Goliath Gold Limited as well as chairman of Netcare Limited and adviser to Citibank. He currently serves on the boards of Cell C Limited and Sibanye-Stillwater Limited where he also chairs the social and ethics committee.

Jerry joined the Board on 19 October 2011.

◉
◉
◉ (Chair)

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 later became SNG Grant Thornton.
In 1999, he led a management buy-out 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 the chairman of Cell C Limited. He is also chairman of Dis-Chem audit committee.

Joe joined the Board on 5 October 2007.

◉

NOMAVUSO MNXASANA

Independent Non-Executive Director

Born: 1956
Chartered Accountant (SA), BCompt (Hons); MCom (Tax Law) – pending

Nomavuso is a Chartered Accountant, having obtained her B Compt and Hons from the University of South Africa. She received her training from Deloitte and Touche. After completing her articles, she spent one year at Deloitte before joining SizweNtsaluba vsp (former Nkonki Sizwe Ntsaluba).
During her tenure at SizweNtsaluba she was specialising in consulting, internal auditing and attests function. She started the Corporate Governance division which housed the internal audit services, as she identified this opportunity during the introduction of the Public Finance Management Act (PFMA). She was also involved in staff development and training as a staff partner for five years. She then joined the Imperial Group as the Group Audit and Risk Executive. While at Imperial she introduced Training Outside Public Practice (TOPP). When she left the group, she had 11 TOPP Trainees who are spread across the group and still assist Imperial Group on consulting basis to ensure they receive adequate training. She was appointed to serve on the board of Imperial Bank as a non-executive director representing Imperial, the position she held until the bank surrendered its banking licence in September 2010. She sits on a number of boards in both listed and unlisted companies.

◉ Investment Committee
◉ Remuneration and Nomination Committee
◉ Audit, Risk and Compliance Committee
◉ Social, Ethics and Transformation Committee

Executive Committee

MARK LEVY
Joint Chief Executive Officer

BRETT LEVY
Joint Chief Executive Officer

DEAN SUNTUP
Financial Director

DAVID RIVKIND
Group Financial Executive

JANINE VAN EDEN
Group Company Secretary

DAVID HILEWITZ
Executive Head of Corporate Finance

ILAN ZWARENSTEIN
Group Executive

ETIENNE DE VILLIERS
Group General Counsel

ADAM GREENBLATT
Group Executive

GARETH JONES
Chief Operating Officer of Africa Distribution

LARRY POGIR
Executive Chairman of Blue Label Data Solutions

JOHAN SMITH
Chief Technology and Information Officer

ALAN KODESH
Chief Executive Officer of Cigicell

ANTOINETTE ROBERTS
Executive Head of Human Capital

GRANT LEVIN
Chief Executive Officer of Comm Equipment Company

Chairman's report


Larry Nestadt, Chairman

The Board and Senior Management team have, over the past year, focused on three key priorities: our back-to-basics operational plans, asset sales to reduce debt levels and strengthen the balance sheet and the recapitalisation of Cell C.

I am heartened to report significant progress on all three strategic priorities.

The success of the back-to-basics plan is evidenced in the solid core trading results reported for the year ended 31 May 2020 in very challenging COVID-19 impacted trading conditions. Revenue, including the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, increased 7% from R56.0 billion to R59.9 billion, the gross profit margin continued its steady increase from 9.21% to 10.05% and net cash generated from operations amounted to R1.3 billion. The proceeds of R1.038 billion, generated from the successful disposals of the Blue Label Mobile Group and the handset division of 3G, assisted Blue Label to reduce interest-bearing debt by R902 million to R2.3 billion. Post-year-end, the Group disposed of Blue Label Mexico for USD11.5 million. These proceeds have been used to reduce debt further to levels that, as a Board, we are comfortable with.

We must compliment management for its tireless efforts in implementing the back-to-basics plan and for the way in which it led the Group through the COVID-19 pandemic and motivated its teams to rise to the occasion. There are seldom times that a business's disaster recovery and business continuity plans are put to the test. The COVID-19 pandemic and ensuing lockdown regulations demanded that Blue Label respond immediately and with supreme flexibility, in order to continually supply our products and

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services, many of which are regarded as essential. Intense preparations for protecting our staff and anticipating a remote working environment began in earnest in late February/early March 2020 and by the time lockdown level 5 was implemented, our entire staff complement was working remotely.

Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access to these products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa.

While most subsidiaries evolved quickly to meet the changing market dynamics, some were unavoidably impacted. The decline of R100 million in core headline earnings from trading operations was partly attributable to starter pack distribution, gaming vouchers and ticketing being negatively impacted during the initial lockdown period as a result of COVID-19. This also resulted in the Group incurring a general increase in allowances raised for expected credit losses. Furthermore, exposure to the Edcon Group amounting to R41 million net of taxation has been provided for in full. Of this amount, R21 million relates to the closure of the WiConnect retail stores.

As Chairman, I have, since the end of the 2019 calendar year, convened bi-weekly Board meetings to monitor not only trading performance and asset disposals, but also progress on the Cell C recapitalisation process. We restructured the Cell C board by replacing our Joint CEOs with two of our Independent Non-Executive Directors. Gary Harlow has been appointed Chairman of the Audit and Risk Committee, Jerry Vilakazi is Chairman of the Remuneration Committee and Joe Mthimunye has stepped up to Chair the Cell C board. This, we believe, has strengthened the corporate governance processes at Cell C and allowed our CEOs to focus on our core operations and normal trading arrangements between Blue Label and Cell C at arm's length.

There is no disputing that we discovered poor governance processes and questionable past management decisions at Cell C, but I must report that, under the new leadership of Douglas Craigie Stevenson as Chief Executive Officer, and Zafar Mahomed as Chief Financial Officer, significant progress has been made in returning Cell C to a profitable footing at EBITDA level and significant strides have been made in improving governance and internal control processes. A revised business model, cost-cutting, rightsizing and the new MTN roaming agreement, have all contributed to a good operational performance in a difficult trading environment.

At Cell C, we appointed PwC to advise on the restructuring of the business model and to achieve cost savings and improved procurement practices. Deloitte was appointed to advise on the recapitalisation process. An Investment Committee that meets bi-weekly, was established under the Chairmanship of Stephen Koseff, to work with Deloitte on this difficult task, as it involved negotiations with many lenders and bond holders from many different jurisdictions. I am most grateful for their efforts and am confident a settlement will be reached within the near future.

We are cognisant of our role as Directors to correct the disastrous shareholder value destruction that followed the initial Cell C investment and wish to assure shareholders that we remain committed to see plans in place to recoup these losses. We are also committed to good governance and an orderly succession plan at the Blue Label Board level, especially for longer serving Directors. As part of this process, and towards our goal of gender and racial diversity on the Board, we are pleased to put forward Ms Nomavuso Mnxasana as a new Non-Executive and Independent Director, for appointment by the shareholders at the AGM on 26 November 2020.

With a successful conclusion of the recapitalisation of Cell C, the Board will seek to assess the need for any further Board and management reset as we prioritise our business focus and growth strategies at Blue Label. As part of succession on the Board, we will actively recruit further Directors with the required skills, experience and racial and gender diversity, to ensure a smooth transition and handover from the "old guard" who have served as Non-Executive Directors for longer than 10 years. The restructuring of the Board will be smoothly managed by the Nomination Committee of the Board to ensure continuity and institutional memory while introducing new energy onto the Board. The timing will be as we see appropriate and with the attainment of our recovery of shareholder value. This is our commitment to not only our shareholders, but to all stakeholders.

I would like to extend my sincere gratitude to Mr Joe Mthimunye who has worked tirelessly as Chairman of Cell C overseeing the restructuring and recapitalisation process, my colleagues on the Board for their unwavering support, the Joint CEO's Mark and Brett Levy, their management teams and the entire staff complement of Blue Label for their perseverance, innovation and work ethic, rising to the challenge presented by the COVID-19 pandemic. We still have a way to go in navigating the consequences of this global pandemic, and the Board will be with you all the way.

Larry Nestadt
Independent Non-Executive Chairman
23 September 2020

The Trust Blu Foundation

Trust Blu Foundation was formally launched in February 2020. Its aim is to proactively work with non-profit organisations and social enterprise innovators to tackle South Africa's complex socio-economic challenges and therefore effect meaningful impact and socio-economic transformation. Its primary focus has been to fund youth and SMME development programmes and an urgent response to the COVID-19 crisis in communities in which we operate.

CONNECTING OUR
WORLD TO **YOURS**

ENTRENCHING ENTREPRENEURIAL CULTURE AND AGILE PRACTICES

Blue Label is a fintech specialist enabling financial inclusion through platform innovation. We have accelerated innovation, go-to-market strategies and digital enablement while investing in significant additional redundancy for improved stability and business continuity. Active-active has been deployed with transactional success rates and uptime increasing to beyond 99% and transactional volume growth sustained at over 20% per annum.

Joint CEOs' report

Mark Levy, Joint CEO

Brett Levy, Joint CEO

The Blue Label Telecoms Group has been successful in delivering on its back-to-basics strategy during the year ended 31 May 2020. We have restructured the business to focus on core operations through the sale of the Blue Label Mobile and 3G Handset divisions and discontinued the retail operations of WiConnect.

Introduction

The Blue Label Telecoms Group has been successful in delivering on its back-to-basics strategy during the year ended 31 May 2020. We have restructured the business to focus on core operations through the sale of the Blue Label Mobile and 3G Handset divisions, discontinued the retail operations of WiConnect and impaired goodwill and loans where required. The core operations have performed well and demonstrated their resilience during the COVID-19 lockdown period with interest-bearing debt declining by R917 million to end the financial year at R2.3 billion. Our balance sheet is now very healthy, given that EBITDA produced by the Group was R1.2 billon on exclusion of extraneous costs and net cash generated by operations amounted to R1.3 billion.

Cell C

The 2019 financial year was a very difficult one for the Group, given the necessity to impair our entire investment in Cell C.

We understand the frustration of all stakeholders for the protracted tenure relating to the Cell C recapitalisation. The recapitalisation is an extremely complex process given that we are interacting with several stakeholders who all have competing interests on the outcomes they would like to achieve, namely the Chinese banks and equipment suppliers, United Kingdom, USA and Lebanese bondholders and Lebanese and South African banks. We are confident that we are nearing the end of this mammoth task, which is progressing well and we will update stakeholders in due course.

Completing the Cell C recapitalisation is key to our strategy. We embarked on this recapitalisation programme in order to ensure that Cell C will be in a position to continue operations. This is imperative not only to potentially recoup our investment therein as well as continuing to distribute its offerings which form an integral element of Group profitability.

COVID-19

In spite of having to adjust to the COVID-19 pandemic, we are both incredibly proud of Blue Label and all its staff for the determination evident in their expedient adaptation to the lockdown regulations, remote working and the incredible innovation that they have produced in servicing our customers. New products and services were launched during this period, thereby ensuring continuous support to the consumer in terms of meeting their airtime, data, electricity and financial services' needs in addition to enhancing our digital advancements. The Group's digital expertise has enabled uninterrupted access to all of our products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Interestingly, we have noted an increase in the productivity of our people as they strive to continue delivering innovatively.

COVID-19 has, however, negatively impacted certain divisions within our Group. Ticketpro has been

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severely affected, given the fact that no transport ticketing could take place during hard lockdown and event ticketing remains on hold until relaxed legislation permits reversion to normality. We have, however, applied ourselves during this period to re-engineer our systems and processes and to build innovative new platforms. In this regard we have recently launched an online streaming events' platform, namely COVID Zero, in order to maintain relevance and to provide artists and their following with a platform to share and enjoy content safely. COVID Zero empowers entertainers and raises funds for charities to provide the less fortunate South Africans with face masks, hand sanitisers and food parcels. In November 2020, we intend to launch South Africa's first truly all-in-one fan-based "experience" platform, through which we will be providing online streaming, cashless payment solutions, wireless event-based connectivity and NFC transport technology, ensuring safer and secure commuter travel.

We also made the difficult decision to discontinue our retail store operation, WiConnect. Lockdown had a devastating impact on trading and the uncertainty of the duration of the pandemic led to this decision. We have closed 71 standalone stores and will only confine our retail efforts to a store-within-a-store approach in the future. COVID-19 also had a negative impact on our starter pack, gaming and call centre operations.

Strategy

Our strategy for delivering returns to shareholders remains the RITE strategy – Reach, Innovation, Trust and Efficiency. We will focus on ensuring that Group debt will be maintained within acceptable parameters.

We are aggressively growing our distribution presence and bouquet of products and services, particularly in the banking and informal markets. The Group's driving philosophy remains extending financial inclusion and convenience to all South Africans. Securing exclusive ticketing products and offering revenue assurance and revenue protection to municipalities differentiates us from our competitors. We will focus on increasing Comm Equipment Company's finance book by utilising its bespoke methodologies and capitalising on its strong cash conversion capabilities.

Our international operations have not performed according to expectations and accordingly we have disposed of our 47.56% interest in Blue Label Mexico for a consideration of USD11.5 million. Management in Oxigen Services India continues to source a potential investor, which if successful will result in the disposal of the whole or part of our interests therein.

Our intention is to focus our efforts on the South African distribution businesses and to deleverage the business in order to ensure a more robust and liquid balance sheet going forward.

Blu Nova is now the leading practitioner of data and decision science in South Africa and given how many of our products overlap and the billions of transactions we complete annually, the opportunity to capitalise on our rich data is patently clear.

Technology

Technology is Blue Label's lifeblood and our digital prowess has always been our key strength and served us well in navigating the COVID-19 lockdown period. There has been enormous effort put into our technology over the 2020 financial year. We are accelerating innovation, go-to-market strategies and digital enablement. After all, we are fintech specialists enabling financial inclusion through platform innovation. By entrenching our entrepreneurial culture and agile practices, our ability to execute on strategic growth objectives has significantly improved.

Information technology security, risk and compliance are essential to Blue Label and our customers. We have concentrated specifically on scalability and platform refactoring. We have also invested in substantially enhancing our redundancy capabilities for improved stability and business continuity. In this regard, active-active was deployed with transactional success rates and uptime increasing to beyond 99% and transactional volume growth sustained at over 20% per annum, while there has also been a 71% reduction in production defects from prior years. Our increased cybersecurity investments have resulted in a zero negative impact and provided a reliable ecosystem of platforms across our landscape.

Appreciation

Our gratitude to our staff is unlimited. We have been awed by their flexibility, innovation and drive to continue offering the very best to both Blue Label and its customers.

Our Board has supported us in what has been a difficult journey, given the negative impact that Cell C has had on our Company to date as well as having to navigate through the COVID-19 pandemic.

In conclusion, we have successfully navigated through the COVID-19 pandemic with a positive outcome. Simultaneously, we have focused on our back-to-basics strategy on our core businesses with the objective of continuing to expand our network of distribution points of presence in conjunction with enhancing our product offerings. We are confident that these initiatives will have a positive bearing on the Group during the current financial year.

Mark Levy
Joint Chief Executive Officer

Brett Levy
Joint Chief Executive Officer

23 September 2020

Financial Director's report


Dean Suntup, Financial Director

In spite of certain restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services.

COVID-19 pandemic

In spite of certain restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted.

The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services.

The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. Starter pack distribution and gaming voucher trading volumes are now back to pre-COVID-19 levels.

The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R318 million on the Group's basic earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R318 million expense, will, however, be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses which have been expended, impairments to property, plant and equipment and goodwill.

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FINANCIAL HIGHLIGHTS AND SALIENT FEATURES

- Successful completion of the disposal of the Blue Label Mobile Group and the handset division of 3G Mobile
- Revenue of R21.1 billion*
- Gross profit of R2.12 billion
- Increase in gross profit margin from 9.21% to 10.05%
- Net cash generated from operating activities of R1.3 billion
- Interest-bearing borrowings reduced to R2.3 billion (2019: R3.2 billion)
- Headline earnings of 58.16 cents per share (2019: 312.49 cents loss per share)
- Core headline earnings of 62.71 cents per share** (2019: 304.77 cents loss per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 7% from R56.0 billion to R59.9 billion

** On exclusion of negative contributions by the ceased operations of WiConnect and fair value downward adjustments, core headline earnings per share from the balance of the entities within the Blue Label Group equated to 86.13 cents per share

Challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the mobile networks and an increase in product costs, exacerbated by COVID-19, necessitated an impairment of goodwill in Blue Label Connect of R157 million, a partial goodwill impairment in Glocell Distribution of R57 million and a fair value downward adjustment of the Glocell loan, net of taxation, of R47 million.

Group results

Core headline earnings for the year ended 31 May 2020 amounted to R562 million, equating to core headline earnings of 62.71 cents per share. Core headline earnings for the year ended 31 May 2019 amounted to a loss of R2.78 billion, equating to a negative 304.77 cents per share.

On exclusion of extraneous costs of R210 million in the current year and R3.66 billion in the comparative year, as illustrated in the tables below, core headline earnings from trading operations declined by R100 million (11%) from R872 million to R772 million, equating to core headline earnings of 86.13 cents per share. Core headline earnings for the current year, after the exclusion of extraneous costs, comprised R632 million from continuing operations and R140 million from discontinued operations.

Earnings per share and headline earnings per share increased from a negative 727.81 and 312.49 cents per share in the prior year to a positive 13.89 and 58.16 cents per share respectively in the current year.

The financial results of Blue Label Mobile, the Handset division of 3G Mobile and WiConnect, totalling R93 million (2019: R122 million), are disclosed in core headline earnings from discontinued operations in both the current and comparative years and are not included in revenue, gross profit, EBITDA and net profit/(loss) after taxation.

Group revenue generated by the continuing operations within the Group declined by 10% to R21.1 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 7% from R56.0 billion to R59.9 billion.

Gross profit declined by 2% from R2.17 billion to R2.12 billion, partially limited due to an increase in margins from 9.21% to 10.05%.

Financial Director's report continued

Group income statement

	Group May 2020 R'000	Extraneous costs* May 2020 R'000	Remaining May 2020 R'000	Group May 2019 R'000	Extraneous costs** May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue								
Revenue	**21 135 326**	—	21 135 326	**23 602 264**	—	23 602 264	(2 466 938)	(10%)
Gross profit	**2 124 611**	—	2 124 611	**2 173 685**	—	2 173 685	(49 074)	(2%)
EBITDA	**825 364**	(387 754)	1 213 118	**257 300**	(1 066 437)	1 323 737	(110 619)	(8%)
Impairments on associates and joint venture	**—**	—	—	**(2 639 564)**	(2 639 564)	—	—	
Share of profits/(losses) from associates and joint ventures	**16 598**	—	16 598	**(3 693 431)**	(3 696 133)	2 702	13 896	514%
– Cell C	**—**	—	—	**(3 609 496)**	(3 609 496)	—	—	
– Oxigen Services India	**—**	—	—	**(86 637)**	(86 637)	—	—	
– Blue Label Mexico	**(5 806)**	—	(5 806)	**(24 096)**	—	(24 096)	18 290	76%
– Other	**22 404**	—	22 404	**26 798**	—	26 798	(4 394)	(16%)
Net profit/(loss) from continuing operations	**226 786**	(376 824)	603 610	**(6 672 923)**	(7 372 270)	699 347	(95 737)	(14%)
Core headline earnings	**562 132**	(209 979)	772 111	**(2 783 155)**	(3 655 111)	871 956	(99 845)	(11%)
– From continuing operations	**469 113**	(163 240)	632 353	**(2 904 973)**	(3 642 066)	737 093	(104 740)	(14%)
– From discontinued operations	**93 019**	(46 739)	139 758	**121 818**	(13 045)	134 863	4 895	4%
Gross profit margin	**10.05%**		10.05%	**9.21%**		9.21%		
EBITDA margin	**3.91%**		5.74%	**1.09%**		5.61%		
Weighted average shares ('000)	**896 409**		896 409	**913 208**		913 208		
EPS (cents)	**13.89**		82.04	**(727.81)**		88.41	(6.37)	(7%)
HEPS (cents)	**58.16**		81.58	**(312.49)**		88.90	(7.32)	(8%)
Core HEPS (cents)	**62.71**		86.13	**(304.77)**		95.48	(9.35)	(10%)
– From continuing operations	**52.33**		70.54	**(318.11)**		80.71		
– From discontinued operations	**10.38**		15.59	**13.34**		14.77		

* The predominant negative contributions to Group earnings in the current year were attributable to:

- fair value downward adjustments of the Glocell loan and an unrealised foreign exchange loss on the USD20 million liquidity support provided to SPV2⁽¹⁾;
- impairments of goodwill relating to Blue Label Connect and a partial impairment relating to Glocell Distribution⁽²⁾;
- extraneous expenditure within the Retail division as a result of the closure of the WiConnect stores⁽³⁾; and
- once-off expenditure and income⁽⁴⁾.

	Extraneous costs May 2020 R'000	Fair value losses⁽¹⁾ May 2020 R'000	Impairments⁽²⁾ May 2020 R'000	WiConnect⁽³⁾ May 2020 R'000	Once-offs⁽⁴⁾ May 2020 R'000
EBITDA	**(387 754)**	(115 065)	(213 584)	—	(59 105)
Net profit/(loss) from continuing operations	**(376 824)**	(96 481)	(213 584)	—	(66 759)
Core headline earnings	**(209 979)**	(96 481)	—	(183 773)	70 275
– From continuing operations	**(163 240)**	(96 481)	—	—	(66 759)
– From discontinued operations	**(46 739)**	—	—	(183 773)	137 034

Financial Director’s report continued

** The predominant negative contributions to Group earnings in the prior year were attributable to:

- Cell C’s trading losses, impairment of its property, plant and equipment, the impact of a derecognition of its deferred tax asset and the consequent impairment of Blue Label’s total investment therein(5);
- fair value downward adjustments of the complete exposure relating to SPV1 and SPV2 (the structure of which was detailed in the trading statement published on SENS on 22 February 2019) and the Glocell loan(6);
- partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture(7);
- 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 thereon(8);
- expenditure within the Retail division of the WiConnect stores(9); and
- once-off expenditure and income(10).

	Extraneous costs May 2019 R’000	Cell C(5) May 2019 R’000	Fair value losses(6) May 2019 R’000	Impairments(7) May 2019 R’000	OSI adjustments(8) May 2019 R’000	WiConnect(9) May 2019 R’000	Once-offs(10) May 2019 R’000
EBITDA	**(1 066 437)**	—	(873 877)	(50 398)	(193 364)	—	51 202
Impairments on associates and joint venture	**(2 639 564)**	(2 521 152)	—	—	(118 412)	—	—
Share of profits/(losses) from associates and joint ventures	**(3 696 133)**	(3 609 496)	—	—	(86 637)	—	—
– Cell C	**(3 609 496)**	(3 609 496)	—	—	—	—	—
– Oxygen Services India	**(86 637)**	—	—	—	(86 637)	—	—
Net profit/(loss) from continuing operations	**(7 372 270)**	(6 130 647)	(837 831)	(50 398)	(398 412)	—	45 018
Core headline earnings	**(3 655 111)**	(2 616 427)	(837 831)	—	(232 826)	(13 045)	45 018
– From continuing operations	**(3 642 066)**	(2 616 427)	(837 831)	—	(232 826)	—	45 018
– From discontinued operations	**(13 045)**	—	—	—	—	(13 045)	—

The increase in EBITDA of R568 million was attributable to the movement in extraneous costs of R679 million. In the current year, these costs amounted to R388 million, of which R66 million pertained to fair value downward adjustment of the Glocell loan, R49 million to the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, R157 million to an impairment of goodwill relating to Blue Label Connect, R57 million to a partial goodwill impairment relating to Glocell Distribution and R59 million to once-off expenditure. The comparative year included extraneous costs of R1.1 billion, of which R874 million pertained to fair value losses relating to SPV1, SPV2 and the Glocell loan, and R193 million to guarantees payable and loan impairments recognised on behalf of Oxigen Services India.

On exclusion of the above extraneous costs both in the current and comparative year, EBITDA declined by R111 million to R1.21 billion.

No further fair value losses relating to the SPVs, with the exception of the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, were recognised in the current year as the exposure thereto was fully accounted for as at 31 May 2019. As the carrying value of Blue Label's investment in Cell C was fully impaired for the year ended 31 May 2019, the financial results of Cell C did not have any impact on Blue Label's earnings for the current year.

The Blue Label Group generated positive cash flows from its trading operations for the year ended 31 May 2020. This, together with the proceeds received from the disposals of the 3G Handset division and the Blue Label Mobile Group, have been applied to reduce interest-bearing debt resulting in the strengthening of the Group's balance sheet.

Core headline earnings from discontinued operations amounted to R93 million inclusive of extraneous expenditure pertaining to the closure of the WiConnect stores and the accounting implications of the put option for the acquisition of the remaining 40% minority shareholding in Airvantage and AV Technology. The composition thereof is tabled below:

Discontinued operations

	Total May 2020 R'000	**Africa Distribution May 2020 R'000**	**International May 2020 R'000**	**Mobile May 2020 R'000**	**Extraneous costs May 2020 R'000**	Total May 2019 R'000	Africa Distribution May 2019 R'000	International May 2019 R'000	Mobile May 2019 R'000	Extraneous costs May 2019 R'000
Revenue	**2 176 836**	**1 662 483**	**37 177**	**194 544**	**282 632**	**2 267 169**	1 801 459	35 013	233 176	197 521
Gross profit	**493 505**	**240 629**	**32 052**	**159 470**	**61 354**	**472 436**	233 403	33 383	177 677	27 973
EBITDA	**156 397**	**160 201**	**22 864**	**65 599**	**(92 267)**	**205 379**	142 644	33 003	85 256	(55 524)
Share of (losses)/profits from associates and joint ventures	**(2 958)**	**–**	**–**	**(2 958)**	**–**	**(37 488)**	(6 314)	–	(1 662)	(29 512)
Core headline earnings	**93 019**	**90 185**	**13 826**	**35 747**	**(46 739)**	**121 818**	66 146	20 227	48 490	(13 045)

The disposal of 3G Mobile's handset trading operations and the Blue Label Mobile Group has successfully been completed.

Extraneous costs include:

- the financial results of the WiConnect stores;
- the accounting implications of the disposal of the discontinued operations; and
- the accounting effects of the put option for the acquisition of the remaining 40% minority share of Airvantage and AV Technology.

The proceeds of the above disposals were applied to the reduction of interest-bearing borrowings within the Group. The Group's strategic intent is to "go back to basics" and to significantly improve cash generation in order to deliver returns to shareholders.

Financial Director's report continued

Segmental report

Africa distribution

	May 2020 R'000	Extraneous costs(1, 2, 3) May 2020 R'000	Remaining May 2020 R'000	**May 2019 R'000**	Extraneous costs(5, 6, 7, 9) May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	**20 946 222**	—	20 946 222	**23 399 026**	—	23 399 026	(2 452 804)	(10%)
Gross profit	**2 066 476**	—	2 066 476	**2 111 800**	—	2 111 800	(45 324)	(2%)
EBITDA	**931 175**	(328 649)	1 259 824	**507 485**	(924 275)	1 431 760	(171 936)	(12%)
Impairments on associates and joint venture	**—**	—	—	**(2 521 152)**	(2 521 152)	—	—	
Share of profits/(losses) from associates and joint ventures	**2 635**	—	2 635	**(3 605 759)**	(3 609 496)	3 737	(1 102)	(29%)
– Cell C	**—**	—	—	**(3 609 496)**	(3 609 496)	—	—	
– Other	**2 635**	—	2 635	**3 737**	—	3 737	(1 102)	(29%)
Net profit/(loss) from continuing operations	**375 952**	(310 065)	686 017	**(6 179 847)**	(7 018 876)	839 029	(153 012)	(18%)
Core headline earnings	**522 976**	(280 254)	803 230	**(2 525 872)**	(3 467 303)	941 431	(138 201)	(15%)
– From continuing operations	**616 564**	(96 481)	713 045	**(2 578 974)**	(3 454 258)	875 284	(162 239)	(19%)
– From discontinued operations	**(93 588)**	(183 773)	90 185	**53 102**	(13 045)	66 147	24 038	36%

Refer to page 43 for footnote (1) – (3) and page 44 for footnote (5) – (9).

The financial results of the Handset division of 3G Mobile, Airvantage and WiConnect have been classified as discontinued operations and are not included in revenue, gross profit, EBITDA and net profit/(loss) after taxation.

Revenue generated by the continuing operations within the segment declined by 10% from R23.4 billion to R20.9 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 7% from R55.8 billion to R59.7 billion.

Distribution in South Africa continues to expand its product and services portfolio, despite the general business and technology freeze experienced by many South African businesses during lockdown. Our continued focus on reducing the cost of and further digitising our distribution has seen our core products continue to migrate to pure digital channels. Our growing bundle of VAS and financial services products, that require face-to-face interaction, has experienced strong growth in formal retail, informal and petroleum channels. Our customer interaction centre has performed well with surveys indicating customer satisfaction with improved turnaround times. We continuously strive to differentiate ourselves from competitors and to ensure that we remain a distinctive magnet for foot traffic.

The Group continues to increase market share and bolster its product and services mix to defend and grow its positions in the market. Gross revenue generated on PINless top-ups increased by R3.4 billion from R11.6 billion to R15.0 billion.

We continue to drive penetration into our municipal prepaid utilities market. We have enhanced our revenue collection services through the development of a comprehensive revenue assurance product suite which has resulted in enhanced traction and margins in this market.

Net commissions earned on the distribution of prepaid electricity amounted to R288 million. Revenue generated on behalf of the utilities increased by 13% from R20.0 billion to R22.7 billion. We have launched a zero-rated USSD and WhatsApp service allowing indigent customers to access their free basic electricity allocation without needing to incur the cost of travelling.

Gross profit declined by 2% from R2.11 billion to R2.07 billion, limited due to an increase in margins from 9.03% to 9.87%.

The EBITDA in the comparative year included extraneous costs attributable to fair value losses relating to the exposure to SPV1, SPV2 and the Glocell loan of R874 million as well as a goodwill impairment of R49.2 million pertaining to Blue Label Connect. Extraneous costs in the current year comprise the fair value downward adjustment to the Glocell loan of R66 million, the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support of R49 million, impairment of goodwill relating to Blue Label Connect of R156.5 million and a partial goodwill impairment relating to Glocell Distribution of R57 million.

As at 31 May 2019, the carrying value of Blue Label's investment in Cell C was fully impaired. Consequently, its financial results did not have an impact on Blue Label's earnings for the current year.

The comparative year reflected the negative contributions to core headline earnings by Cell C of R2.6 billion, WiConnect of R13 million and the fair value losses of R838 million pertaining to the exposure relating to SPV1, SPV2 and the Glocell loan. The current year reflects the fair value downward adjustment, net of taxation, to the Glocell loan of R47.8 million, the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support of R49 million, and losses in WiConnect of R184 million.

On exclusion of the above negative contributions of R280 million in the current year and R3.5 billion in the comparative year, core headline earnings from trading operations declined by R138 million (15%) from R941 million to R803 million. Of the latter amount, R713 million related to continuing operations and R90 million to discontinued operations.

The decline of R138 million in core headline earnings was partly attributable to starter pack distribution, gaming vouchers and ticketing being negatively impacted during the initial lockdown period as a result of the COVID-19 pandemic. This also resulted in the Group incurring a general increase in allowances raised for expected credit losses. Furthermore, exposure to the Edcon Group amounting to R41 million, net of taxation, has been provided for in full. Of this amount, R21 million relates to the WiConnect retail stores.

Financial Director’s report continued

International

	May 2020 R’000	Extraneous costs May 2020 R’000	Remaining May 2020 R’000	May 2019 R’000	Extraneous costs May 2019 R’000	Remaining May 2019 R’000	Growth remaining R’000	Growth remaining %
EBITDA	**19 474**	2 760	16 714	**(53 360)**	(51 260)	(2 100)	18 814	896%
Impairments on associates and joint venture			—	**(118 412)**	(118 412)	—	—	
Share of losses from associates and joint ventures	**(5 806)**	—	(5 806)	**(110 441)**	(86 637)	(23 804)	17 998	76%
– Oxigen Services India	**—**	—	—	**(86 637)**	(86 637)	—	—	
– Blue Label Mexico	**(5 806)**	—	(5 806)	**(24 096)**	—	(24 096)	18 290	76%
– Other	**—**	—	—	**292**	—	292	(292)	(100%)
Net profit/(loss) from continuing operations	**6 071**	2 760	3 311	**(277 445)**	(251 442)	(26 003)	29 314	113%
Core headline earnings	**21 615**	2 760	18 855	**(90 141)**	(85 856)	(4 285)	23 140	540%
– From continuing operations	**7 789**	2 760	5 029	**(110 368)**	(85 856)	(24 512)	29 541	121%
– From discontinued operations	**13 826**	—	13 826	**20 227**	—	20 227	(6 401)	(32%)

The financial results of AV Technology and Airvantage Brazil have been classified as discontinued operations.

As at 31 May 2019, the carrying value of Blue Label’s investment in the Oxigen India Group was fully impaired. Consequently, its financial results did not have an impact on Blue Label’s earnings for the current year.

Extraneous costs in the current and prior year relate to Oxigen Services India. On exclusion of these costs, EBITDA increased by R19 million.

Losses in Blue Label Mexico declined from R47 million to R9 million, of which the Group’s share amounted to R5.8 million after the amortisation of intangible assets. In the comparative year, the Group’s share of losses amounted to R24 million.

The positive turnaround in Blue Label Mexico was attributable to various initiatives that were implemented in the last quarter of the previous financial year which perpetuated in the current year.

Although its revenue declined by R451 million (12%) from R3.6 billion to R3.2 billion, gross profit increased by R9 million (6%) underpinned by an increase in gross profit margins from 3.83% to 4.66%.

Operational expenditure declined by 12%, through the implementation of significant cost-saving initiatives. The resultant EBITDA increased by R31 million from a negative R23 million to a positive R8 million.

Depreciation declined by R8 million (27%), primarily attributable to the expiry of the tenure of certain point of sale (POS) terminals.

The resultant contributions by the International segment to Group core headline earnings amounted to R22 million, of which continuing operations accounted for R8 million and discontinued operations for R14 million.

Solutions

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

	May 2020 R'000	May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	**189 104**	203 238	(14 134)	(7%)
Gross profit	**58 135**	61 885	(3 750)	(6%)
EBITDA	**40 330**	37 786	2 544	7%
Share of profits from associates and joint ventures	**19 769**	22 769	(3 000)	(13%)
Net profit from continuing operations	**40 913**	43 563	(2 650)	(6%)
Core headline earnings	**40 910**	43 563	(2 653)	(6%)
– From continuing operations	**40 910**	43 563	(2 653)	(6%)
– From discontinued operations	**—**	—	—	

The decline in revenue of 7% to R189 million was attributable to lower demand for aggregated data and lead generations as a result of COVID-19 restrictions, which impacted the call centre operations during the lockdown period.

Although revenue declined, gross profit margins increased from 30.45% to 30.74%, limiting the decline in gross profit to R4 million (6%). After an overhead decline of 21%, EBITDA increased by R3 million (7%) to R40 million.

Of the core headline earnings of R41 million, BLDS accounted for R24 million. United Call Centre Solutions generated earnings of R39.6 million, of which the Group's share thereof amounted to R16 million.

Financial Director’s report continued

Corporate

	May 2020 R’000	Extraneous costs May 2020 R’000	Remaining May 2020 R’000	May 2019 R’000	Extraneous costs May 2019 R’000	Remaining May 2019 R’000	Growth remaining R’000	Growth remaining %
EBITDA	**(165 615)**	(61 865)	(103 750)	**(234 611)**	(90 902)	(143 709)	39 959	28%
Net loss from continuing operations	**(196 150)**	(69 519)	(126 631)	**(259 194)**	(101 952)	(157 242)	30 611	19%
Core headline earnings	**(196 150)**	(69 519)	(126 631)	**(259 194)**	(101 952)	(157 242)	30 611	19%

On exclusion of the extraneous costs pertaining to the loan impairment, the liability relating to financial guarantee contracts and foreign exchange movements in the Oxigen India Group and the accounting implications of the put option for the acquisition of the remaining 40% minority share of Airvantage and AV Technology, the negative contribution to Group core headline earnings declined by R31 million to R127 million.

Depreciation and amortisation

Depreciation, amortisation and impairment charges on continuing operations increased by R19 million to R189 million. This was due to an increase of R32.2 million on depreciation raised in terms of IFRS 16 – *Leases*. In terms of this statement, leases that were previously recognised as operating leases under IAS 17 are accounted for in line with the requirements of IFRS 16. A right-of-use asset has been raised equivalent to the lease liabilities and amortised over the remaining lease term. This has given rise to a depreciation charge that previously would have been included in other expenses as part of the operating lease rental expense. This increase was offset by a reduction of R12.6 million relating to the amortisation of intangible assets.

Net finance costs

Finance costs totalled R230 million comprising interest paid on borrowed funds of R203 million, R12 million on the unwinding on the lease liability now required in terms of IFRS 16 and R8 million on an imputed IFRS interest adjustment. On a comparative basis, interest paid on borrowed funds amounted to R209 million and the imputed IFRS interest adjustment equated to R15 million.

Finance income totalled R78 million, of which R63 million was for interest received on cash resources, R7 million on loans granted, and R3 million for imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R27 million, interest on loans granted amounted to R53 million, and the imputed IFRS interest adjustment to R3 million.

Statement of financial position

Total assets decreased by R1.7 billion to R10.4 billion of which non-current assets accounted for R1.1 billion and current assets for R0.6 billion.

Non-current assets included decreases in investments in and loans to associates and joint ventures of R21 million, advances to customers of R135 million, intangible assets and goodwill of R1 billion, increases in capital expenditure net of depreciation of R39 million, and in other receivables of R9 million. These decreases were offset by increases in right-of-use assets of R88 million and loans receivable of R100 million.

The net decrease of R21 million in investments in and loans to associates and joint ventures comprised the Group's net share of profits totalling R15 million, its share of the movements in the foreign currency translation reserve amounting to R11 million offset by net loan decreases of R21 million, disposals of R21 million and dividends received of R6 million.

Of the net decrease in intangible assets and goodwill of R1 billion, R53 million was attributable to the impairment of goodwill relating to the disposal of the Handset division of 3G Mobile and Blue Label Mobile, R682 million to the disposal of these subsidiaries, R151 million to the amortisation of intangibles, R259 million to the impairment of goodwill and R22 million to disposal of intangibles. These decreases were offset by additions to intangible assets of R31 million and foreign currency adjustments of R29 million.

The material net decline in current assets included decreases in inventory of R938 million and trade and other receivables of R328 million, offset by increases in cash and cash equivalents of R629 million and advances to customers of R200 million.

The stock turn from continuing operations equated to 11 days compared to 21 days for the financial year ended 31 May 2019.

The debtor's collection period from continuing operations increased to 57 days compared to 50 days for the financial year ended 31 May 2019.

Net profit attributable to equity holders amounted to R124 million, contributing to accumulated capital and reserves of R2.5 billion.

Net borrowings decreased by R917 million.

Trade and other payables decreased by R760 million, with average credit terms from continuing operations equating to 80 days compared to 78 days for the financial year ended 31 May 2019.

Financial Director's report continued

Statement of cash flows

Cash generated from trading operations totalled R1.7 billion. Working capital movements comprised an increase in trade receivables of R148 million, an increase in advances to customers of R65 million and a decrease in trade payables of R397 million, offset by a decrease in inventory of R795 million. After incurring net finance costs and taxation, net cash generated from operating activities amounted to R1.3 billion.

Net cash flows from investing activities amounted to R454 million, primarily attributable to the receipt of funds, net of cash disposed, amounting to R698 million from the disposal of the 3G Mobile Handset division and the Blue Label Mobile Group, proceeds on disposal of capital assets of R34 million, dividends received from associates and joint ventures of R6 million, offset by the purchase of intangible assets of R31 million, capital expenditure of R139 million and net loans granted of R127 million.

Cash flows utilised in financing activities amounted to R1.1 billion, of which R902 million related to the net decrease in borrowings, dividend payments of R67 million to non-controlling interests, lease payments of R53 million, settlement of a financial guarantee amounting to R44 million, treasury shares acquired of R46 million, offset by R34 million from the dilution of shares in a subsidiary.

Cash and cash equivalents accumulated to R2 billion at 31 May 2020.

Subsequent events

Blue Label Mexico

On 16 September 2020, an agreement was concluded whereby Blue Label Telecoms would dispose of its 47.56% interest in Blue Label Mexico for a total purchase consideration of USD11.5 million, to its co-shareholder, Grupo Bimbo S.A.B de C.V. The effective date of the transaction was 21 September 2020.

SPV2 liquidity obligations

On 4 September 2020, The Prepaid Company paid USD10 million of the remaining USD20 million to SPV2 in line with its liquidity support obligations.

Banking facilities

On 29 November 2019, The Prepaid Company's Investec banking facilities totalling R2.176 billion were successfully renewed, of which R1.5 billion was extended for a period of 12 months to 31 March 2021 and R676 million for nine months to 31 August 2020. Of the latter amount, R542 million has been paid to date. As at the date of publication of the 31 May 2020 financial statements, The Prepaid Company renegotiated a further extension of the R1.5 billion facility from 31 March 2021 to 30 September 2021, demonstrating Investec's confidence in Blue Label. The exposure to Investec is required to be no more than R1 billion as at 31 March 2021. As at 31 May 2020, The Prepaid Company's Investec facilities were disclosed as current borrowings, as the extension to 30 September 2021 was only granted in August 2020.

On 9 September 2016, Comm Equipment Company (CEC) entered into a debt funding agreement with Investec and Rand Merchant Bank. This debt funding was divided into three separate facilities, namely senior facility A of R858 million, senior facility B of R650 million and mezzanine facility of R410 million. In February 2020, the proceeds of R604 million from the sale of the 3G Mobile Handset division were applied against the senior A facility. All three facilities were due to expire on 31 August 2020. CEC's facilities have been renegotiated to 31 August 2021 comprising R267 million for senior facility A, R200 million for senior facility B and R411 million for the mezzanine facility. As at 31 May 2020, CEC's debt facilities were disclosed as current borrowings, as the extension to 31 August 2021 was only granted in August 2020.

Dividend

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

Appreciation

The Board of Blue Label would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

Dean Suntup CA(SA)
Financial Director

23 September 2020

Ten-year review

	2020 **R'000**	Restated[1] 2019 R'000	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
Revenue	**21 135 326**	**23 602 264**	26 734 249	26 469 581	26 204 722	22 044 222	19 401 666	18 984 210	18 722 080	18 601 571
Gross profit	**2 124 611**	**2 173 686**	2 282 092	2 129 000	1 829 694	1 644 340	1 349 534	1 271 245	1 208 077	1 124 569
Gross profit (%)	**10.05**	**9.21**	8.54	8.04	6.98	7.46	6.96	6.70	6.45	6.05
EBIT	**636 050**[3]	**86 845**[3]	1 097 549	1 174 890	1 142 376	986 146	722 856	645 671	643 828	517 060
EBITDA	**825 364**[3]	**257 300**[3]	1 340 153	1 287 741	1 240 559	1 080 165	787 993	713 622	735 385	710 192
Net profit attributable to the parent	**226 786**[3]	**6 672 923**[3]	1 122 085	781 254	691 590	577 617	450 230	424 841	438 104	431 448
Cash generated from/(utilised in) operating activities	**1 256 825**	**(80 514)**	3 188 144	1 361 959	432 942	132 495	907 332	(439 794)	528 109	427 663
Cash and cash equivalents	**2 014 725**	**1 377 753**	947 888	1 350 666	589 027	788 411	1 184 131	941 282	1 975 242	2 226 170
Capital expenditure	**170 523**	**209 959**	102 823	113 280	127 131	178 684	149 089	291 605	164 485	186 196
Ratios										
EPS (cents)	**13.89**	**(727.81)**	131.13	114.13	103.85	86.86	67.88	64.22	61.87	57.04
HEPS (cents)	**58.16**	**(312.49)**	130.44	114.19	100.35	82.26	67.98	64.17	64.65	46.20
Core HEPS (cents)	**62.71**	**(304.77)**	135.62	116.24	102.85	85.11	69.54	66.08	67.15	49.50
NAV per share (cents)	**267.13**	**259.31**	988.70	730.63	662.32	578.87	524.40	480.77	432.08	388.90
Dividends declared per share (cents)	**-**	**-**	–	40*	36*	31*	27*	25*	23*	14
Dividend cover on headline earnings (cents)	**-**	**-**	–	2.23*	2.75*	2.62*	2.48*	2.52*	2.95*	3.30
Weighted average number of shares ('000)	**896 409**	**913 208**	855 687	684 508	665 950	665 030	663 298	661 578	708 060	756 359
Number of employees at year-end – subsidiaries	**922**	**1 111**	874	796	776	1 305	1 176	1 112	1 216	1 357

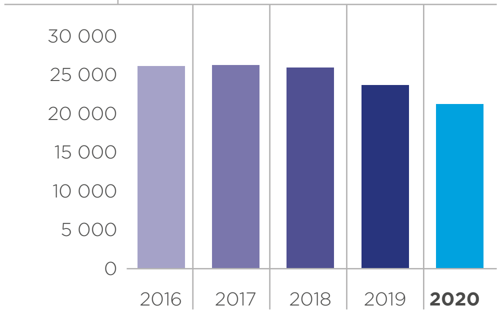
* Gross ordinary dividend.

[1] As a result of the discontinued operations, the Group has restated its comparative financial information. The financial results of Blue Label Mobile Group, the handset division of 3G Mobile and WiConnect, are disclosed in (loss)/profit from discontinued operations in both the current and comparative year and are not included in revenue, gross profit, EBITDA, EBIT and net profit attributable to the parent.

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

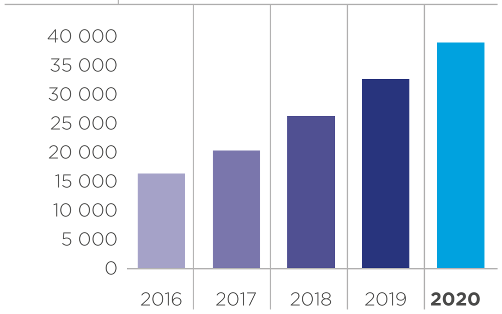
[3] Refer to Financial Director's report for extraneous costs included in EBITDA, EBIT and net profit attributable to the parent.

Revenue$^{\Delta}$
(R'million)



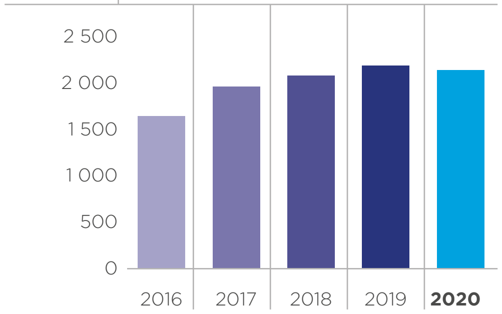
Δ *Includes only continuing operations.*

Gross transactional values#
(R'million)

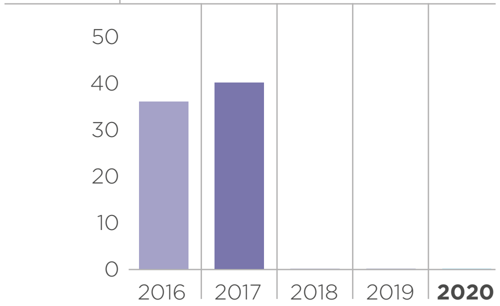


#Includes gross electricity, ticketing, gaming and PINless top-ups.

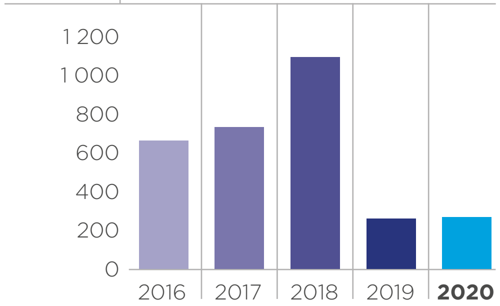
Gross profit$^{\Delta}$
(R'million)



Dividends declared per share
(cents)



NAV per share
(cents)

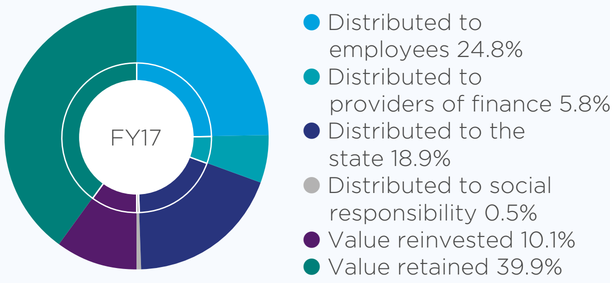


Value added statement

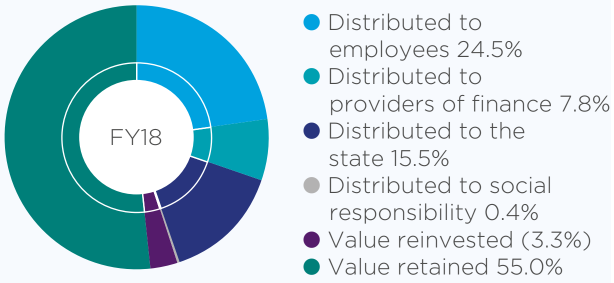
	2020* R'000	2020 %	2019* R'000	2019 %	2018 R'000	2018 %	2017 R'000	2017 %
VALUE ADDED								
Value added by operating activities	2 029 637	95.5	2 284 291	95.9	1 945 220	91.0	1 749 186	95.7
Revenue	23 312 162		25 869 433		26 734 249		26 469 581	
Net operating expenses	(21 282 525)		(23 585 142)		(24 789 029)		(24 720 395)	
Value added by investing activities	95 761	4.5	96 809	4.1	191 826	9.0	79 125	4.3
Interest income	95 761		96 809		191 826		79 125	
	2 125 398	100	2 381 100	100	2 137 046	100	1 828 311	100
VALUE DISTRIBUTED								
Distributed to employees	619 167	29.1	594 183	25.0	524 187	24.5	452 985	24.8
Salaries, wages, medical and other benefits	619 167		594 183		524 187		452 985	
Distributed to providers of finance	236 186	11.1	231 132	9.7	166 613	7.8	105 518	5.8
Finance costs	236 186		231 132		166 613		105 518	
Distributed to the state	307 388	14.5	339 670	14.3	330 920	15.5	345 990	18.9
Income tax	307 388		339 670		330 920		345 990	
Distributed to social responsibility	14 584	0.7	15 339	0.6	9 287	0.4	8 460	0.5
Corporate social investment	14 584		15 339		9 287		8 460	
Value reinvested	728 968	34.3	7 822 972	328.5	(69 731)	(3.3)	185 000	10.1
Depreciation, amortisation and impairment	750 754		4 134 181		314 197		112 851	
Net discounting finance cost	-		11 929		136 551		(1 210)	
Share of (profits)/losses of associates and joint ventures	(13 640)		3 701 410		(520 628)		89 533	
Deferred taxation	(8 146)		(24 548)		149		(16 174)	
Value retained	219 105	10.3	(6 622 196)	(278.1)	1 175 770	55.0	730 358	39.9
Retained profit	124 481		(6 646 383)		1 122 085		696 462	
Minority shareholders' interest	94 624		24 187		53 685		33 896	
	2 125 398	100	2 381 100	100	2 137 046	100	1 828 311	100

* The value added statement has been prepared based on the results of both the continuing and discontinued operations of the Group. Refer to note 11 of the Group annual financial statements for details of discontinued operations.

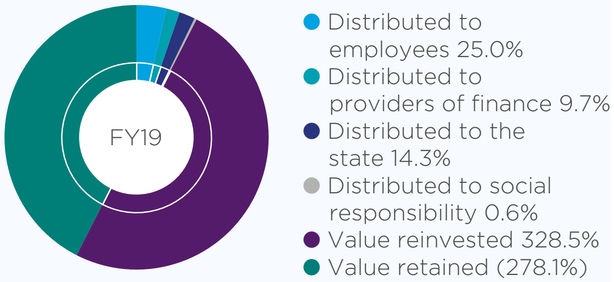
Value distribution



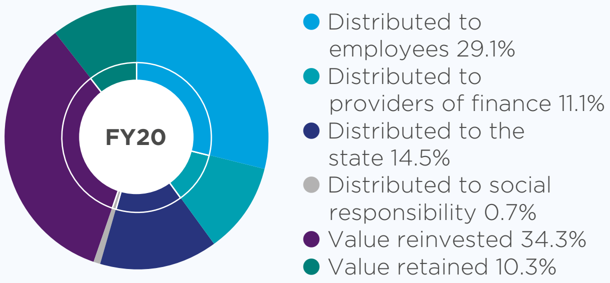
Value distribution



Value distribution



Value distribution



Operating structure AS AT 31 MAY 2020

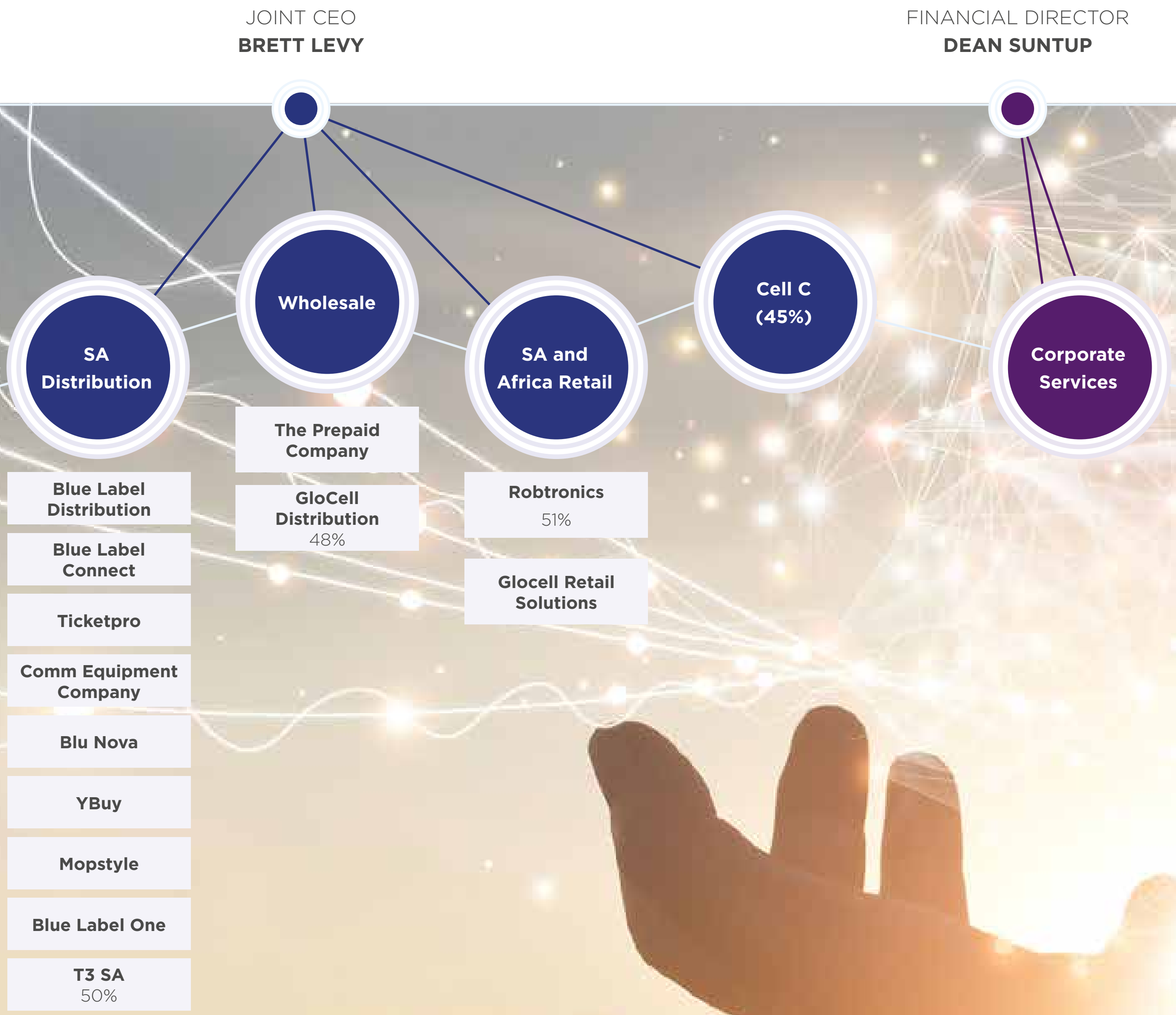
New operating structure

The new operating structure has been implemented across the Group.

The structure is designed to significantly improve customer service 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. The structure supports the speed of deployment of new products and services across all channels and allows us to leverage 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.

BOARD OF DIRECTORS →



JOINT CEO
BRETT LEVY

FINANCIAL DIRECTOR
DEAN SUNTUP

SA Distribution
- **Blue Label Distribution**
- **Blue Label Connect**
- **Ticketpro**
- **Comm Equipment Company**
- **Blu Nova**
- **YBuy**
- **Mopstyle**
- **Blue Label One**
- **T3 SA** 50%

Wholesale
- **The Prepaid Company**
- **GloCell Distribution** 48%

SA and Africa Retail
- **Robtronics** 51%
- **Glocell Retail Solutions**

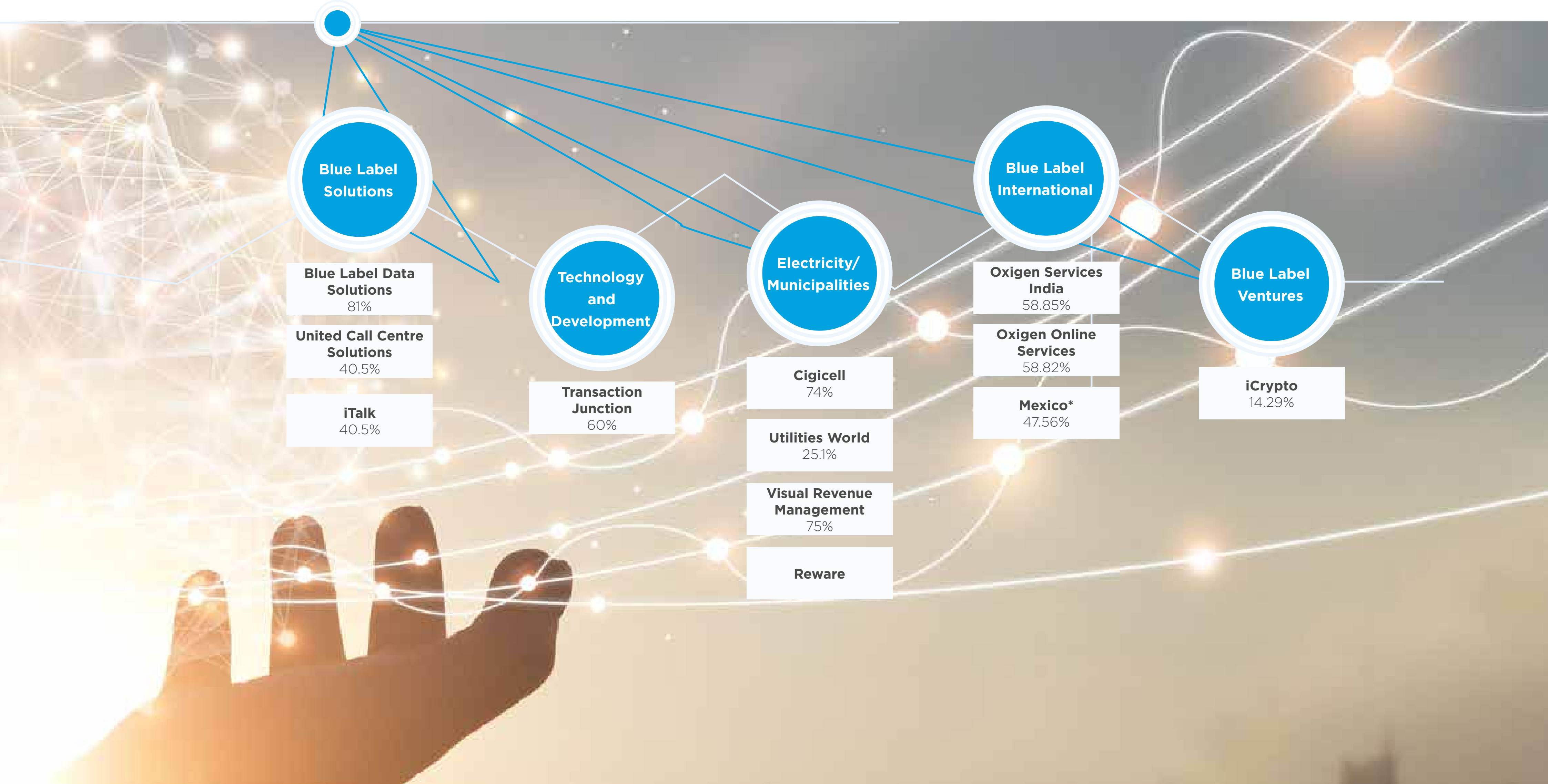
Cell C (45%)

Corporate Services

JOINT CEO
MARK LEVY

100% unless otherwise stated

* Disposed of on 21 September 2020



Blue Label Solutions

- **Blue Label Data Solutions** 81%
- **United Call Centre Solutions** 40.5%
- **iTalk** 40.5%

Technology and Development

- **Transaction Junction** 60%

Electricity/ Municipalities

- **Cigicell** 74%
- **Utilities World** 25.1%
- **Visual Revenue Management** 75%
- **Reware**

Blue Label International

- **Oxigen Services India** 58.85%
- **Oxigen Online Services** 58.82%
- **Mexico*** 47.56%

Blue Label Ventures

- **iCrypto** 14.29%

Operational review

The Blue Label Group generated positive cash flows from its trading operations for the year ended 31 May 2020. This, together with the proceeds received from the disposals of the 3G Handset division and the Blue Label Mobile Group, has been applied to reduce interest-bearing debt resulting in the strengthening of the Group's balance sheet.

The Group's strategic intent is to go back-to-basics and to significantly improve cash generation in order to deliver returns to shareholders.

Group revenue generated by the continuing operations within the Group declined by 10% to R21.1 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 7% from R56.0 billion to R59.9 billion. Gross profit declined by 2% from R2.17 billion to R2.12 billion, partially limited due to an increase in margins from 9.21% to 10.05%.

Core headline earnings for the year ended 31 May 2020 amounted to R562 million, equating to core headline earnings of 62.71 cents per share. Core headline earnings for the year ended 31 May 2019 amounted to a loss of R2.78 billion, equating to a negative 304.77 cents per share. On exclusion of extraneous costs of R210 million in the current year and R3.66 billion in the comparative year, core headline earnings from trading operations declined by R100 million (11%) from R872 million to R772 million, equating to core headline earnings of 86.13 cents per share. Core headline earnings for the current year, after the exclusion of extraneous costs, comprised R632 million from continuing operations and R140 million from discontinued operations. Earnings per share and headline earnings per share increased from a negative 727.81 and 312.49 cents per share in the prior year to a positive 13.89 and 58.16 cents per share respectively in the current year.

Following the lockdown regulations, Blue Label acted swiftly in adjusting working conditions from office to home, including maintaining a fully functional remote Customer Interaction Centre. Resilience prevailed by continuing to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The COVID-19 lockdown has not impacted negatively on airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access to all of its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Interestingly, productivity of our people has increased as they strive to continue delivering innovatively in conjunction with launching new digital products and services in spite of the impact of the COVID-19 pandemic.

The review that follows provides more detail on the operating performances of the segments within the Group.

Africa distribution

THE PREPAID COMPANY (TPC)

The Prepaid Company is the leading distributor of prepaid airtime and data on behalf of the main South African mobile network operators. It facilitates, manages and maintains the distribution of 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 from the traditional airtime purchases to PINless top-ups. The COVID-19 pandemic has accelerated this process with the move away from traditional wholesale markets as customers increasingly opt to purchase through digital channels. 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 focuses on customer centricity.

TPC's approach is to continuously focus on efficiencies, gross profit margin accretion and to assist BLD in expanding its informal market channel by specifically concentrating on community channels, stokvel groups, churches and BLD's hub and spoke strategy. We are able to design bespoke incentivisation products for these communities that offer value for money and assist in decreasing churn.

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 by providing convenient digital transacting solutions to all.

Our technology provides our customer base with an efficient and user-friendly interface, enabling the sale of 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 an expedient and controlled fashion. BLD registered a 58% growth in new informal traders for the ended 31 May 2020.

As 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 is evidenced in trader revenue growth up to an average that exceeds key competitors within the market. The 2020 financial year has seen strong growth of financial services products within the informal market, with a continuous shift from traditional retail outlets towards digital channels such as banks.

Our commitment to customer service is paying dividends. We have full line of sight of the challenges that they face and we continue to address such challenges on an ongoing basis through our insourced Customer Interaction Centre. The Centre provides intelligent analysis of trading patterns and usage, allowing us to identify further opportunities for growth.

BLD will maintain this focus on growing product throughput and improving customer service in 2021. The business unit is able to take advantage of the new technical platforms provided by our information technology division that embed Blue Label's entrepreneurial culture and agile practices and improves our ability to execute on strategic growth objectives. Increased scale and agility allows for delivery across multiple channels, while expanding our base of customers. It also enables us to continue to offer additional products and services more rapidly. BLD continues to drive a growth mind-set while remaining true to our customer-centric approach.

INFORMAL MARKET

We launched Blue Label in early 2001, identifying the explosive growth in prepaid airtime as a mechanism to afford all South Africans the opportunity of accessing our products safely and conveniently. Financial inclusion remains our driving philosophy.

Our informal base of traders increased by 58% in the 2020 financial year. The explosive growth of financial services products in this market stands out and we believe is attributable to the impacts of the COVID-19 lockdown, given that people could not travel easily beyond their place of residence. We will be observing these trends closely in order to determine our sales direction into the future. We look forward to re-launching our ticketing platforms once the lockdown eases further. Ticketing is a differentiator for Blue Label and is a significant drawcard for both merchants and customers.

We have launched two new products which should enhance convenience and flexibility for our customers.

- RINGAS – a universal prepaid airtime voucher capable of redemption from any of the four major South African mobile networks.
- BLU VOUCHER – a single secure prepaid voucher allowing consumers to pay, deposit and top up their accounts with any of our online partners.

We pride ourselves in being particularly proactive with regard to training and marketing support for our traders as we aggressively grow market share.

Operational review continued

TICKETPRO

Ticketpro is a vital element in securing distribution contracts. The ability to offer our customers access to exclusive transport services, sporting events and entertainment is exceptionally attractive to merchants in terms of being a "magnet for foot traffic" to their customers. Ticketpro was on track to have its most profitable year during the 2020 financial year, until COVID-19 struck, crippling this specific industry. Despite this major setback, Ticketpro has utilised the time to rebuild and technically develop new and improved systems and infrastructure. We will continue to expand the ticketing footprint in South Africa. Ticketpro has also launched an online streaming events platform, namely COVID Zero, in order to maintain relevance and to provide artists and fans with a platform to share and enjoy such content safely. COVID Zero empowers entertainers and raises funds for charities to provide less fortunate South Africans with face masks, hand sanitisers and food parcels.

In November 2020, we intend to launch South Africa's first truly all in one fan-based "experience" platform – innovating the event industry. We will provide:

- Online streaming
- Cashless payment solutions
- Wireless event-based connectivity
- NFC transport technology, ensuring safe and secure commuter travel

In total, Ticketpro has more than eight new innovative products on its platform and we look forward to the end of COVID-19 and being able to assist in entertaining all South Africans by providing expanded "ticketing" services for large public sporting and entertainment events.

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. It also offers municipal customers the ability to pay their rates and taxes or traffic fine accounts via convenient retail and banking channels. In the 2020 financial year Cigicell increased electricity sales by an impressive 13% to R22.7 billion. The COVID-19 lockdown assisted in stimulating electricity sales as more people worked from home.

Revenue assurance

Cigicell also 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 on a national basis.

As we sign on more municipalities around the country, we will reinforce our service levels by hiring highly skilled metering specialists and relationship managers, in order to 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 municipalities, 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.

COMM EQUIPMENT COMPANY

The Comm Equipment Company (CEC) provides funding for the handset element of Cell C's post-paid subscriber contracts. All monies from the Cell C customer, including service revenue, interest charges and handset fees are paid into an escrow account. After subtracting the CEC interest charge and handset fee, the remaining revenue is remitted to Cell C. Cell C is responsible for any bad debt that may arise. CEC provides a similar service for the funding of DStv decoders.

In the 2020 financial year, CEC decreased its interest-bearing borrowings by R950 million to a balance of R716 million as at 31 May 2020.

GLOCELL DISTRIBUTION

Glocell Distribution was acquired to complement our distribution strategy. Glocell's core strategy is in the distribution of starter packs through its established channels. In the current year, the company experienced unfavourable trading conditions, with specific reference to starter packs, exacerbated by the impact of COVID-19. Measures are in place to enhance its contribution to Group profitability.

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 contracts comprise either a SIM-only package or alternatively a hybrid of airtime 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 enable customers to purchase tailor-made products and services utilising their mobile phones. The company experienced challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the mobile networks and an increase in product costs, exacerbated by COVID-19.

BLU NOVA

Blu Nova has become one of the leading practitioners of data and decision science in South Africa. We have deployed a state of the art decision engine which is supplying intelligent data leads and has assisted in securing new business.

Operational review continued

CELL C

Cell C's turnaround strategy, based on the three drivers below, is resulting in positive change in the business with a view to Cell C becoming a lean, agile and highly responsive business.

- Liquidity platform: this was put in place to manage cash flow within the business and to see Cell C through the recapitalisation process.
- Network strategy: implementation of the extended roaming agreement with MTN commenced on 1 May 2020 which enables network innovation, promotes efficient network infrastructure utilisation and sustainable investment in network infrastructure.
- Operational rationalisation: the company has taken active steps to reduce its focus on pure revenue and subscriber growth to focus on profitable, long-term growth. There is an unrelenting focus on cost-cutting and there is a change in the operating model from build, own and operate all functions to focused investment, partnering and an acquirer of services.

Cell C has deliberately decreased its subscriber base by 28% over the 12 months to end May 2020, taking total subscribers down to 11.8 million. In spite of this, service revenue only declined by 2% to R13.9 billion. By rightsizing the customer base and focusing on profitable customers, Cell C achieved a 10% increase in EBITDA to R3.7 billion.

The turnaround strategy is clearly delivering improved operational efficiencies with the positive impact of these changes filtering through during the latter six months of the reporting period.

Cell C's recapitalisation is a complex restructure given the multiple stakeholders involved. Progress is being made in this regard and stakeholders will be updated in due course.

Please click here https://www.bluelabeltelecoms.co.za/inv-results-updates-cellc.php to access Cell's C presentation for the 12 months ended 31 May 2020.

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.

Significant effort has been applied to our technology over the 2020 financial year. We are accelerating innovation, go-to-market strategies and digital enablement. We are fintech specialists enabling financial inclusion through platform innovation. By entrenching our entrepreneurial culture and agile practices, our ability to execute on strategic growth objectives has improved.

We have deployed innovative tokenised products: food vouchers with cash redemption; virtual vouchers for partner redemption (BluVoucher) and airtime (Ringas) with consumer-ready digital redemption mechanisms (USSD, Online). We have expanded consumer convenience with universal bus flows and new carriers for long-haul bus transport. In addition, we have deployed hyper-automation and RPA technologies to assist the merchant and consumer experience. The software development stack has been expanded with low-code, no-code application development functions in order to fast-track our go-to-market strategies.

We continue to expand our digital solution footprint with active POPs (Points of Presence) in the main market, retail and petroleum channels.

We have launched payment mechanisms into trusted consumer apps to purchase VAS products as well as to create the ability to white label our core technology offerings and deployed consumer applications to specific communities with content and bespoke service requirements.

IT security, risk and compliance are essential to Blue Label and our customers. We have concentrated specifically on scalability and platform refactoring.

- Optimal scalability was achieved for high-speed throughput.
- We have expanded hybrid-cloud strategy which enables uptime of business-critical applications.
- We have invested in infrastructure and software to improve stability and ensure future capacity.
- We have simplified integration mechanisms deployed as restful APIs, on a roadmap towards an open integration gateway and marketplace.

We have also invested in significant additional redundancy for improved stability and business continuity. Active-active was deployed with transactional success rates and uptime increasing to beyond 99% and transactional volume growth sustained at over 20% per annum. There has been a 71% reduction in production defects from prior years.

We have deployed a new framework for cybersecurity and governance – this is vital for customer confidence. Security vigilance, POPIA, GDPR, ECT Act compliance and vulnerability checks have been entrenched into our approach to enable our data-driven business model. Increased cybersecurity investments have resulted in a zero impact, reliable ecosystem of platforms in our landscape.

Solutions

BLUE LABEL DATA SOLUTIONS (BLDS) AND UNITED CALL CENTRE SOLUTIONS (UCCS)

BLDS is one of the 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 decline in revenue of 7% to R189 million was attributable to lower demand for aggregated data and lead generations as a result of COVID-19 restrictions, which impacted the call centre operations during the lockdown period. Although revenue declined, gross profit margins increased from 30.45% to 30.74%, limiting the decline in gross profit to R4 million (6%). After an overhead decline of 21%, EBITDA increased by R3 million (7%) to R40 million. Of the core headline earnings of R41 million, BLDS accounted for R24 million. UCCS generated earnings of R39.6 million, of which the Group's share thereof amounted to R16 million.

We have placed significant effort in assisting our agents to work from home during the lockdown period. We are looking at having between 50% to 65% of our agents working offsite within 12 months.

In the 2020 financial year we strengthened inhouse compliance and legal expertise in order to address the POPIA, CPA and other consumer protection legislation. We are fully equipped to implement the Protection of Personal Information Act and the likes thereof. COVID-19 has been extremely disruptive and has forced us to take a hard look at our business methodologies. We have had to be innovative to reduce the cost of acquisition which bodes well for the future.

Our IT and technical prowess have stood us in good stead during the disruption caused by COVID-19 and is the key to future acceleration of our digital innovation.

International

BLUE LABEL MEXICO

Blue Label Mexico successfully implemented a turnaround programme based on people, processes and technology.

Losses in Blue Label Mexico declined from R47 million to R9 million, of which Blue Label's share amounted to R5.8 million after the amortisation of intangible assets. In the comparative year, the Group's share of losses amounted to R24 million.

Although its revenue declined by R451 million (12%) from R3.6 billion to R3.2 billion, gross profit increased by R9 million (6%) underpinned by an increase in gross profit margins from 3.83% to 4.66%. Operational expenditure declined by 12%, through the implementation of significant cost-saving initiatives. The resultant EBITDA increased by R31 million from a negative R23 million to a positive R8 million.

The Group has recently concluded an agreement to dispose of its 47.56% interest in Blue Label Mexico in order to focus its efforts on the South African distribution businesses and to deleverage the Group in order to ensure a more robust and liquid balance sheet going forward.

OXIGEN SERVICES INDIA

The investment in OSI was fully impaired as at 31 May 2019. Please refer to note 2.1 on page 50 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 success in this regard.

Human capital

Our people are at the heart of our Blue Label 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 operate remains challenging. In the last two quarters we navigated COVID-19 together with our line managers and employees. Through FY20 we implemented our revised people strategy. Collectively, we restructured most subsidiaries and in doing so we were able to overcome the challenges that COVID-19 presented swiftly and decisively.

We have managed to retain over 91% of our employees and the decision to not implement salary increases this year has put us in a position to maintain remuneration at all levels throughout the organisation.

The primary focus area during the 2020 financial year was organisational transformation to create a customer and consumer centric organisation. Working with executive leadership across each subsidiary and functional area has allowed us to restructure and align the business to new business strategies and plan for new capabilities that are required.

Through the organisational transformation we have:

- Assessed all roles and created new roles with a broader breadth and depth of skill thereby creating efficiencies and freeing up operating expenditure for investment in new market facing and technology roles;
- Reorganised our customer facing division by creating new teams to improve our ability to serve our customers;
- Aligned all roles to the new Hay Grading Scheme;
- Leveraged skills and capabilities from different departments for the benefit of the Group to reduce costs, increase efficiencies and improve our ability to better service our customers through a portfolio of Blue Label products and services;
- Invested in new roles (an additional 1% in headcount), skills and capabilities to enable speed to market, product innovation, enhanced cybersecurity and customer centricity;
- Retained critical scarce skills;
- Offered employees an opportunity to grow within and across the Group subsidiaries through:
  - Promoting talent, and
  - Deploying high potential and experienced talent into new customer channels and product portfolios;
- Revised business processes to increase efficiencies, customer centricity and productivity and to reduce the risk of fraud and cybercrime;
- Introduced new tools and resources to support customer centricity and productivity; and
- Digitised processes.

Our vision is to develop a creative, innovative and entrepreneurial spirit across our employees and value chain. At Blue Label we pride ourselves for being entrepreneurial and creating opportunities to grow and expand consistently. Innovating and creating opportunities have been our consistent rallying call to our leaders and our employees during COVID-19, and our teams have risen to the occasion:

- Adopting a high touch and high-tech people first approach in our response to COVID-19.
- Converting our entire organisation to work from home from the inception of lockdown level 5.
- Improving productivity, performance and customer service in our call centres despite all agents and management working from their homes.
- Accelerating our digitisation projects to fast track our ability to be responsive to our new environment.
- Creating and launching new products to our consumers and merchants within lockdown.
- Pivoting the Ticketpro business and creating new channels of revenue during lockdown.

- Focused on creating job security for our teams and limiting the impact of COVID-19.
- A decision was taken by the Remuneration Committee that no salary increases will be awarded in the 2021 financial year in order to preserve our liquidity to enable us to navigate any further economic or operational impacts the COVID-19 pandemic may have.

Despite many of our products and services qualifying as an essential service, we have opted to maintain a work from home strategy, as far as possible, while we collectively navigate the fluid impact of COVID-19. Our journey of organisational transformation will continue into FY21 as we evolve our business further to create an organisation that is scalable, delivers further efficiencies, increases customer centricity, enhances productivity and improves financial performance.

Labour turnover (LTO) for the Group was 35.7% for the year. The sale of the Blue Label Mobile Group and the handset division of 3G accounted for 16.2% of total labour turnover. Our voluntary LTO number was capped at 10.2%. Involuntary LTO was as a result of retrenchments, management of poor performance and the end of fixed term contracts (including learnerships) for the period. We have improved retention off the previous year and attribute higher engagement to our Employee Value Proposition (EVP) campaign "#HappinessisBlu" and our improved talent management.

Key outcomes of our 2020 financial year Talent Management Action Plan are as follows:

Diagram 1: Black and female representation has decreased due to the disposal of the Blue Label Mobile group and the handset division of 3G, not absorbing STEM talent.

↓	↓	↓	↓	↓	↓
(13%)	(10%)	(8%)	(26%)	(9%)	(15%)
African male representation	African female representation	Coloured male representation	Coloured female representation	Indian male representation	Indian female representation

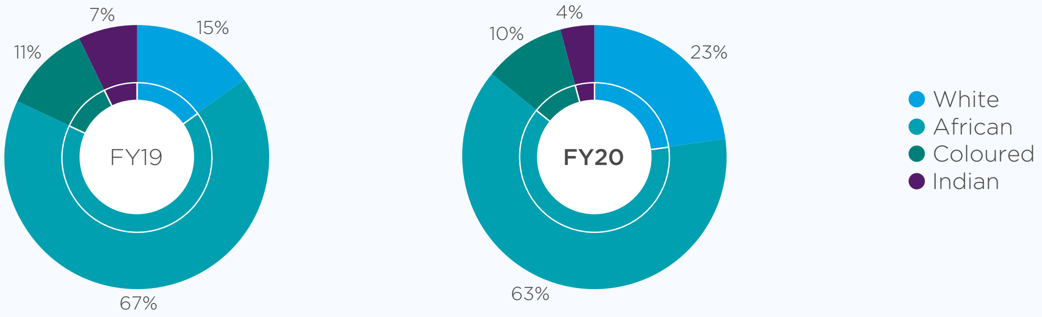
The development of employees has remained a key focus area. In all, 31% of all new appointments were internal promotions.

Diagram 2: Promotions as a critical enabler to enhancing diversity and inclusion.

63%	**44%**	**37%**	**25%**
Promotions were awarded to EAP employees	Promotions awarded to African employees	Promotions awarded to females	Promotions were awarded to EAP candidates at Senior Management level

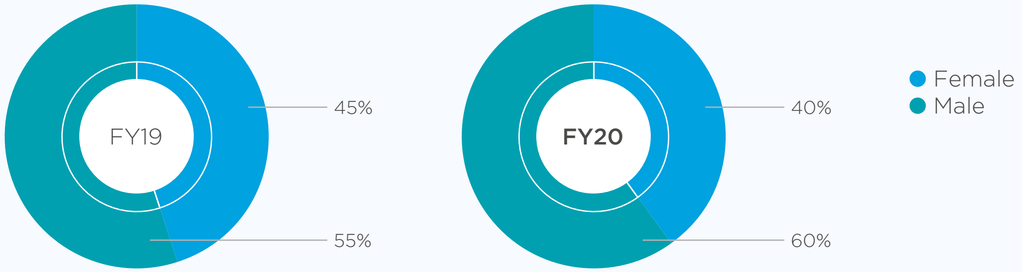
Human capital continued

Diagram 3: **EAP recruitment FY19 vs FY20**



Diversity and inclusion (gender and race) continues to remain a focus area to improve representation across the Group. There is still much work to be done.

Diagram 4: **Female recruitment FY19 vs FY20**



We recruited new skills and capabilities into the organisation and aimed to progress our diversity simultaneously. While we are pleased with our achievements, we note that our recruitment numbers of women and black candidates declined in the 2020 financial year. This is, in the main, attributable to reducing our intake of learners in this financial year and secondly, a shortage of black and female information, communication and technology skills within the market where the majority of our recruitment has been focused.

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

Employment equity demographics – FY 20 – Blue Label Telecoms

	MALE				FEMALE				FOREIGN NATIONAL		
	AFRICAN %	COLOURED %	INDIAN %	WHITE %	AFRICAN %	COLOURED %	INDIAN %	WHITE %	MALE %	FEMALE %	**TOTAL %**
Top management and other executives (number)	1	1	2	22	0	1	0	5	0	0	**32**
Actual percentage	3	3	6	69	0	3	0	16	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)	(2)	4	63	(35)	(1)	(1)	11	0	0	
Senior management (number)	2	3	1	20	2	0	0	5	0	0	**33**
Actual percentage	6	9	3	61	6	0	0	15	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	(37)	4	1	55	(29)	(5)	(1)	11	0	0	
Middle management (number)	10	2	4	36	7	1	2	15	1	1	
Actual percentage	13	3	5	46	9	1	3	19	1	1	**79**
NEAP	42.80	5.30	1.80	5.30	35.10	4.50	1.00	4.20	0.00	0.00	
Variance against NEAP	(30)	(3)	3	40	(26)	(3)	2	15	1	1	
Junior management (number)	100	32	26	89	55	12	15	50	15	7	**401**
Actual percentage	25	8	6	22	14	3	4	12	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	(18)	3	5	17	(21)	(2)	3	8	4	2	
Semi-skilled employees (number)	106	6	6	6	139	20	12	12	7	2	**316**
Actual percentage	34	2	2	2	44	6	4	4	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	(9)	(3)	0	(3)	9	2	3	0	2	1	
Unskilled employees (number)	27	2	1	1	26	0	0	1	3	0	
Actual percentage	44	3	2	2	43	0	0	2	5	0	**61**
NEAP	42.80	5.30	1.80	5.30	35.10	4.50	1.00	4.20	0.00	0.00	
Variance against NEAP	1	(2)	0	(4)	8	(5)	(1)	(3)	5	0	
TOTAL	246	46	40	174	229	34	29	88	26	10	**922**
Overall	26.68	4.99	4.34	18.87	24.84	3.69	3.15	9.54	2.82	1.08	
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	(16)	0	3	14	(10)	(1)	2	5	3	1	

* A comparison against FY19 has not been included as it would have an inaccurate reflection of progress against the previous year. Our organisation has undergone organisational transformation through structural changes and the finalisation of our grading across the group. Secondly, disposal of the Blue Label Mobile Group and the 3G Handset division.

Human capital continued

We remain invested in achieving a diverse and inclusive organisation. While there was a lot to be proud of, black and female attraction, development and promotions must be improved, specifically within Senior Management and top management occupational levels. Looking forward, we will continue to focus on accelerated development of key equity talent, supported by mentorship and succession planning. While we have made good progress to address equity representation, there is a need to improve our female representation within the organisation. We will need to increase focus on attracting high calibre female talent into the organisation in order for us to address current diversity gaps within leadership. Progress has been made within junior management, semi-skilled roles, and unskilled roles.

Over the last two years, the human capital team has standardised the job evaluation and grading system for the Group from Patterson to a standardised Hay job evaluation methodology. The human capital team, together with the Remuneration and Nomination Committee and the Social, Ethics and Transformation Committee, worked closely with leadership to re-evaluate roles and align grades across the Group. This exercise was completed at the end of Q2 in the 2020 financial year. 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 an employee assistance programme, 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 and the employee assistance programme is borne by the respective Blue Label operating company. Further benefits outside of fixed remuneration have been rolled out to employees to increase our competitiveness within the marketplace and to enable us to retain talent within an increasingly competitive landscape.

New initiatives completed in the 2020 financial year include the finalisation of our first round of talent reviews with management across the organisation. Key insights were established, and these have been built into our 2021 financial year plan. In the last quarter of the 2020 financial year, our first Blue Label Telecoms engagement survey was completed across the organisation and we achieved a weighted average engagement score of 8.09/10. Through the feedback, we were able to establish the strengths in our leadership, human capital practices and culture. In addition, we have identified opportunities to improve and this will be integrated into our FY21 plan.

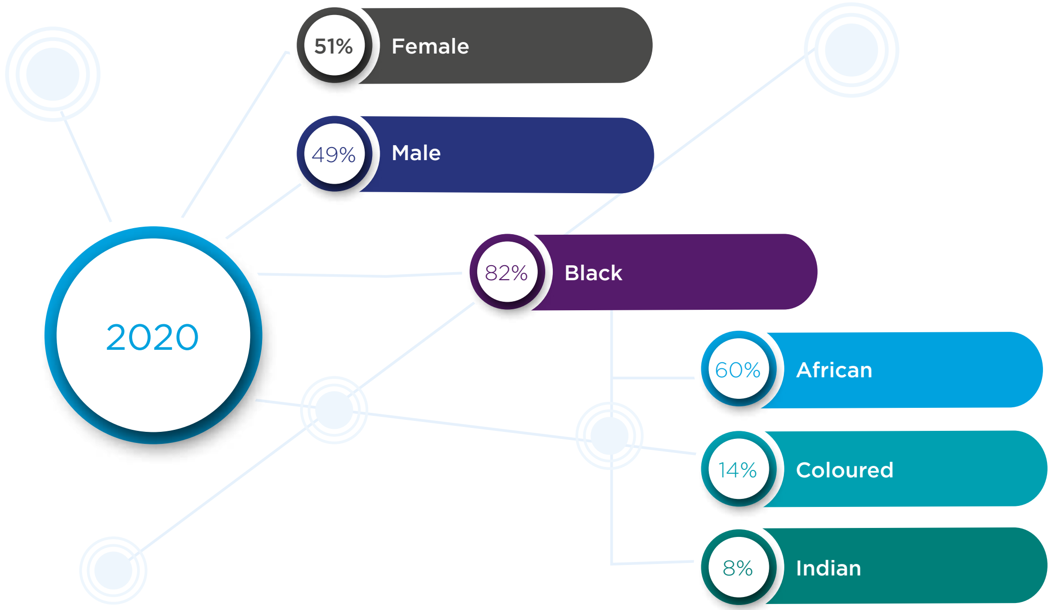
Skills Development

Skills development remains a focus area within the organisation for employees, learners and talent within our broader value chain. In light of our diversity (gender and race) gaps we have revised our policies and processes to ensure that our skills development budgets support:

- succession planning and the accelerated development of black and female employees;
- the retention of key talent;
- investment into the development of critical scarce skills particularly within information, communication and technology skills;
- investment into new skills and capabilities that will enable us to future-proof ourselves and remain relevant in the marketplace; and
- investment into learners that will serve as pipeline for key roles into our broader Blue Label business.

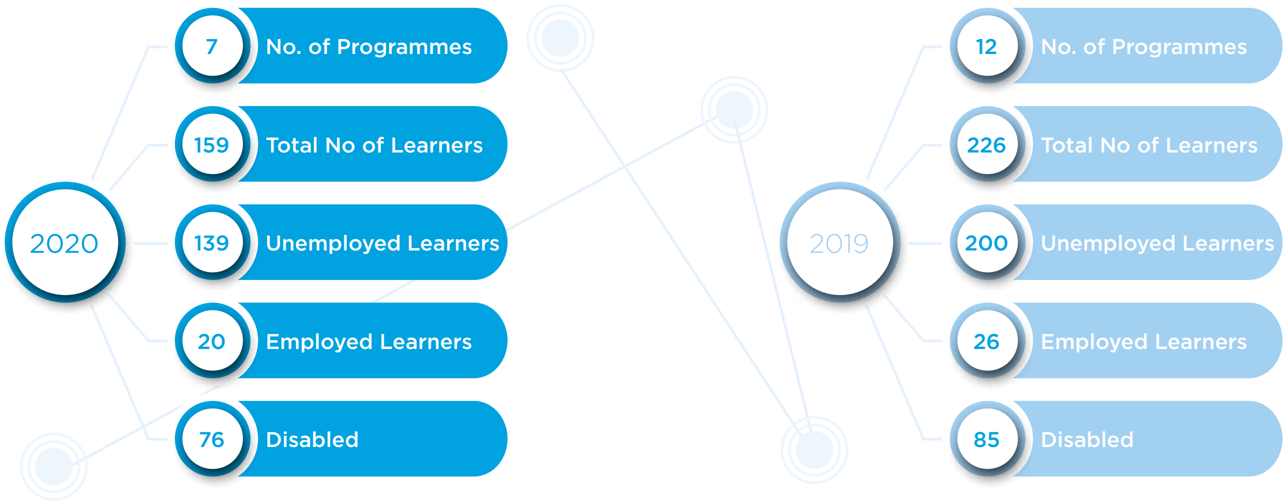
The average spend per employee on training in FY20 was R2 031 per employee. Training budgets for the development of technology employees has increased significantly to enable us to develop new skills and capabilities required for us to convert to new technology stacks in support of our digitisation and innovation strategy. Our first cohort of the Management Leadership Acceleration Programme with Duke CE nears its completion and employees Action Learning Projects are being integrated into our process improvement and automation plans and our product and innovation pipeline. A decision was taken to limit bursaries within the Group to employees and tertiary education in support of our talent requirements of accelerating internal succession development to improve our diversity and inclusion across gender and race.

Diagram 5: Bursary spend modified in F20 to accelerate our diversity and inclusion strategy



Our learnerships have been leveraged as creating pipeline for entry level roles into our organisations and developing middle managers for Senior Management roles. Our total spend for the 2020 financial year was R5 183 604. A total of 85% of this spend was invested in African learners and 47% on female learners. In FY20 our revised pragmatic approach realised a nominal decline in learnership and learner numbers, an increase in completion of learnerships and absorption into our organisation.

Diagram 6: Rationalisation of our learnerships in line with BLT pipeline requirements.



In FY21 we plan to maintain key focus areas and add additional initiatives:

- implement engagement initiatives by subsidiary in line with our employee engagement survey insights;
- implement our revised capability plan to accelerate development of black and female talent, support organisational transformation and our digitisation programme;
- implement a new leadership development journey for management;
- implement a mentoring programme for top talent with a focus on black and female talent;
- implement a Board programme in partnership with KPMG for our subsidiaries with a view to develop talent and pipeline for future appointments onto their boards;
- revise the environmental, social and governance (ESG) scorecard to enable accelerated delivery of B-BBEE and Employment Equity goals; and
- launch our #TeamBlu Employer Of Choice campaign in support of our talent attraction requirements.

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 and all issues brought before the Health and Safety Committee were resolved.

All Group companies have obtained their certificates of good standing for the year under review. In FY20 we have trained 43 staff members across our subsidiaries and branches. Furthermore, our Health and Safety Representatives have been leveraged in our COVID-19 plans as Quarantine Marshalls on each site, supporting our COVID-19 Officer and our COVID-19 Captains.

Total number of injuries reported

14

FY19:9

Total number of claims submitted to Workmen's Compensation

14

FY19:9

Total number of fatalities recorded on duty

0

FY19:1

Total days absent as a result of injury on duty

119

FY19:65

Key focus areas in FY21 include:

- Create a health and safety mindset and ownership by all employees,
- Address gaps identified in respect of our latest Occupational Health and Safety audit completed and
- Implement self-audits across guidelines to maintain and continuously improve our Health and Safety operations.

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.

Trust Blu Foundation NPC

The Trust Blu Foundation was formally launched in February 2020. The aim of the Foundation is to connect non-profit organisations and social enterprise innovators with a unique blend of financial and technology 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 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 (BGCSA) remained our flagship CSI 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 seven clubs, namely Pimville, Protea Glen, Bertrams, Alexandra, Vrededorp, Maraisburg and Mofolo.

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.

Human Capital

Includes continuing subsidiary operations.
Excluding offshore, discontinued and sold operations as well as associates and joint ventures.

	2020 R'000	2019* R'000	Increase/ (decrease) in spend %
CSI	**9 706**	10 613	(9)
Donations	**4 613**	3 852	20

* The prior year numbers have been restated to include the cost relating to the continuing operations only. CSI spend contracted with the reduced revenue following two months of COVID-19 lockdown.

Uconomy Partnership and COVID-19 Relief

Uconomy and Uconomy Youth are social enterprises that aim to create and maintain an integrated network of self-sustainable economic ecosystems, which address unemployment from grassroots level. This is achieved through their three-layered approach that consists of youth, SMME and community development.

With the COVID-19 enforced shutdown, Uconomy was faced with the challenge of continued support to its SMMEs and youth. With the mentorship and support from Blue Label Telecoms and Trust Blu Foundation, Uconomy was able to mobilise over 3 000 unemployed and previously disadvantaged youth and their small and microenterprise network and repurpose them to address the COVID-19 crisis. This entailed repositioning them as a final stage in the production of reusable face masks, disposable gowns, shoe covers and packaging of hand sanitiser. Blue Label Telecoms pledged to fund and supply the first order of 5 000 reusable face masks and 5 000 hand sanitisers. These were distributed through its partner non-profit organisations, namely Boys and Girls Clubs of South Africa and Afrika Tikkun.

Focus areas

The aim is to continue to develop a scalable production and distribution model in partnership with Uconomy that will enable the continued creation of jobs while addressing the ongoing need for COVID-19 interventions in disadvantaged communities.

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 who 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.

Focus areas

In line with our focus to bridge the digital divide in the underprivileged communities, the reading programme that makes use of tablets and the Edu reader app was further implemented at additional schools over a three-week period and approximately 1 000 children participated.

The Letsatsi Kasi-Village

The Letsatsi Kasi-Village is an urban township economic ecosystem development concept that seeks to combine multiple avenues of developmental funding into one project, which aims to create a network of microenterprise franchises while assisting them to establish access to market and supply chains.

Focus areas

The focus of the Letsatsi project is on the development of chic and modern containerised community-based microenterprise 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 microenterprises 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. In 2020 six additional sites have been established, three in Orange Farm and three in Mamelodi.

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, abuse and food security. JAM International, New Beginnings Foundation, Making a Difference Trust (Carte Blanche), Reach for a Dream and Women and Men against Child Abuse are some of our long-standing beneficiaries and have played a significant role in enabling our programmes over the last year.

Focus areas for 2020/2021

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 has used the King IV principles to continuously review, revitalise and streamline its governance structures and practices to the requirements of the expanding Group. The most appropriate recommended practices and adaptations have been applied in achieving the outcomes-based principles of King IV. The Board Charter and subcommittee terms of reference and work plans have been substantially aligned with King IV practices and a number of policies, practices and processes are continuously 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 provided throughout this report and explain the Group's governance philosophies, structures, practices and outcomes in 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 restructuring the business to focus on core operations, to reduce debt, improve cash generation and ready the Group for implementing programmes that return value to shareholders through dividend and share buy-back programmes. The Board and its committees have put significant effort into improving the effectiveness of governance, risk management, the control environment, liquidity and cost management at Cell C. The Board has also ensured that the disposals of Blue Label Mobile and the handset division of 3G were successfully concluded and spent significant time on improving governance, regulatory, compliance and security protocols within the Blue Label Group. The Board maintained oversight of the executives' impressive management of the COVID-19 crisis. The Group managed to ensure that the majority of our products and services were made available through the Group's multi-channel approach to distribution.

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; and
- 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. Two incidents were reported during the year ended 31 May 2020. Both incidents were investigated by management, action was taken where required and feedback was given to KPMG to close out the matters. In FY20 a key focus area has been the revision and alignment of our policies, supported by the re-education of our employees. The following policies have been reviewed, implemented and trained in FY20:
- Code of Conduct;
- Ethics Policy;
- Substance Abuse Policy; and
- Information and Social Media Policy.

In FY21 we will be implementing the remaining policies that were revised in FY20:
- Gifts Policy; and
- Declaration of Interest Policy.

Key provisions of our policies 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.
- Fraudulent, corrupt or illegal practices will not be tolerated. Bribes or any other illicit payments will neither be paid nor accepted.
- The Group does not participate in any illegal anti-competitive activity. Employees should not authorise nor participate in any illegal conduct or action (such as price manipulation or tender fixing) that restricts competition.
- The Group is non-political. It does not make contributions to political parties or allow its assets and services to be used in any way which favours any particular political grouping, other than in the provision of its normal products and services, under its standard terms and conditions and arm's length prices.
- 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 Group does not place any limitations on an employee's right to freedom of association specifically the right to collective bargaining.
- The Group is against child labour and forced/compulsory labour.
- The ethics officer takes responsibility for managing the organisation's ethics programme. 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 (MOI), 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 are aligned with the requirements of King IV.

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 30 to 33.

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 considers 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, the Board recognises that it must continue to progress race diversity and female representation in particular.

The Board is actively pursuing the appointment of additional Independent Non-Executive Directors to further enhance independence and diversity of skills, race and gender at Board level. The Board acknowledges that, with effect from 31 May 2021, the Board must have a policy on the promotion of broader diversity at Board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. This policy is currently in place although specific targets on each of these diversity factors are still in the process of being set. The principles of this policy are being applied as the Board actively seeks additional, new Independent Non-Executive Directors and we are pleased to put forward Ms Nomavuso Mnxasana as a new Non-Executive and Independent Director, for appointment by the shareholders at the AGM on 26 November 2020. The Board has concluded that it has the appropriate mix of knowledge, 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 operating 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. The RNC is managing the succession plan at Board level to ensure that a pipeline of new Independent Non-Executive Directors is established and that the succession plan will be seamless and maintain a mixture of new appointees with experienced directors.

Board appointments

One-third of the directors retire by rotation every three years in terms of the 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, GD Harlow, KM Ellerine and DA Suntup 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 31 and 32.

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.

A policy requiring directors to observe a "cooling-off" period before accepting appointments to other, Boards, which may present a conflict of interest, has been included in the Board Charter.

Board composition, structure and report back continued

Board effectiveness

The Board Charter provides for assessment of the Board and its committees every other year. During 2020 an internal assessment of the effectiveness of the Board, its subcommittees and individual directors was performed. The overall results reflected that the Board, its subcommittees and individual directors were performing effectively and above satisfactory in the categories surveyed. The need for improved diversity of the Board was highlighted again. Other continuous improvement areas were noted, together with agreed actions that will be tracked to implementation. The Board is satisfied that the 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 112) 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, financial 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 and attendance at meetings is presented as follows:

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

* Attendee.

^ Alternate to BM Levy.

Member of subcommittee but not a director

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	A Greenblatt
SN Milne*	A Roberts**
A Kodesh	G Levin****
J Smith	
DB Rivkind	
EC de Villiers	
D Hilewitz	
L Pogir	
J van Eden	

* Resigned 29 June 2020
** Appointed 5 July 2020
*** Resigned 6 September 2020
**** Appointed 16 September 2020

Key objective and terms of reference

The Group Executive Committee is 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.

2020 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:

- implementation of the back-to-basics strategic approach. The success of this approach is evident in the reduction of interesting bearing debt from R3.2 billion to R2.3 billion;
- implementing the disposals of the Blue Label Mobile and 3G Handset division;
- bedding down and assimilating newly acquired businesses from previous financial years;
- investing extensively in information technology to accelerate innovation, go-to-market strategies and digital enablement;
- scalability and platform refactoring were clear focus areas to increase security, the management of risk and compliance while ensuring additional redundancy for improved stability and business continuity;
- revenue assurance models were refined, and new approaches will be evident in FY21;
- designed a strategy directing the business on the utilisation of rich data generated by operations to provide intelligence on where to focus our growth initiatives;
- continued focus on efficiencies and economies of scale;
- aggressive informal market expansion;
- expanding the distribution footprint and customer service; and
- overseeing the Blue Label Mexico restructure and monitoring potential investment into the Indian operations.

Refer to CEO discussion and operational review for further details.

2021 focus areas

Key focus areas of the Executive Committee during FY21 shall include concentrating on growing the core distribution business of the Group as well as deriving revenue from big data analytics and revenue assurance models;

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	
SJ Vilakazi	Member attendance
BM Levy*	100%
MS Levy*	
DA Suntup*	

* Attendee.

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.

Board composition, structure and report back continued

2020 focus areas and activities

The Audit, Risk and Compliance Committee recognised the importance of the Cell C recapitalisation and ensuring the ongoing operations of Cell C. There has been some progress made in strengthening the control environment at Cell C while the recapitalisation process continues, and this includes:

- change in management – the entire executive committee at Cell C is made up of new management, which has helped to strengthen the governance and operational performance;
- change in Board – to help strengthen the governance and co-operation with all stakeholders at Cell C;
- strengthening the subcommittees of the Board, especially the Remuneration Committee and the Audit, Risk and Compliance Committee;
- most policies at Cell C were benchmarked against the Blue Label Group policies and amended where appropriate; and were adopted by the Cell C board in Cell C's 2020 financial year.

Improving the governance and control environment at Cell C is a process and the major milestone will be the completion of the recapitalisation, which may necessitate further changes, depending on the final recapitalisation agreement.

In addition to strengthening governance structures and processes at Cell C, the Committee was focused on:

- bedding down Group control and compliance environment;
- review investments in associates taking note of the potential impairments of goodwill and intangibles;
- focusing on technology innovation, compliance, security and risk management;
- oversight of accounting change for the adoption of IFRS 16; and
- monitoring the Group's preparation for and implementation of the COVID-19 lockdown measures. The economic environment, which has been poor for the past few years, has been further devasted by the COVID-19 pandemic and the Group flexibility, control and speed of implementation has been vital.

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

2021 focus areas

In the 2021 financial year the Audit, Risk and Compliance Committee will focus on:

- effectiveness of governance, risk management, control environment, liquidity and cost management at Cell C;
- engagement with management on the COVID-19 risk exposure and the continuing steps taken to minimise risk to the business and protect all staff, suppliers and customers as far as possible;
- focus on internal controls and raising the role of internal audit to improve governance and compliance during the current challenging COVID-19 environment;
- oversight of JSE Listings Requirements pertaining to internal financial reporting controls;
- review and monitor developments in governance and JSE Listings Requirements updates; and
- plan for mandatory audit firm rotation, which is effective for the year beginning 1 June 2023.

Remuneration and Nomination Committee

Members and attendees	Number of meetings
GD Harlow (Chairman of Remuneration Committee)	3
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 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 RNC concluded that it has fulfilled its responsibilities in accordance with its terms of reference.

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.

2020 focus areas and activities

During the 2020 financial year, the RNC has focused on ensuring stability throughout the Group in the wake of the write down of Blue Label's investment in Cell C, the need to focus on core operations and go back-to-basics and assisting the Group to evolve succession planning given the importance of attracting new talent both to the Board and Executive levels. Key focus areas have been:

- succession planning and diversity at Board/Senior Management level;
- overseeing implementation of grading systems and the new remuneration policy; and
- developing ESG performance measures and targets.

Refer to remuneration report on pages 100 to 116 for further details on our remuneration philosophy, policy and implementation.

2021 focus areas

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 long-term incentive plan.
- 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 Blue Label.

Social, Ethics and Transformation Committee

Members	Number of meetings
SJ Vilakazi (Chairman)	3
KM Ellerine	
GD Harlow	Member attendance
BM Levy (alternate DA Suntup)	83%

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.

2020 focus areas and activities

The Group understands that much effort needs to be placed on continual transformation of the business and plans with regard to achieving employment equity targets must be implemented. Executive remuneration is dependent on achieving transformation targets. Blue Label's driving philosophy is to advance financial inclusion for all South Africa's people. While the Group's drive in terms of aggressively expanding products and services in the informal market is highly commendable in terms of creating employment and reducing the cost of living for residents living in informal environments, the Committee recognises that CSI initiatives should function alongside the Group business drive so that each of these efforts is fortified and achieves more scale. The 2020 financial year saw continued focus on:

- transformation/B-BBEE strategy and performance;
- ethical practices throughout the Group; and
- transformational talent and succession planning.

Key focus areas for 2021

- Continue to evolve Blue Label's CSI approach in pursuit of shared value by leveraging Trust Blu 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, enterprise and supplier development 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.

Board composition, structure and report back continued

- Monitor and evaluate the implementation of ethics management.
- Consolidating and scaling our CSI initiatives, as well as continued collaboration with our non-profit organisation and implementation partners.

Refer to the human capital report on page 66, the Social, Ethics and Transformation Committee report on page 98, the effective and ethical leadership report on page 79 and stakeholder relations sections on page 22 for further details.

Investment Committee

Members	Number of meetings
GD Harlow (Chairman)	2
KM Ellerine	
DR Hilewitz	Member attendance
BM Levy	93%
MS Levy	
JS Mthimunye	
DA Suntup	

Key objectives 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.

2020 focus areas and activities

The Investment Committee made some hard decisions in the 2019 financial year including the write down and impairments of many of our historic investments, including that of Cell C which severely affected the Group's performance and reputation with all stakeholders. 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. Blue Label's management and Board nominees are playing an active role in these initiatives.

Key focus areas were as follows

- Reflection on previous acquisitions 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. Any sub-performance assists 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, sub-performance has been mitigated by synergies and strategic positioning of other business units (cross-selling) in the Group. A good example is Ticketpro. More will be done to accurately measure the extent of synergies realised.
- Review of the performance, strategic fit and investment merits in Blue Label Mexico have resulted in the disposal of Blue Label Mexico for USD11.5 million post-year-end. Ongoing efforts by Oxigen management continue with a view to identifying a suitable acquirer of or an investor into the Company.
- Bed down and assimilate all new businesses acquired in previous financial years.
- Successful disposal of both Blue Label Mobile and the handset division of 3G Mobile, the proceeds of which were applied to reduce interest-bearing debt.
- Recapitalisation of Cell C and the stabilisation of its operations. The Group has successfully supported the management and Board changes at Cell C which have been helpful in progressing the recapitalisation process and the refocusing of the Cell C operating platform. Cell C has completed a number of strategic relationships with the support of the Group and its nominated directors. There is still a long way to go before the Group recoups its investment in Cell C, which has been fully impaired, but 2020 saw positive progress on most areas of focus at Cell C.
- COVID-19 had a significant negative impact on the retail operations of WiConnect. WiConnect's financial feasibility was impacted by the losses directly attributable to the lockdown and by the uncertainty of the duration of the pandemic. A decision was made to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R184 million on the Group's core headline earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R184 million, will, however, be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses that have been expended, impairments to property plant and equipment and goodwill.
- Challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the networks and an increase in product costs, exacerbated by COVID-19, necessitated an impairment of goodwill in Blue Label Connect of R157 million, a partial impairment in Glocell Distribution of R57 million and a fair value downward adjustment of the Glocell loan, net of taxation, of R47 million.

2021 focus areas

The Investment Committee's primary focus during the 2021 financial years will be:

- Continue to develop and apply revised risk and return parameters to new investments and monitor previous acquisitions and their performance.
- Continue to look for buyers in order to dispose of the Indian asset.
- Development of a new risk assessment metric to make target internal rate of return (IRR) goals more challenging before approval. The Investment Committee recognises that the risk appetite associated with the Cell C acquisition was exceeded.
- The Investment Committee and the Board continues to impose a moratorium on new acquisitions for the following 12 months, as we continue to consolidate, focus on the optimisation of our core businesses and strengthening our balance sheet. 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, 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 adjusted with a risk profile metric, meet stringent IRR targets, enhance Blue Label's service and product offerings or complement existing ones, attract new skills and management and offer synergy benefits.
- Our other energies will be focused on Cell C's refinancing and stabilisation initiatives. The Committee has requested certain interventions by the Blue Label-nominated directors of Cell C, as well as bi-annual Cell C management reports back to the Committee.

King IV functional areas

King IV's philosophy of integrated thinking and governance, promotes the integration of governance functional area and reports` 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 89) Material risks and opportunities (page 16)
Technology and information	Audit, Risk and Compliance	Technology and information governance (page 90) Solutions segment (page 65) Material risks and opportunities (page 16)
Regulatory compliance	Audit, Risk and Compliance Social, Ethics and Transformation	Compliance report (page 91) Social, Ethics and Transformation Committee's report (page 98) Social practices (page 74) Human capital (page 66)
Assurance	Audit, Risk and Compliance	Approach and reporting frameworks (page 1) Combined assurance (page 92) Governance of risk (page 89) Audit, Risk and Compliance Committee's report (page 93)
Stakeholder relationships	Social, Ethics and Transformation	Stakeholder relations (page 22) Ethics in action (page 79) Social, Ethics and Transformation Committee's report (page 98) Responsible corporate citizenship (page 74) Corporate social investments (page 75)
Remuneration	Remuneration and Nomination	Remuneration report (page 100)

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, who 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 16 to 21. 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.

COVID-19 Pandemic

In spite of certain restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted. The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services. The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. Starter pack distribution and gaming voucher trading volumes are now back to pre-COVID-19 levels. The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores.

Technology and information governance

The Board is responsible for the Group's technology and information governance risk and compliance. The Board has delegated its responsibility of information governance risk and compliance to the Executive Committee for the implementation of IT governance, which has developed and adopted an IT governance framework. The framework supports governance and continuity as well as a digital innovation and growth agenda.

Scalability and performance

We remained vigilant on our strategic information technology mandates of continuous service improvement, governance, operational enhancement, platform scalability and infrastructure enhancement and have further delivered vital transformation objectives in this regard. Uptime across all core platforms remained beyond 99% and within agreed service levels during this fiscal year.

Significant additional investments into our technology platforms, computing edge and hybrid cloud strategy have ensured continuous stability while catering for a 25% growth in annual transactional volume throughput.

Technology as strategic transformation driver

Our focus on platform investment and agile delivery further included key digital transformation objectives to enhance our "fail-fast-deliver-fast" capabilities. Simplified application programming interfaces, converged mobility design and payment mechanisms, robotics process automation, decisioning, embedded big data analytics, enhanced cybersecurity mechanisms and distributed cloud formation strategically enabled the democratisation of technology within our business growth and diversification strategies. This enables our brands with technological disruption competence and assurance by enabling the Group to launch new revenue streams on enhanced technology platforms.

These strategic elements are underpinned by our constant drive towards customer-centric design and user experience which stands central to creating world-class business solutions across our national and international businesses, enabled through the consistent delivery of our highly engaged, diverse, skilled and resilient technology workforce.

Risk and compliance

To reflect further improvement, IT General Controls (ITGC) review, concluded by PwC in April 2020, reflects further improvement of internal controls at a high-maturity level of 93%. This shows effectiveness of the increased controls that were designed and operated during the year. We have renewed our governance framework to ensure that the maximum level of maturity can be maintained and to drive control delivery through project portfolio and systems change management which now ensures alignment of technology investments with governance controls.

Threats from cybersecurity remain a key ongoing risk and forms a significant basis of our technology investments.

Stringent standards for information and infrastructure security controls have been reviewed and reinforced. We proactively assess our risk of vulnerability and exposure on an ongoing basis while driving cyber risk prevention, assessment and education programmes to maintain vigilance while embedding security as a core component within platform delivery via governed development mechanisms.

Our big data programme remains compliant to the Protection of Personal Information Act (POPI) and the European Union's General Data Protection Regulations (GDPR).

Large investments into high availability, active-active and hybrid cloud capabilities also provide for disaster recovery capabilities as a component within business continuity plans. Multiple system improvements are conducted on a pre-scheduled basis to further redundancy across switching platforms.

We have revitalised our approach to attract, develop and retain top skills and talent and have shown success at sourcing and retaining talent with skills targeted at delivering and managing modern digital software technologies. This remains vital in our quest to maintain and support legacy environments while continuously adapting and supporting newer technologies with the best-in-class technology staff. Balancing the technological rate of change through a capable technology workforce, through constant resource balancing, remains a crucial basis for predictable service delivery and business growth and transformation objectives.

Identifying and retaining an accountable, capable and innovative base of systems specialists is not unique to Blue Label and remains a challenge to all technology-based businesses in South Africa. Early 2020 research shows that the IT skills base in country has further deteriorated and has become the leading space of skills scarcity in country. This sector leads engineering sciences, followed by healthcare, civil architecture and business management.

MICTSETA's Scarce and Pivotal Skills Lists and Sector Skills Planning research, which provides an overview of the skills gap within the ICT and general IT industry, indicates that major skills across the spectrum of information technology are now classified as scarce. The top eight key skillsets include IT managers, project managers, business analysts, web design professionals, programmers, networking and security engineers and data scientists. The sharp rise in skilled IT workers emigrating to the United Kingdom, Australia, the USA, Canada, New Zealand and Germany has contributed to the preliminary findings of a 20% annual increase in emigration statistics for this portion of the skilled South African workforce.

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.

The Board is satisfied that the Company has complied with all relevant provisions of the Companies Act of South Africa, the JSE Listings Requirements and has operated in conformity with the Company's MoI during the year under review.

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 2020.

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 co-ordinated 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 co-operate 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 AGM held on 28 November 2019 in the following positions:

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

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 PwC and a director from 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 Pietro Calicchio 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 to discharge

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, including tenure of the audit firm and rotation of the designated individual partner. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence. The designated individual partner, Mr Pietro Calicchio took over from Mr Deon Storm at the end of the preceding financial year as a result of rotation requirements. PwC has been the auditor of the Company for 16 years.

To assess the effectiveness of the external auditors, the Committee considered the quality, delivery and execution 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 ARCC has been informed of the most recent results of PwC's regulatory and firm inspection results and is satisfied with the results thereof.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2020 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 2020 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable to the aforementioned services totalled R6.6 million (2019: R1.56 million).

The ARCC has nominated, for approval at the AGM, the reappointment of PwC as registered auditors for the 2021 financial year. The Committee also satisfied itself in terms of paragraph 3.84(g)(iii) of the JSE Listings Requirements that PwC and the designated individual partner are suitable for appointment having requested and considered the information detailed in paragraph 22.15(h) of the JSE Listings Requirements.

Internal audit and internal controls

Blue Label's internal audit function is outsourced to KPMG 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 co-operation and co-ordination 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 2019/20 audit plan;
- considered the combined/integrated assurance plan for the 2019/20 financial year;
- as they pertain to the triple context;
- 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.

Audit, Risk and Compliance Committee's report continued

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

- the continued 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. The Committee is also satisfied that appropriate financial reporting procedures have been established and that those procedures are operating effectively.

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 Companies Act of South Africa.

The Committee has evaluated the Group annual financial statements of Blue Label Telecoms Limited for the year ended 31 May 2020 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 the impairment assessment of goodwill arising from business combinations were addressed as follows:

The impairment assessment of goodwill arising from business combinations

For the year ended 31 May 2020, 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:

Blue Label Connect Proprietary Limited

Blue Label Connect is engaged in the supply of post-paid mobile communications products, with focused marketing to end-consumers. The Company's performance has been negatively impacted as a result of challenging economic conditions due in part to COVID-19. Furthermore, margin compression resulting from reduced incentives from the networks as well as an increase in product costs, has resulted in the decision to impair their goodwill of R156.5 million in full (2019: R49.2 million). The recoverable amount of Blue Label Connect is calculated to be R291 million.

GloCell Distribution Proprietary Limited

GloCell Distribution's core strategy is the distribution of starter packs for the various mobile network operators through its established channels. In the current year, the Company experienced unfavourable trading conditions, with specific reference to starter packs, exacerbated by the impact of COVID-19, which resulted in a goodwill impairment of R57 million. The recoverable amount of GloCell Distribution attributable to The Prepaid Company's 48% shareholding is calculated to be R152 million.

WiConnect Proprietary Limited

WiConnect provided customers with the full suite of cellular and Blu Approved products through its retail stores. Despite the implementation of a turnaround strategy, the severe impact of COVID-19 on WiConnect's performance resulted in the decision to cease operations in their entirety. As such, the recoverable amount of WiConnect equates to its net asset value of Rnil and the goodwill of R45.6 million attributable to the entity was impaired in full.

Management concluded there was no need for any further impairment.

Integrated annual report

The Committee considered the integrated annual report, incorporating the annual financial statements for the year ended 31 May 2020. 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 JSE 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 21 September 2020.

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

23 September 2020

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 2020.

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 (UNGC).

This year the Committee met three times in line with its terms of reference. The Committee engaged with management on transformation across the Group's workplace focusing on continuous improvement in meeting the Company's transformation objectives and regulatory compliance. Key focus areas for FY20 included:
- our strategy, implementation plan and progress for enhancing our B-BBEE performance;
- the formation of our Trust Blu Foundation;
- employment equity and activities taken to improve our representation;
- feedback from the Group Employment Equity Committee;
- talent management strategy and implementation thereof;
- health and safety management and how we have pivoted our practices to create a safe working environment during the COVID-19 pandemic;
- revision and implementation of our Ethics Policy;
- our sustainability goals and focus areas;
- employee engagement and our first Employee Engagement survey; and
- Blue Label Stakeholder Management.

The Committee ensured that the Group published its consolidated B-BBEE rating in respect of the 2020 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 Department of Trade and Industry 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 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 Blu 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 74.
- 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 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 2021

- Continue to evolve Blue Label's CSI approach in pursuit of shared value by leveraging Trust Blu 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, enterprise and supplier development 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.
- Monitor and evaluate the implementation of ethics management.
- Talent transformation and succession planning to enable improved diversity at Senior Management and top management occupational groups.

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

23 September 2020

Remuneration report

DEAR SHAREHOLDERS

This financial year has been a year of implementation and consolidation of our Hay Grading systems and new remuneration policy. The group's remuneration policy, implementation report and Non-Executive Director's fees were put to shareholder vote at the previous AGM and endorsed with a majority (FY19: 87.98%, 87.56%, and 87.95%, respectively).

Our revised remuneration policy brings us closer to best practice of fair and responsible remuneration aligned to shareholder interests and value creation. In choosing which financial metrics to use in STIs and LTIs, we benchmarked against our peers, considered best practice and, more importantly, incorporated the specific business goals of Blue Label. In the implementation of our policy, we have partnered with our business divisions to ensure that the policy and associated metrics are aligned to the operational strategy and the talent requirements of Blue Label. We believe that the output of this work has enabled consistency of application across the Group and a meaningful analysis of performance.

Section 1 provides an overview of how the Remuneration Committee has championed our alignment to King IV's Code on Corporate Governance, how we have implemented the new remuneration policy and our key focus areas for the year. Section 2 summarises our remuneration philosophy and policy, together with an overview of our total rewards strategy. The full policy can be accessed here (hyperlink). Finally, Section 3 provides an overview of FY20 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 FY21, we will focus on implementation and anchoring of our reward philosophy and policy across the Group and continue to champion the pay for performance principle and EVP #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. The Committee considered and accepted revised proposals to refine the ESG scorecard.

The Remuneration Committee (Remco) has carefully considered the implementation of the revised remuneration policy during the year and believes it has achieved its stated goals. We invite you to give us your views on our policy and its implementation and remain committed to continued engagement with all shareholders in this regard.

GD Harlow
Chairman

23 September 2020

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 previous year, the Remuneration Committee 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 adopted in the current financial year will align shareholder and management objectives while also enabling talent attraction and employee retention.

The FY19 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 of fair and transparent remuneration practices;
- Enable us to attract and retain key capabilities and talent required to deliver our growth strategy; and
- Align employee performance and value-creating behaviours to our strategy and delivering shareholder returns.

In FY20 our focus has been on implementation of the revised policy and engagement with our employees.

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 our new remuneration policy

- Creates a new total reward philosophy for Blue Label Telecoms;
- Aims to achieve a more favourable split between fixed and variable pay overtime, taking us closer to a 35% fixed and 65% variable split;
- Positions our fixed pay at market median as opposed to the upper quartile;
- Upweights variable pay and pay for performance;
- Revises our targets for our STIP and LTIP;
- Removes the outperformance bonus from our STIP policy;
- Removes the retention criteria for our LTIP policy;
- Introduces minimum shareholding values for Executive Directors;
- Introduces a new malus and clawback clause; and
- Introduces 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 at https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php

Attracting and retaining key capabilities and talent required to deliver our growth strategy

In FY20 we have implemented widespread organisational restructuring to enable our growth agenda. Through this process we aligned functions and the business to our new Hay grading philosophy and aligned remuneration. Through the restructuring process, a significant number of our employees received promotional opportunities. In addition, during the process we addressed remuneration anomalies where pay gaps existed. Outside of these processes all employees' grades were reviewed, updated where jobs had evolved and aligned to the Hay grading philosophy. While most of the remuneration policy was implemented in FY20 across the Group, the leave policy will be implemented in FY21. The changes to our policy were shared across the Group and have been well received by employees.

Furthermore, our growth strategy has required us to invest in and attract new skills and capabilities into our organisation. We have found that in the main, our revised Remuneration philosophy and benchmarking has enabled us to be competitive within the marketplace. On occasion, we were able to use our newly introduced special short-term incentives to attract new skills and high potential talent. We are pleased to see how the leadership teams have worked alongside the Human Capital team to respond holistically, through implementing our Blue Label talent strategy with new talent management practices and standardising our grading and remuneration practices across the Group.

Remuneration report continued

In FY20 we have

- Updated our Succession Planning Policy;
- Implemented new talent management processes;
- Completed our first round of talent reviews;
- Aligned our two-year Capability Plan and workplace skills plans to support insights from our talent reviews and associated personal development plans;
- Invested in capability building and technology to enable us to apply the Hay Grading philosophy effectively across the Group;
- Engaged Deloitte and KPMG to understand what our strengths are as an organisation and where we could improve our remuneration practices;
- Revised our total reward framework and introduced new benefits and components to our #HappinessisBlu EVP, to create a compelling and competitive EVP and maintain our high-performance Blue Label culture;
- Introduced support mechanisms for employees during the COVID-19 pandemic to ensure that our Blu Family were not negatively impacted by the pandemic and its associated psychological and economic impact on families;
- Systematically aligned the organisation across all entities to Hay grades and the newly defined Blue Label bands;
- Applied our new internal pay scales in our organisational restructuring, when drafting offers for promotions and new appointments;
- Used the new internal pay scales 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 and black representation in Senior Management and Top Management occupational bands.

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 our FY19 consultations with our institutional shareholders and taking cognisance of our strategy, we revised our metrics to align employee performance to value-creating behaviours and shareholder returns. The revised metrics were:

- NPAT targets for Senior Management;
- Core HEPS growth targets for Senior Management at Group level and Executive Directors as a key metric;
- EBITDA targets for Senior Management at Group level and Executive Directors;
- Return on capital employed as a new key metric to ensure an appropriate capital allocation policy is implemented and delivered against;
- ESG performance scorecard for our LTIP scheme, further aligning us to King IV; and
- TSR (total shareholder return) targets for our LTIP scheme.

In addition, we introduced

- Minimum holding requirements for Executive Directors; and
- Malus and clawback provisions.

The revised policy and metrics were effective for FY20.

Additional decisions taken in FY20:

- Updated the Remuneration and Nomination Committee Terms of Reference.
- Updated the Succession Planning Policy.
- Set performance conditions for short and long-term incentives for FY20 for Executive Directors.
- Approved no increases and bonuses for Executive Directors, Executives, Senior Management and employees. This was due to COVID-19 and the anticipated negative impact thereof on the Group's financial performance. The Committee agreed that exceptions would be considered on an individual basis to enable retention of critical skills and high performing talent.
- Recommended to the Board for onward recommendation and approval by shareholders a zero percent increase in Non-Executive Directors' fees, in line with the zero percent annual increase proposed for executive staff. The Committee resolved that the same recommendation would be made to the Board in respect of directors' fees for Non-Executive Directors who serve on subsidiary company boards.
- Evaluated the LTIP vesting conditions for the 2016 scheme and approved final vesting ratios.

VOTING AT THE 2020 VIRTUAL ANNUAL GENERAL MEETING

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 remuneration policy.
- Advisory vote for FY20 implementation report.
- Binding vote on Non-Executive Directors' fees.

Shareholders are invited to engage on our 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 FY21:

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 assess the impact of the policy on performance against the goals set.
- 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 impact of COVID-19 on our business and evaluate our Remuneration practices in light of this, if required.
- Monitor and assess the remuneration landscape within South Africa, particularly relative to other telcos and similarly sized organisations.
- Refine our ESG Scorecard and associated metrics for our LTIP scheme.
- Review of our peer group applicable to the LTIP.
- 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 the finalised organisational re-design.
- Continue reviewing potential talent with new skills and capabilities that will complement our non-executive Board, with a focus on succession for Non-Executive Directors who have served on the Board for more than nine years and specifically attracting black female talent onto our Board of Directors of BLT.

Remuneration report continued

SECTION 2

Our remuneration philosophy, policy and framework

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 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 our employment equity aspirations;
- 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.

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; and
- 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 EVP 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.

Remuneration report continued

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**
FY21 APPROACH	Due to COVID-19 and its likely aftermath, the Remuneration Committee recommended 0% increases for FY21. Increases awarded on exception to retain critical skills and high performing talent.	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 key performance indicators (KPI) 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 remuneration policy.* In some instances, STI bonuses were due but the Remuneration Committee took a decision due to COVID-19 not to pay any STI bonuses for FY20 (only by exception) in order to preserve financial liquidity in the BLT Group.	Cash-based sign-on awards and retention bonuses are assessed on a case-by-case instance in line with 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 be applied: ▸ core HEPS compounded cumulatively over three years; ▸ total shareholder return versus the all share capped index; ▸ return on capital employed; and ▸ 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 remuneration policy.*	Individualised employee engagement, development and growth.

Fixed annual remuneration

FAR 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.

While we aim to keep changes to benefit contribution levels cost neutral to the Group, in FY20 a decision was made to offer access to a fully integrated, proactive digitally enabled employee assistance programme.

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 have transitioned 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 marketplace. An assessment of our pay practices found that no real gaps exist based on race or gender. As mentioned previously, our greater challenge is addressing representation and diversity gaps within certain occupational levels. Where any remuneration levels are not market-related or reflect internal inequity as per our grading and recommended pay scales, appropriate adjustments are made. In addition, management may motivate to the CEOs, Group Head of Human Capital and Remco, for Senior Management and executive's 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. Whilst most divisions performed well, despite COVID-19, the Committee mandated no increases for FY21. We aim to maintain cash liquidity in an uncertain market to enable us to weather the likely COVID-19 aftermath. The Remco further mandated that where appropriate, on exception, increases may be awarded to retain critical skills and capabilities in the organisation and high performing talent.

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.

Remuneration report continued

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.

The emphasis was on performance beyond target for Executive Directors for FY20. Group performance accounted for 80% of the STI and individual goals accounted for 20% of the STI. In FY20, for Executive Directors, these individual goals related to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt. By the end of the Financial year, the recapitalisation of Cell C was not concluded. On the other hand, assets have been disposed of and our debt has been significantly reduced and the turnaround strategy within Cell C, is well underway with the new MTN deal having being concluded as well as other initiatives. That said, the Executive Directors together with the Remco, have elected to not be awarded any bonuses in FY20.

The emphasis remains on performance beyond target for Executive Directors for FY21:
- Individual goals will account for 20% of the STI. In FY21, 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.

Organisation 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 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.

Executive Directors’ service contracts

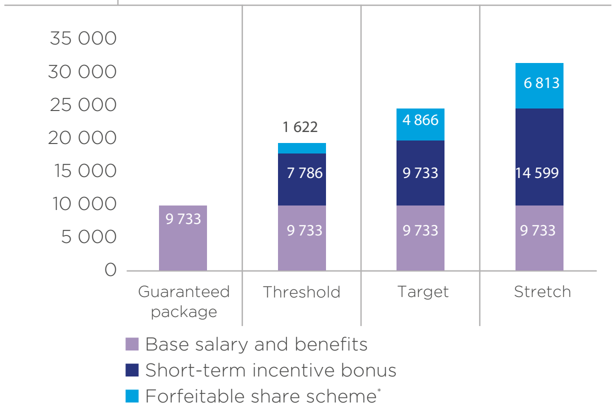
The service contracts of the following Executive Directors which expire on 4 November 2020, were renegotiated and renewed for a further 12 months:

- BM Levy
- MS Levy
- DA Suntup

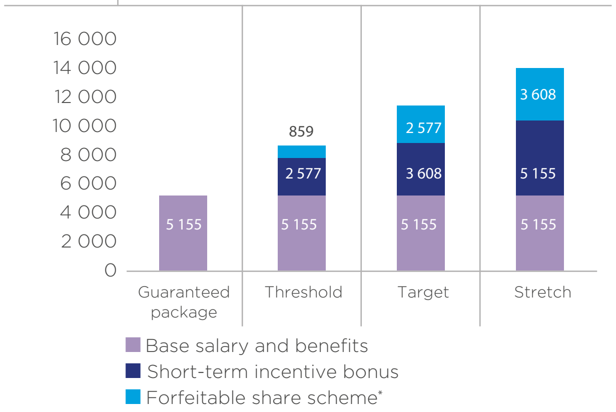
After careful consideration, the Board has agreed to pay BM Levy and MS Levy a restraint of trade payment of R3.3 million each over the next 12 months commencing November 2020 on the proviso that they adhere to the original three-year restraint clause should their employment be terminated for whatever reason. These terms were incorporated in their renewed employment contracts. There are no contractual termination benefits in place for the Executive Directors.

Executive Directors’ composition of FY21 total remuneration

Joint CEOs (R’000)



Financial Director (R’000)



* Forfeitable share scheme vesting in August 2023.

In addition to the basic salary of R9.733 million each, the joint CEOs will receive R3.3 million each in line with the restraint of trade agreement that were concluded with them in November 2017.

The tenure of the restraint of trade undertaking is 36 months, which commenced on 1 November 2017 and will expire on 31 October 2020. This restraint has been extended by a further 12 months to 31 October 2021.

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 three years from the date of the grant.

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 in the remuneration policy).

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.

Remuneration report continued

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%)[1]	**Group**	**CPI + 5%**	**CPI + 10%**	**CPI + 15%**
	Payout %	**1/3 of 30%**	**3/3 of 30%**	**38% of max**
TSR (30%)[2]	**Group**	**Greater than or equal to JSE Capped All Share Index**	**JSE Capped All Share Index Return + CPI + 5%**	**JSE Capped All Share Index Return + CPI + 15%**
	Payout %	**1/3 of 30%**	**3/3 of 30%**	**38% of max**
ROCE** (20%)[1]	**Group**	**ROCE greater than or equal to WACC**	**ROCE greater than or equal to WACC + 2.5%**	**ROCE greater than or equal to WACC + 5%**
	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-FY21. 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)/Capital employed. Capital employed = total assets – current liabilities.

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

[1] These measures are compounded over three years.

[2] This measure is not compounded over three years.

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. The provision 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 auditor.

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.

Minimum shareholding requirements for Executive Directors

To further align the Executive Directors' interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be required to accumulate a prescribed minimum holding of share allocations within five years from September 2019. Joint CEOs will be required to accumulate two times their Fixed Annual Remuneration over a period of five years. Our joint CEOs own a significant shareholding in Blue Label, and we will continue to review this. The FD will be required to accumulate one times his Fixed Annual Remuneration over a period of five years.

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 LTIP 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 and extended in 2020 for a further 12 months with the joint CEOs. 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.

Non-executive director remuneration

The fees of the Group Chairman and the Non-Executive Directors reflect their specific responsibilities relating to their membership of the Board and, where applicable, Board committees. Blue Label's Non-executive directors do not receive any performance-related remuneration or any employee benefits. Changes to fees, were approved at the AGM dated 28 November 2019, and became applicable on 1 June retrospectively. Together with Executive Directors and Senior Management, no annual increases will be awarded in FY21.

Remuneration report continued

SECTION 3

Implementation report

Short-term incentive bonus

For the 2020 financial year, on exclusion of the extraneous costs explained in the Financial Director's report, the Group did not achieve the levels required in terms of its predetermined targets for growth in EBITDA and 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	Threshold	Target	Stretch	Weighting	Amount paid to Executive Directors R'000	Amount forfeited by Executive Directors R'000
EBITDA (40%)	**CPI + 5%**	**CPI + 10%**	**CPI + 15% ***	**40%**	**–**	**–**
Core HEPS (40%)	**CPI + 5%**	**CPI + 10%**	**CPI + 15% ***	**40%**	**–**	**–**
Individual goals (20%)	**Varies per individual**	**Varies per individual**	**Varies per individual**	**20%**	**–**	******
Total					**–**	**–**

* Remco discretion to be applied for performance above target.

** For FY20, these individual goals related to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt. Certain targets were met for the 20% non-financial measures. However, the Executive Directors elected to forfeit this portion of the STI bonus.

Long-term incentive plan

The Long-term incentive plan related to the allocation of shares in 2016, which vested on 18 November 2019. The financial measurement was for the period 1 June 2016 to 31 May 2019.

The retention criteria of 33.33% was met.

Growth in core headline earnings per share over the three-year period equated to -295%. Growth in CPI over the three-year period accumulated to 14%, which after inclusion of the maximum growth target of 25%, equated to 39%. As the actual growth amounted to -295%, the resultant allocation of 33.34% was not met.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation in September 2016 was R20.75. The required compounded growth of 10% per annum over the vesting period as at 31 August 2019 equated to a targeted share price of R27.62 inclusive of dividends paid totalling R0.40. The qualifying target equated to R27.22 net of dividends. The market price at vesting date was R2.55, therefore the minimum target requirement was not met. Therefore the 33.33% allocation relating to growth in shareholder returns did not vest.

On 18 November 2019, 33.33% of the 2016 share scheme allocations fell due.

Performance metric	Target	Actual performance	Weighting %	Amount paid to Executive Directors R'000
Long-term incentive plan (2016 forfeitable share scheme vested in November 2019)				
Retention	**3 years**		**33.33**	**296**
Growth in core HEPS	**25% + (cumulative CPI over 3 years) = 39%**	**(295%)**	**33.34**	**–**
Shareholder returns	**R27.22 market price per share**	**R2.55 market price per share**	**33.33**	**–**
Total vesting related to performance conditions (excluding retention portion) included in 2020 Total Single Figure of Remuneration				**296**

Tables of single total figure of remuneration for FY20

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 2020	**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)		**9 522**	**9 538**	**4 948**	**24 008**
Other benefits		**211**	**195**	**207**	**613**
STI bonus	1	**–**	**–**	**–**	**–**
2016 forfeitable share scheme – growth performance component on vesting date (18 November 2019) at fair value	2	**–**	**–**	**–**	**–**
Single total figure of remuneration		**9 733**	**9 733**	**5 155**	**24 621**
2016 forfeitable share scheme – vesting of retention component in the current year at fair value	3	**117**	**117**	**62**	**296**
Dividends on vested shares	4	**15**	**15**	**8**	**37**
STI bonus of prior year paid in August 2019	5	**–**	**–**	**–**	**–**
Restraint of trade award paid in 12 equal monthly instalments	6	**3 338**	**3 338**	**–**	**6 676**
Total cash equivalent value remuneration received for the year ended 31 May 2020	7	**13 203**	**13 203**	**5 225**	**31 630**
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		**13 071**	**13 071**	**5 155**	**31 297**
Total cash equivalent value remuneration received for the year ended 31 May 2020		**13 203**	**13 203**	**5 225**	**31 630**
Difference to remuneration as disclosed in note 5.3		**132**	**132**	**70**	**333**
Reconciling items					
STI bonus accrued in May 2019 and settled in August 2020	5	**–**	**–**	**–**	**–**
Dividends on shares vested in the current year		**15**	**15**	**8**	**37**
2016 forfeitable share scheme that vested in the current year at fair value		**117**	**117**	**62**	**296**
2016 forfeitable share scheme – growth performance component on vesting date (18 November 2019) at fair value	2	**–**	**–**	**–**	**–**
2016 forfeitable share scheme – vesting of retention component in the current year at fair value		**117**	**117**	**62**	**296**
		132	**132**	**70**	**333**

1. No STI or outperformance bonuses, for the year ended 31 May 2020, were payable.
2. The 33.34% LTI growth in core HEPS of the 2016 forfeitable share scheme that vested 18 November 2019 was not met.
3. The 33.33% LTI retention portion of the 2016 forfeitable share scheme is added to "the total cash equivalent value remuneration received", as vesting took place on 18 November 2019.
4. Dividends are the total of cash receipts during the financial year applicable to the 2016 forfeitable share scheme, as vesting took place on 18 November 2019.
5. No STI bonuses paid in August 2019.
6. These amounts represent the 12 monthly instalments received during the year.
7. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2019 to the 31 May 2020, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

Remuneration report continued

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
STI 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
STI 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 2019		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					
STI 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.

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

Summary of unvested instruments

Forfeitable share scheme

	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	Fair value at grant date R'000	Fair value at 31 May 2020* R'000
Forfeitable share scheme per Director										
For the year ended 31 May 2020										
BM Levy	18 October 2016	20.75	18 November 2019	**137 194**	**–**	**(91 467)**	**(45 727)**	**–**	**2 846 776**	**–**
BM Levy	1 September 2017	18.49	31 August 2020	**163 970**	**–**	**–**	**–**	**163 970**	**3 031 805**	**414 844**
BM Levy	1 September 2018	7.16	31 August 2021	**448 843**	**–**	**–**	**–**	**448 843**	**3 213 716**	**1 135 573**
BM Levy	18 November 2019	2.55	31 August 2022	**–**	**1 908 425**	**–**	**–**	**1 908 425**	**4 866 484**	**4 828 315**
				750 007	**1 908 425**	**(91 467)**	**(45 727)**	**2 521 238**	**13 958 780**	**6 378 732**
MS Levy	18 October 2016	20.75	18 November 2019	**137 194**	**–**	**(91 467)**	**(45 727)**	**–**	**2 846 776**	**–**
MS Levy	1 September 2017	18.49	31 August 2020	**163 970**	**–**	**–**	**–**	**163 970**	**3 031 805**	**414 844**
MS Levy	1 September 2018	7.16	31 August 2021	**448 843**	**–**	**–**	**–**	**448 843**	**3 213 716**	**1 135 573**
MS Levy	18 November 2019	2.55	31 August 2022	**–**	**1 908 425**	**–**	**–**	**1 908 425**	**4 866 484**	**4 828 315**
				750 007	**1 908 425**	**(91 467)**	**(45 727)**	**2 521 238**	**13 958 780**	**6 378 732**
DA Suntup	18 October 2016	20.75	18 November 2019	**72 663**	**–**	**(48 444)**	**(24 219)**	**–**	**1 507 757**	**–**
DA Suntup	1 September 2017	18.49	31 August 2020	**86 845**	**–**	**–**	**–**	**86 845**	**1 605 764**	**219 718**
DA Suntup	1 September 2018	7.16	31 August 2021	**237 725**	**–**	**–**	**–**	**237 725**	**1 702 111**	**601 444**
DA Suntup	18 November 2019	2.55	31 August 2022	**–**	**1 010 776**	**–**	**–**	**1 010 7 76**	**2 577 479**	**2 557 263**
				397 233	**1 010 776**	**(48 444)**	**(24 219)**	**1 335 346**	**7 393 111**	**3 378 425**

* The fair value is based on the closing price of R2.53 at 31 May 2020 and excludes performance criteria.

Remuneration report continued

Non-executive remuneration

	2020 R'000	2019 R'000
Non-Executive Directors		
LM Nestadt	**2 067**	1 950
K Ellerine	**640**	604
G Harlow	**1 961**	1 638
J Mthimunye	**1 388**	1 065
JS Vilakazi	**792**	747
P Mahanyele**	**-**	374
	6 848	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 2020 R	Proposed fee 2021 R
Services as Directors		
– Chairman of the Board (per annum)	**1 910 120**	**1 910 120**
– Board members (per annum)	**421 350**	**421 350**
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**382 024**	**382 024**
– Member (per annum)	**235 956**	**235 956**
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**224 720**	**224 720**
– Chairman Nomination (per annum)	**157 304**	**157 304**
– Member (per annum)	**134 832**	**134 832**
Investment Committee		
– Chairman (per annum)	**224 720**	**224 720**
– Member (per annum)	**134 832**	**134 832**
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**134 832**	**134 832**
– Member (per annum)	**84 270**	**84 270**
Ad hoc Committee		
– Chairman (per meeting)	**50 562**	**50 562**
– Member (per meeting)	**30 337**	**30 337**

GD Harlow
Chairman

23 September 2020

Notice of virtual Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 18 September 2020, that the thirteenth Annual General Meeting (AGM) of shareholders of Blue Label Telecoms Limited will be held entirely by electronic communication as permitted by the Companies Act, No. 71 of 2008, as amended (the Companies Act) and by the Company's Memorandum of Incorporation (MOI), on Thursday, 26 November 2020 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.

As a result of the COVID-19 outbreak, and guidance from authorities regarding the need for social distancing, the AGM will be conducted entirely by electronic communication and members would be encouraged to make use of proxies.

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 virtual AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the virtual AGM) as Friday, 18 September 2020;
- participate in and vote at the virtual 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 virtual AGM) as Friday, 20 November 2020; and
- the last date to trade to participate in and vote at the virtual AGM is Tuesday, 17 November 2020.

Certificated shareholders or own-name dematerialised shareholders may attend and vote at the virtual 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, 24 November 2020.

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 virtual 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 virtual AGM are entitled to appoint a proxy to attend, participate in and vote at the virtual 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 virtual AGM.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxy(ies) who wish to participate in the virtual AGM via electronic communication (Participant(s)) must either 1. register online using the online registration portal at www.smartagm.co.za; or 2. apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Tuesday, 24 November 2020. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The Company will inform Participants who notified Computershare of their intended participation by no later than 10:00 on Wednesday, 25 November 2020 by e-mail of the relevant details through which Participants can participate electronically.

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 2020, have been distributed as required and will be presented to shareholders at the virtual AGM.

Notice of virtual Annual General Meeting continued

The Audit, Risk and Compliance Committee's report is set out on pages 93 to 97.

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:** Election of Ms NP Mnxasana as a Director of the Company

   Resolved that Ms NP Mnxasana, who was first appointed to the Board on 18 September 2020, be and is hereby elected as a Director of the Company with immediate effect.

   A brief biography of Ms NP Mnxasana is on page 33.

2. **Ordinary resolution number 2:** Re-election of Mr GD Harlow as a Director of the Company

   Resolved that Mr GD Harlow, 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 GD Harlow is on page 32.

3. **Ordinary resolution number 3:** Re-election of Mr KM Ellerine as a Director of the Company

   Resolved that Mr KM Ellerine, who was first appointed to the Board on 8 December 2009 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 KM Ellerine is on page 32.

4. **Ordinary resolution number 4:** Re-election of Mr DA Suntup as a Director of the Company

   Resolved that Mr DA Suntup, who was first appointed to the Board on 14 November 2013 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 DA Suntup is on page 31.

5. **Ordinary resolution number 5:** 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.

6. **Ordinary resolution number 6:** Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021

   Resolved that, in terms of section 94(2) of the Act, but subject to her election as a Director of the Company in terms of resolution number 1, Ms NP Mnxasana, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Ms NP Mnxasana is on page 33.

7. **Ordinary resolution number 7:** Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

   Resolved that, in terms of section 94(2) of the Act, 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 33.

8. **Ordinary resolution number 8:** Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

   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 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 32.

9. **Ordinary resolution number 9:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

   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 33.

10. **Ordinary resolution number 10:** Non-binding advisory endorsement of the 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 2020 is endorsed.

11. **Ordinary resolution number 11:** 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 2020 is endorsed.

12. **Ordinary resolution number 12:** 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 2020 to 31 May 2021.

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

	Current fee 2020 R	Proposed fee 2021 R
Services as Directors		
– Chairman of the Board (per annum)	**1 910 120**	**1 910 120**
– Board members (per annum)	**421 350**	**421 350**
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**382 024**	**382 024**
– Member (per annum)	**235 956**	**235 956**
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**224 720**	**224 720**
– Chairman Nomination (per annum)	**157 304**	**157 304**
– Member (per annum)	**134 832**	**134 832**
Investment Committee		
– Chairman (per annum)	**224 720**	**224 720**
– Member (per annum)	**134 832**	**134 832**
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**134 832**	**134 832**
– Member (per annum)	**84 270**	**84 270**
Ad hoc Committee		
– Chairman (per meeting)	**50 562**	**50 562**
– Member (per meeting)	**30 337**	**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;

Notice of virtual Annual General Meeting continued

(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.

3. **Special resolution number 3:** Approval to grant financial assistance in terms of sections 44 and 45 of the Act

Resolved that the Board may, subject to the Act and the MOI, authorise the Company to provide direct or indirect financial assistance:

- by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, as contemplated in section 44 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3; and/or to a Director of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, as contemplated in section 45 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3.

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 124 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 102 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

23 September 2020

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 virtual AGM.

Ordinary resolution number 1: Election of Director

The Company's MOI states that, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office until the following AGM of the Company and shall then retire and be eligible for election. Ms NP Mnxasana retires from the Board in accordance with article 25.5 of the Company's MOI. Ms NP Mnxasana was appointed to the Board and Audit, Risk and Compliance Committee on 18 September 2020. The Board recommends to shareholders that they should vote in favour of the election of the Director referred to in ordinary resolution number 1.

Ordinary resolution numbers 2 to 4 (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 GD Harlow, KM Ellerine and DA Suntup 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 31 and 32.

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 2 to 4 (inclusive).

Ordinary resolution number 5: 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.

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, 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 2021 financial year.

Ordinary resolution numbers 6 to 9 (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 pages 32 and 33.

Ordinary resolution number 10: 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 104 to 111.

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 11: 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 112 to 116.

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 12: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 12 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.

Notice of virtual Annual General Meeting continued

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 virtual AGM

(a) Shareholders wishing to participate electronically in the virtual AGM are required to:
   (i) 1. register online using the online registration portal at www.smartagm.co.za; or 2. apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Tuesday, 24 November 2020.

(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 virtual 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 virtual 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) 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.

Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act

The existing authority granted by shareholders at the AGM held on 29 November 2018 was valid for a two-year period and will expire at the virtual AGM unless renewed.

In the ordinary course of the Company business, it needs to provide financial assistance to certain of its Group companies in accordance with section 45 of the Act, and furthermore it may be necessary for the Company to provide financial assistance in the circumstances contemplated in section 44 of the Act.

- Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to Directors", on a proper interpretation thereof, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.
- Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.
- Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance may only be provided:
  - pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category;
  - the Board is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Act); and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

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 entirely by electronic communication as permitted by the Companies Act, No. 71 of 2008, as amended and by the Company's memorandum of incorporation at 10:00 on Thursday, 26 November 2020.

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 virtual 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 virtual 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, 26 November 2020 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Ms NP Mnxasana as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr GD Harlow as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr KM Ellerine as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr DA Suntup as a Director of the Company			
Ordinary resolution number 5: Reappointment of external auditor			
Ordinary resolution number 6: Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 11: Non-binding advisory endorsement of the remuneration implementation report			
Ordinary resolution number 12: 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			
Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act			

Signed at
on day of 2020
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 virtual AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the virtual 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 virtual 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. (Private Bag X9000, Saxonwold, 2132). 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, 24 November 2020. 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 virtual 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 virtual 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 virtual 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 virtual 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 virtual 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 virtual AGM in person, in order for their nominee to vote in accordance with their instruction at the virtual AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the virtual 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 virtual 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 virtual AGM or any postponement or adjournment of the virtual 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 virtual AGM if it could not be used at the virtual AGM for any reason other than it was not lodged timeously for the virtual 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
Active-active	A failover architecture where mirrored infrastructure, application, service and data replication processing achieves the highest level of resiliency for mission-critical environments that require the lowest Recovery Time Objectives (RTOs). This delivers a high degree of certainty that, through failover and load distribution across all mirrored technology layers, core applications will continue to be accessible when parts of the networks or servers fail unexpectedly
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

WORD	DEFINITION
B2C	Business-to-consumer, a commercial transaction between a business and a consumer
B-BBEE	Broad-based black economic empowerment
BGCSA	Boys and 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 and Pop stores)

Glossary continued

WORD	DEFINITION
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
FAR	Fixed annual remuneration
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
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

WORD	DEFINITION
LTI	Long-term incentives
LTIP	Long-term incentive plan
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
NEAP	National Employment Action Plan
NERA	National Empowerment Rating Agency
NERSA	National Energy Regulator of South Africa
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.

WORD	DEFINITION
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
STEM	Science, technology, engineering, and maths
STI	Short-term incentives
STIP	Short-term incentive plan
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

WORD	DEFINITION
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*, N Mnxasana*#, JS Mthimunye*, DA Suntup, J Vilakazi*

*(*Independent non-executive) (**Non-executive) (#Appointed 18 September 2020)*

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)

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Facebook: www.facebook.com/BlueLabelTelecoms

Twitter: @BlueLabelTeleco

Instagram: bluelabeltelecoms

Youtube: Blue Label Telecoms

JSE share code

BLU

ISIN

ZAE000109088

("Blue Label" or "BLT" or "the Company" or "the Group")

Bastion

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