

# **South African Post Office Report For the 1st Quarter Period Ending June 2011**

Ref. No.: SAPO/Q1/2012



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## 1 Introduction

This report covers the performance of the SA Post Office Group for the 1<sup>st</sup> quarter ending 30 June 2011.

## 2 Financial overview

The first quarter results still show signs of the economic strain we feel as a business. This puts pressure on our operating profit, whilst we see revenues declining.

The Post Office Group has achieved an operating loss of R316k, for the first quarter, which exceeded the budget by R4 million (92%) and declined by R33 million (100%) from the prior year.

The net profit is however at R43 million compared to the budgeted R5 million loss and declined by R38 million. The subsidy from the government plays a huge role on our net profit.

The revenue for the group is at R1,367 million which is below budget by R41 million (3%) and increased by R17 million (1%) from the prior year.

Our cost base has increased by R50 million (4%) to R1,368 million from the prior year. Although there has been a prudent cost management which has limited the operating costs to a growth of 4%, the revenue generated cannot cover the operating costs. The cost to income ratio has increased from 98% to 100%.

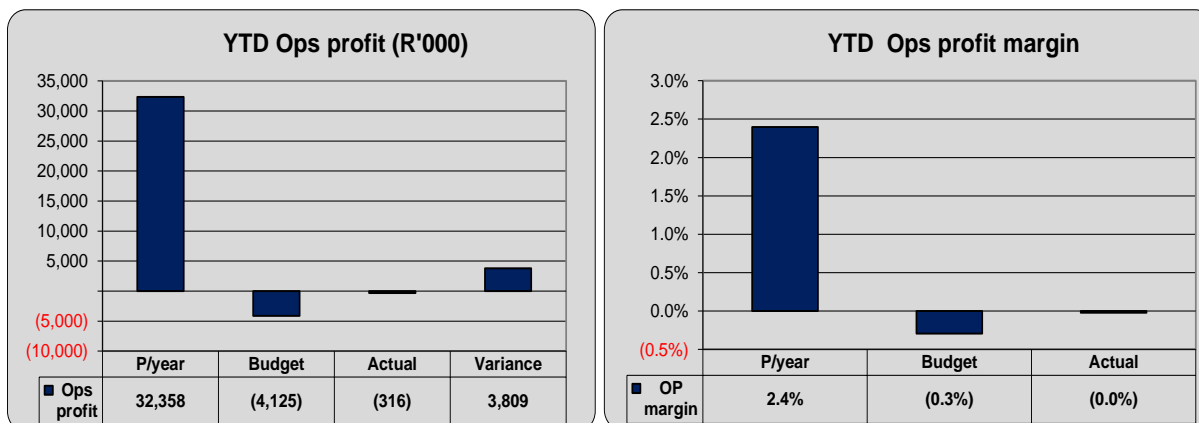
### 2.1 Economic Indicators

The meeting of the Monetary Policy Committee on the 12<sup>th</sup> May 2011 confirmed that the prime interest rate remains unchanged at 9.00% since there have been convincing signs of a sustainable recovery in the global economy.

- Prime rate remained unchanged at 9% since the increase in November 2010.
- GDP – has increased to 4.8% from 4.4% the last quarter of 2010.
- CPI – has increased to 4.6% from 4.2% in May 2011.
- PPI – has increased to 6.9% from 6.6% in May 2011.
- Fuel – the diesel price decreased by 12 cents to 920 cents whilst petrol decreased by 33 cents to 992 cents per litre during July 2011. The decrease of fuel prices will result in a reduction of our operational cost to deliver mail to customers.

### 3 Economic Sustainability (Profit)

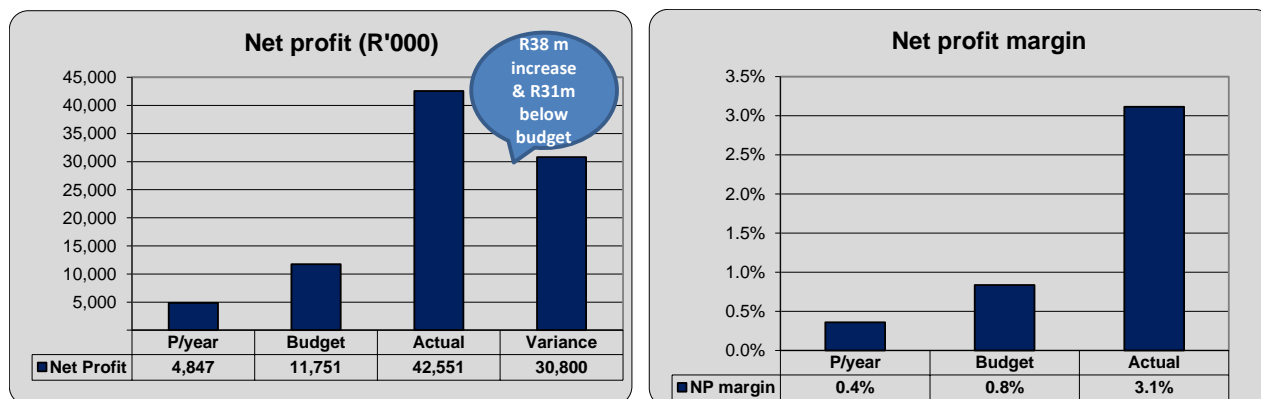
#### 3.1 Improve Income statement



The Post Office Group achieved the year to date operating loss of R316k as compared to the budgeted loss of R4 million and decreased by R33 million (100%) from the prior year. The operating profit margin declined from 2.4% to 0%.

The decreased operating profit is a direct result of declining revenues.

The post office group achieved a net profit of R43 million which exceeded budget by R31 million (100%) and has increased by R38 million (100%) from the prior year.



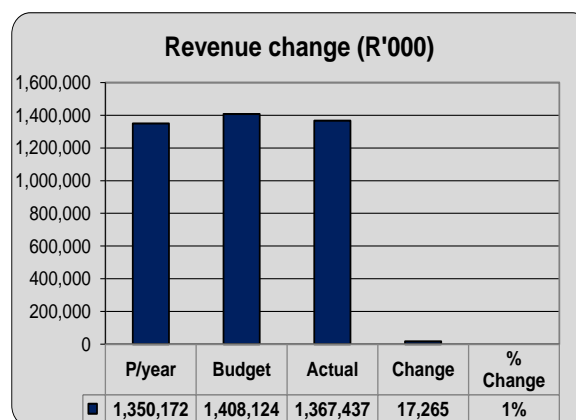
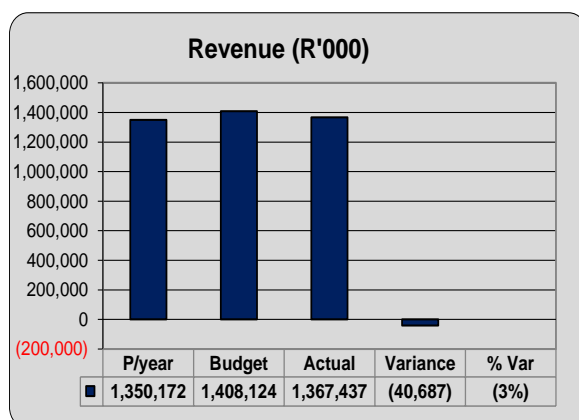
##### 3.1.1 Revenue Growth

Operating revenue of R1,367 million is below budget by R40 million (3%) and has increased by R17 million (1%) year on year.

The main contributor to the budget shortfall is:

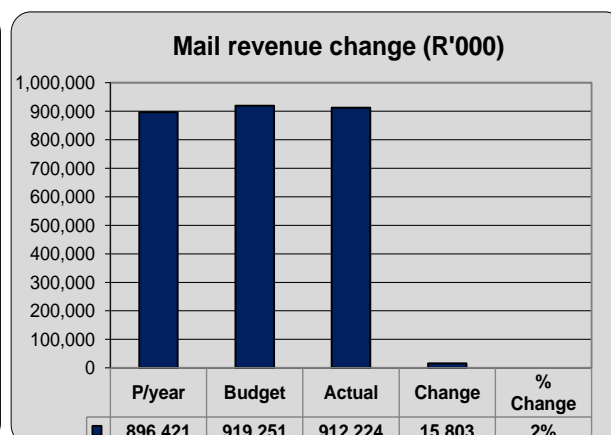
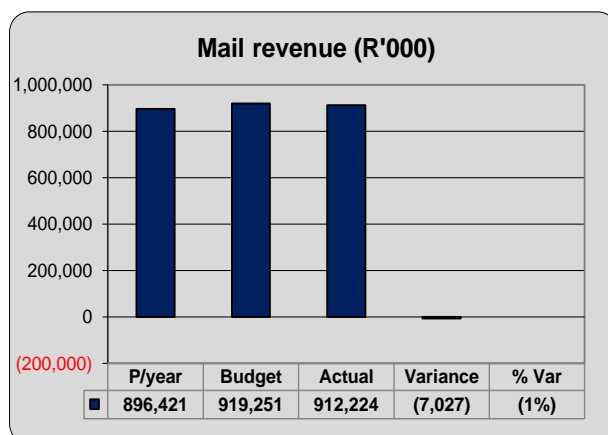
- **Mail revenue** of R912 is below budget by R7 million (1%),
- **Logistics revenue** of R162 million is below budget by R19 million (11%),
- **Postbank revenue** of R57 million is above budget R14 million (32%),
- **Financial services revenue** of R115 million is below budget by R9 million (7%),

- **Interest revenue** of R106 million is below budget by R7 million (6%), and
- **Sundry revenue** of R14 million is below budget by R12 million (46%).



### Mail revenue

Mail revenue of R912 million is below budget by R7 million (1%) and has increased by R16 million (2%) year on year. Mail business has embarked on a direct marketing to grow mail volumes and revenue.



The performance of the Mail revenue streams are indicated below.

- **Bulk mail revenue** of R614 million is above budget by R9 million (1%) and has increased by R26 million (4%) year on year. This increase has been seen due to the discontinuation of upfront discount and introduced the retrospective discount in order to encourage customers to increase their volumes.
- **Franking revenue** of R58 million is below budget R8 million (12%) and has declined by R6 million (10%) year on year. The decrease in revenue is due to migration of clients from franking to bulk mail.
- **Envelope revenue** of R42 million is R9 million (17%) below budget and has decreased by R8million (15%) year on year.
- **Stamp revenue** of R37 million is below budget by R4 million (9%) and has decreased by R2 million (6%) year on year. Last financial year we had more revenue coming

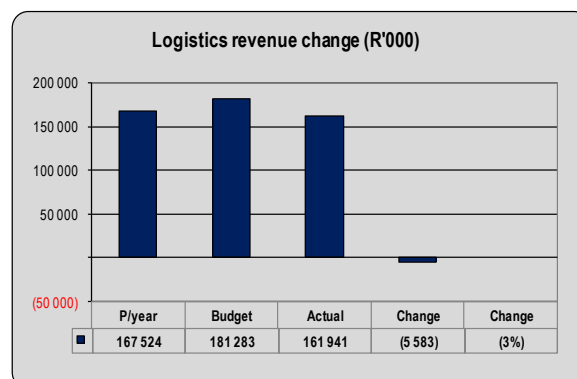
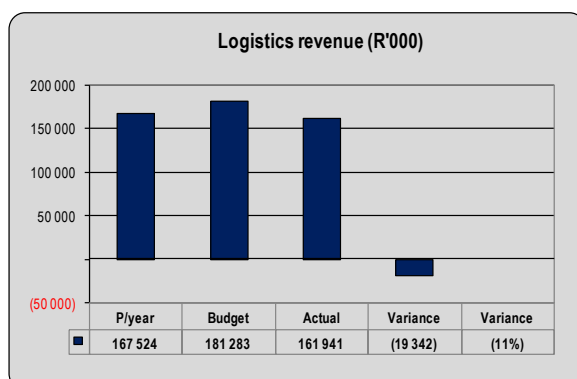
because of the world cup campaign, unlike last financial year this year there are no campaigns hence out revenue have declined.

- **Box revenue** of R23 million is below budget by R3 million (12%) and has decreased by R1 million (5%) year on year.
- **Foreign revenue** of R34 million has exceeded budget by R8 million (30%) and has increased by R8 million (33%) year on year. The increase in revenue has been realised on the terminal dues of the incoming mail from overseas.
- **Parcel revenue** of R32 million has exceeded budget by R792k (2%) and has increased by R3 million (11%) year on year. Initiative has been taken to expand Unisa business in order to grow parcel volumes and revenue.
- **Secure mail and hybrid revenue** of R27 million has exceeded budget by R4 million (15%) and has decreased by R2 million (6%) year on year.

Year to date	Variance		Growth		Revenue	
	R'000	%	R'000	%	R'000	%
Bulk mail revenue	↑ 8 603	1%	↑ 26 293	4%	614 190	67%
Franking revenue	↓ (7 543)	(12%)	↓ (6 328)	(10%)	57 672	6%
Envelope revenue	↓ (8 743)	(17%)	↓ (7 516)	(15%)	42 244	5%
BRS revenue	↓ (97)	(6%)	↓ (163)	(10%)	1 450	0%
Stamp revenue	↓ (3 514)	(9%)	↓ (2 495)	(6%)	36 694	4%
Philately revenue	↓ (2 116)	(15%)	↓ (1 425)	(10%)	12 397	1%
Box revenue	↓ (3 016)	(12%)	↓ (1 121)	(5%)	22 957	3%
Foreign revenue	↑ 7 682	30%	↑ 8 439	33%	33 659	4%
Registered letters revenue	↓ (4 310)	(14%)	↓ (3 394)	(11%)	27 139	3%
Parcel revenue	↑ 792	2%	↑ 3 342	11%	32 467	4%
Securemail & Hybrid revenue	↑ 3 532	15%	↓ (1 623)	(6%)	26 792	3%
Sundry postal services revenue	↑ 1 703	60%	↑ 1 791	65%	4 564	1%
	↓ (7 027)	(1%)	↑ 15 803	2%	912 224	100%

### Logistics revenue

Logistics revenue including SSC and Docex revenue of R162 million is below budget by R19 million (11%) and has decreased by R5 million (3%) year on year.



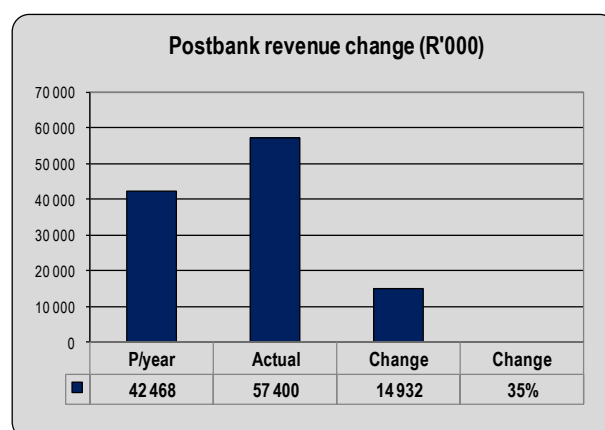
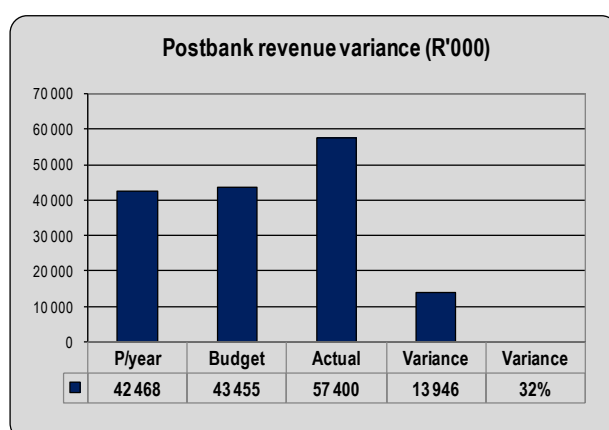
The Logistics revenue streams performed as follows:

- **PX revenue** of R48 million is below budget by R7 million (13%) and have decreased by R3 million (6%) year on year.
- **XPS courier revenue** of R16 million is below budget by R607k (4%) and has increased by R609k (4%) year on year.
- **Speed services revenue** of R82 million is below budget by R8 million (9%) and has decreased by R1 million (2%) year on year.
- **Docex revenue** of R9 million is below budget by R3 million (24%) and have decreased by R2 million (18%).

Year to date	Variance		Growth		Revenue	
	R'000	%	R'000	%	R'000	%
PX	↓ (7,271)	(13%)	↓ (3,176)	(6%)	48,012	30%
XPS	↓ (607)	(4%)	↑ 609	4%	15,995	10%
Fuel surcharge	↓ (307)	(4%)	↑ 231	3%	6,954	4%
SSC	↓ (8,422)	(11%)	↓ (1,318)	(4%)	82,417	51%
Docex	↓ (2,736)	(26%)	↓ (1,929)	(21%)	8,563	5%
	↓ <b>(19,342)</b>	<b>(18%)</b>	↓ <b>(5,583)</b>	<b>(11%)</b>	<b>161,941</b>	<b>100%</b>

## ● Postbank revenue

Postbank revenue of R57 million has exceeded budget by R14 million (32%) and has increased by R15 million (35%) year on year.



The performance of the Postbank revenue streams are indicated below.

- **Flexi card transaction fees** of R9 million has exceeded budget by R674k (9%) and has increased by R474k (6%).

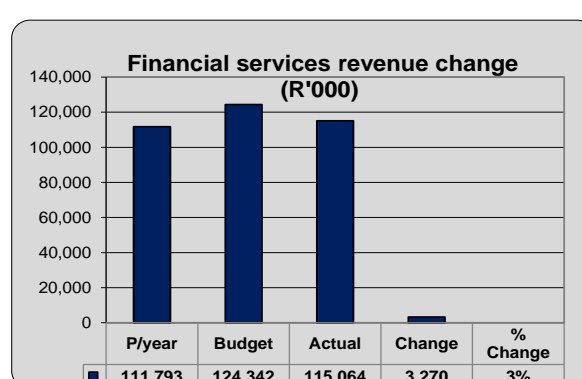
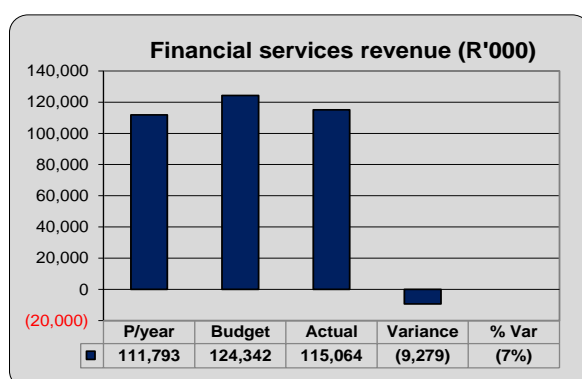


- **Mzansi Transaction fees** of R16 million is below budget by R466k (3%) and has increased by R2 million (14%) year on year.
- **Other transaction fees** of R13 million has exceeded the budget by R10 million (100%) and has increased by R7 million (100%). Other transaction fees include statement and deposit fees.
- **Saswitch fee income** of R31 million is below budget by R5 million (15%) and has increased by R3 million (12%) year on year.

Year to date		Variance R'000	%		Growth R'000	%		Revenue R'000	%
Mzansi Transaction fees	↓	(466)	(3%)	↑	1,920	14%		15,714	27%
Smart save ledger fees	↑	3,260	0%	↑	294	10%		3,260	6%
Internet banking fees	↓	(11)	(35%)	↓	(3)	(15%)		19	0%
Flexi card transaction fees	↑	674	9%	↑	474	6%		8,587	15%
Other transaction fees	↑	9,959	100%	↑	7,405	100%		12,855	22%
Flexi card ledger fees	↓	(1,937)	(21%)	↓	(1,439)	(16%)		7,406	13%
Safrican fees	↓	(76)	(100%)	↓	(65)	(100%)		0	0%
Pension flexi transaction fees	↓	(206)	(16%)	↑	67	6%		1,112	2%
Mothusi loan fees	↓	(212)	(34%)	↓	(52)	(11%)		410	1%
Bakgotso fees	↓	(142)	(17%)	↑	162	30%		696	1%
Visa expenses	↑	2,529	92%	↓	(28)	(14%)		(230)	(0%)
Visa fee income	↓	(3,000)	(62%)	↑	402	28%		1,838	3%
Saswitch fee income	↓	(5,219)	(15%)	↑	3,274	12%		30,700	53%
Saswitch ATM terminal	↑	9,031	25%	↑	2,723	9%		(26,621)	(46%)
SMS notification	↓	(97)	(100%)	↓	(87)	(100%)		(96)	(0%)
Saswitch PO counter	↓	(158)	(8%)	↓	(130)	(7%)		1,749	3%
	↑	<b>13,930</b>	<b>32%</b>	↑	<b>14,917</b>	<b>35%</b>		<b>57,400</b>	<b>17%</b>

## Financial Services revenue

Financial services revenue of R115 million is below budget by R9 million (7%) and has increased by R3 million (3%) year on year.



The performance of the revenue streams are indicated below.

- **Money transfer revenue** of R3 million is below budget by R2 million (41%) and has decreased by R2 million (40%) year on year.
- **Social grant revenue** of R33 million is below budget by R7 million (18%) and year on year decrease of R5 million (12%). The decrease is due to the reduction in CPS fees received by SAPO.

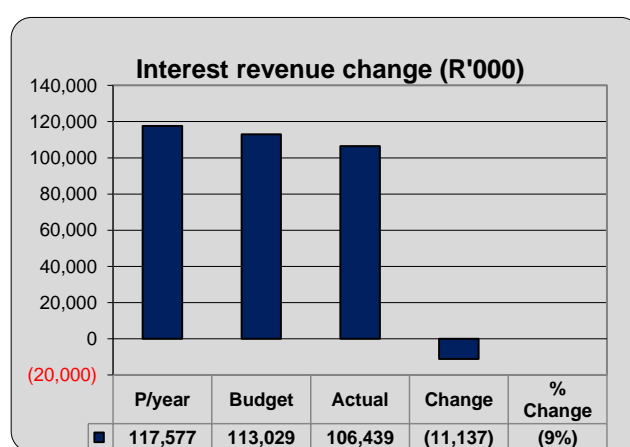
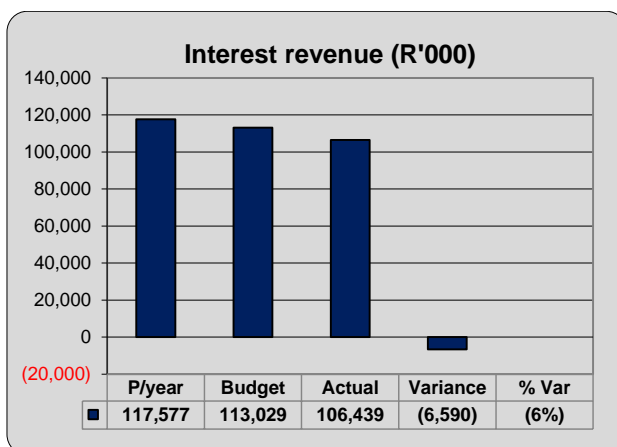
- **Motor licensing revenue** of R33 million is above budget by R6 million (21%) and has increased by R12 million (59%) year on year due to the increase in number of Post Office allocated to renew motor licenses.
- **Lottery revenue** of R3 million has exceeded budget by R650k (23%) and has decreased by R60k (2%) year on year.
- **Fax and photocopier revenue** of R6 million is below budget by R509k (8%) and has increased by R295k (5%) year on year.

Year to date	Variance		Growth		Revenue	
	R'000	%	R'000	%	R'000	%
Money transfer revenue	↓ (2,362)	(41%)	↓ (2,236)	(40%)	3,330	3%
Social grant revenue	↓ (7,408)	(18%)	↓ (4,645)	(12%)	33,471	29%
Municipalities	↓ (1,166)	(13%)	↓ (27)	(0%)	7,807	7%
Motor licensing	↑ 5,675	21%	↑ 12,197	59%	32,830	29%
National housing	↑ 504	30%	↑ 359	20%	2,164	2%
Prepaid revenue	↓ (1,787)	(34%)	↑ 38	1%	3,508	3%
Lottery revenue	↑ 650	23%	↓ (60)	(2%)	3,433	3%
Telkom services	↑ 888	9%	↓ (1,905)	(15%)	11,121	10%
Financial institutions	↓ (411)	(16%)	↑ 7	0%	2,101	2%
Retailers	↑ 129	8%	↑ 249	17%	1,701	1%
Utilities	↓ (222)	(15%)	↓ (216)	(15%)	1,257	1%
Television licences revenue	↓ (403)	(13%)	↓ (99)	(3%)	2,780	2%
Retail gov bonds	↓ (3,117)	(75%)	↑ 836	100%	1,052	1%
Fax & photocopier revenue	↓ (509)	(8%)	↑ 295	5%	6,271	5%
Other govt revenue	↑ 335	43%	↑ 190	20%	1,116	1%
	↓ (9,279)	(15%)	↑ 3,270	(5%)	115,064	100%

## Interest revenue

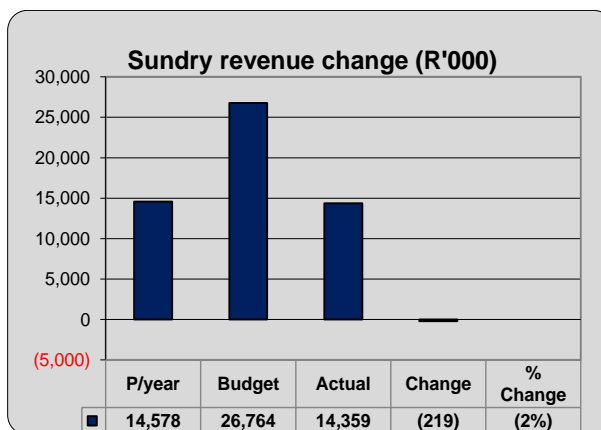
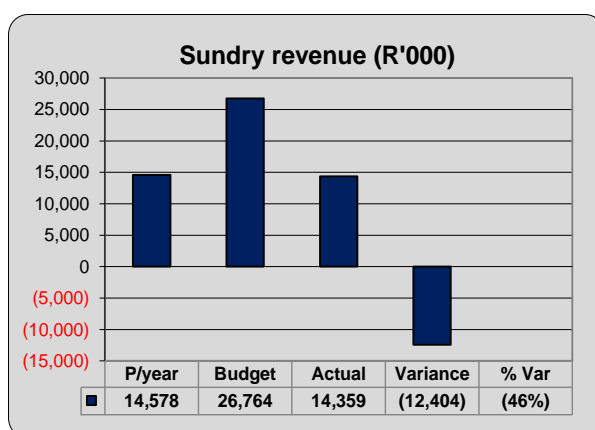
Interest revenue of R106 million is below budget by R7 million (6%) and has decreased by R11 million (9%) year on year, as a result of lower interest rates.

- Post Office interest revenue of R22 million has exceeded budget by R1 million (6%) and has decreased by R5 million (20%) year on year.
- Postbank interest revenue of R84 million is below budget by R8 million (8%) and has decreased by R5 million (6%) year on year.
- Long term investments increased by R17 million to R1,232 million.
- Short term investments increased by R146 million to R5,750 million.



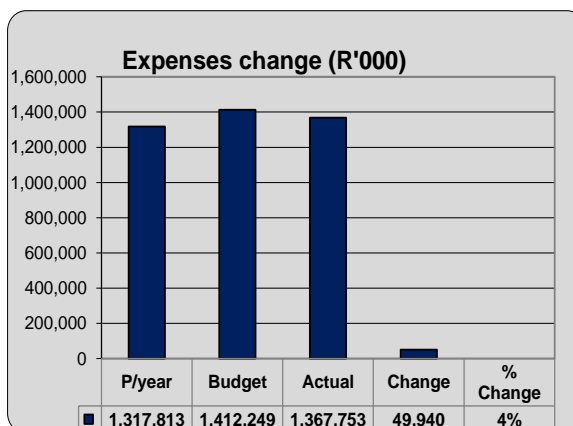
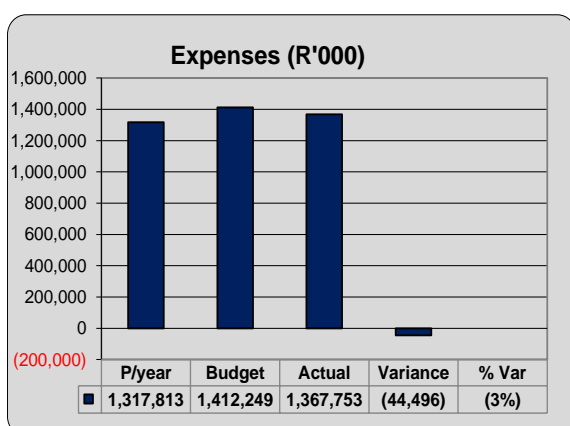
### Sundry revenue

Sundry revenue of R14 million is below budget by R12 million (46%) and has decreased by R219k (2%) year on year.



## 3.2 Cost Efficiency Management

Operating costs of R1,368 million is below budget by R44 million (3%) and has increased by R50 million (4%) year on year.



- **Staff costs** of R715 million is in line with the budget and has increased by R48 million (7%) year on year as a result of the annual inflationary increase in staff costs. A provision of R16 million for leave pay has been made year to date.
- **External service provider cost** of R103 million is below budget by R10 million (9%) and has decreased by R5 million (5%).
  - *Temp external expenses* of R80 million is in line with the budget and has decreased by R7 million (8%).
- **Property expenses** of R138 million is below the budget by R1 million (1%) and has increased by R18 million (15%) mainly due to the following factors:
  - Rental cost of R76 million which has exceeded the budget by R1 million (2%) and has increased by R10 million (15%) year on year due to the rental escalation.
  - Domestic services cost of R39 million is above budget by R585k (2%) and has increased by R5 million (16%) year on year.
  - Building Maintenance cost of R9 million is below budget by R2 million (18%) and has decreased by R892k (9%).
  - Cleaning of building costs of R8 million is below budget by R746k (8%) and has increased by R771k (10%) year on year.
- **Transport expenses** of R150 million is below budget by R1 million (1%) and has increased by R9 million (6%). The contributing factors for the increase is:
  - The national linehaul costs of R69 million has exceeded the budget by R4 million (6%) and has increased by R4 million (6%) year on year.
  - Vehicle lease cost of R24 million is above budget by R1 million (5%) and has increased by R4 million (22%) year on year.
  - Fuel cost of R26 million is below budget by R1 million (4%) and has increased by R2 million (9%) mainly due to the constant increase of fuel prices.
- **Material & services expenses** of R68 million is below the budget by R6 million (8%) and has decreased by R3 million (4%) year on year.
- **Communication services expenses** of R35 million is below budget by R5 million (12%) and has remained flat from the prior year.
- **Security expenses** of R33 million is below budget by R2 million (4%) and has decreased by R794k (2%) year on year.

### 3.2.1 Group Staff cost as percentage of total cost

Group staff cost of 52% was achieved against the target of 51%

### 3.2.2 Group total cost as percentage of total income

Total cost of 100% was achieved against a target of 96%

## 3.3 Strengthening the Balance Sheet

The salient points of the balance sheet are as follows:

- The total asset base has increased by R62 million to R9,979 million.

- Cash and short term investments increased by R90 million to R5,935 million.
- The depositor's funds have increased by R160 million to R4,144 million.
- PRMA asset has increased by R12 million to R618 million and the post retirement liability has increased by R3 to R1, 225 million.

SA Post Office Group		Change		2011/12	2010/11
		%	R'000	R'000	R'000
Total assets	up	0.6%	61,805	9,979,647	9,917,842
Property, plant & equipment	up	1.0%	11,547	1,114,181	1,102,634
Intangible assets	down	(5.2%)	(3,282)	59,679	62,961
PRMA asset	up	1.9%	11,554	618,348	606,794
Long term investment	up	1.4%	16,666	1,232,128	1,215,462
Current assets	up	0.4%	23,585	6,601,702	6,578,117
Inventories	up	21.3%	10,105	57,496	47,391
Trade & non trade receivables	down	(11.1%)	(76,151)	609,115	685,266
Cash & investment	up	1.5%	89,630	5,935,090	5,845,459
NAV	up	1.8%	43,188	2,392,108	2,348,921
Trade & non trade payables	down	(1.8%)	(19,665)	1,043,898	1,063,563
Funds collected on behalf of third parties	down	(28.0%)	(43,748)	112,547	156,295
Amount owing to the shareholder	up	2.3%	5,131	232,106	226,975
Employment benefits	up	1.4%	20,924	1,482,012	1,461,088
Depositors book	up	4.0%	159,809	4,143,831	3,984,022
Current liabilities	down	(0.1%)	(5,397)	6,050,642	6,056,039
ROA (PBT)	down	(104.5%)	(3.0%)	(0.1%)	2.9%
ROA (NP)	down	(106.9%)	(2.0%)	(0.1%)	1.9%
Current ratio	up	0.4%	0.00	1.09	1.09

### 3.4 Capital Investments in Priority Areas

#### 3.4.1 Total Capex

The post office has invested R69 million in infrastructures for the first quarter with a further R127 million in commitments from the R174 million roll-over from last financial.

### 3.5 Achieving process Efficiency

#### 3.5.1 Business restructuring

##### 3.5.1.1 Positioning of SA Postbank Ltd

#### Postbank Act:

Postbank Act has been promulgated. Engagements with DoC and NT on the implications of the Act and determination of roles and responsibilities are ongoing.

#### Designation Process:

The designation of Postbank as a clearing participant has been gazetted on the 27 May 2011. The next processes to conclude are the VISA application process and the membership application for Payment Association of South Africa (PASA).

#### **Stakeholder Management Initiatives:**

There will be engagements with the appointed service provider regarding the stakeholder management planning and execution.

#### 3.5.1.2 Review and implementation of Shared Services

The Shared Services strategy was presented and accepted at Exco and at the GM strategic session. The consultation phase with affected staff has commenced. The project is included in the Business Support Steering Committee.

#### 3.5.1.3 Transport

##### 3.5.1.3.1 Transport Restructuring

The transport restructuring has commenced with the consolidation of the national linehaul. The process is at the tender stage awaiting proposals from bidders. The appointment of the successful service provider(s) is scheduled to be completed within the next 4 months.

##### 3.5.1.3.2 Speed Services Integration

The CFG Board has appointed a steering committee to drive the process of engaging the Minister and DoC to bring closure on this process.

## **4 Social Sustainability (People)**

### **4.1 Provide a stable, well trained and stable employee force**

#### 4.1.1 Decent workplaces

##### 4.1.1.1 Workplace accidents and IOD's

The table below shows the IOD comparative statistics for the period April to June. There was an overall decrease of 5.2% in incidents.

INCIDENT TYPE	YTD 2010/2011	YTD 2011/2012	Variance
Bicycle accidents	3	9	6
Motor accidents	13	13	0
Dog bites	22	18	-4
Motorbike accidents	2	2	0

Armed robberies	19	18	-1
Body injuries	2	0	-2
Falls	35	15	-20
Bumped	5	3	-2
Falling objects	0	3	3
Moving heavy objects	20	27	7
Violence	3	1	-2
Insect bites	3	1	-2
Trapped	4	1	-3
Other	4	17	13
<b>TOTAL</b>	<b>135</b>	<b>128</b>	<b>-7</b>

#### 4.1.2 Improve Intellectual capital

**Management and Leadership development Programs** – 124 people are currently on Management and Leadership Development Programs. 55% of people on programs are women. These interventions range from the development of Entry level Managers to Senior Management.

**A specific woman development intervention that focuses on Creating Leadership and Personal Capacity in Women** was successfully completed with 23 female employees presenting business related reports which are based on projects that they engaged in as part of their learning journey.

**Vocational Development Programs** – Various vocational programmes were implemented to support the operational initiatives within the organisation. These include:

**Teller Academy** – newly appointed tellers from the Northern region were identified to participate in the pilot programme which was completed in April with all learners successfully meeting the requirements of the programme. The programme included On-the-Job practical training which was conducted under the supervision of branch managers who had completed mentorship training.

**FICA (Financial Intelligence Centre Act) training** – to ensure the financial compliance of consumer services operations and to address non-compliances.

**Money Transfers** - To enable money transfers between SADC countries and South Africa. Training commenced in Lesotho with a total of 60 learners taken through the intervention

**Isometrix** – Systems training for the implementation and monitoring quality that is aligned to ISO requirements and evaluates operation non-conformances

**AARTO (Administrative Adjudication of Road Traffic Offences)** –An intervention that focuses on the promulgated mandatory regulations that relate to rulings and penalties related to road offences. This intervention focuses on specific business units and affected workforce segments that are directly impacted upon by the legislation in terms of their jobs and roles. It was implemented in the KZN (Durban), Western Cape (Stellenbosch) and Northern (Pretoria) regions, and will continue to roll-out through the organisation.

**Occupational health and safety** – A total of 31 First Aid Officers and Fire Marshals at Ecopoint were trained and certified as per the occupational health and safety act (OHSA) requirements.

**Practical Finance Management** – A finance management programme for non financial managers and specialists started in May with Western Cape training 15 delegates.

#### 4.1.2.1 Training expenditure as % of group staff budget

For the quarter a budget of R 5 627 319 was allocated for training, whereas R 6 854 646 was spent which represents a 121.8% spending on the budget.

#### 4.1.2.2 Talent management

The Development Board process is aimed at facilitating performance engagement and will be implemented in a phased approach. Talent and succession management framework has been developed and implementation is expected in the latter part of the year.

#### 4.1.2.3 Performance management

A proposal for the amendment of the current performance management process is scheduled to be presented at the EXCO of 11 July 2011. The proposal will focus on adjustments to the process and rating scale used.

#### 4.1.2.4 Employee movement

In the first quarter there were 49 appointments and 177 exits.

### 4.1.3 Labour Practices

#### 4.1.3.1 Management of HR liabilities

##### 4.1.3.1.1 Leave liabilities

Leave liability is continuously managed and taking leave on a regular basis is encouraged. The challenge is to reduce the leave liability whilst ensuring that the operations are not affected and not having to incur additional temporary labour costs.

##### 4.1.3.1.2 Housing liabilities

Housing guarantees has reduced by 46%

##### 4.1.3.1.3 Post-retirement medical aid cost

The reduction of Post-retirement medical aid liability remains a challenge

#### 4.1.3.2 Employee relations

**Information management system/Sustainable case management system**



The Employee Relations case management system will be amalgamated/integrated with the existing "RUBI" system which is being used by Risk Management section. This is delayed due to Risk Management is awaiting the purchase of a server.

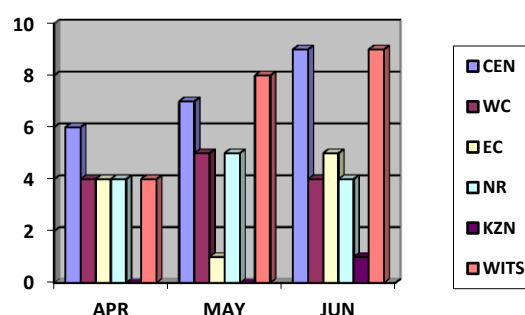
In the circumstances, the Employee Relations statistics continue to be recorded and reported using excel spreadsheets.

### Grievances and Misconduct cases reported

The tables and graphs below indicate the number of grievances and misconducts reported per Region.

#### Number of grievances per Region

	APR	MAY	JUN
CEN	6	7	9
WC	4	5	2
EC	4	1	5
NR	4	5	4
KZN	0	0	1
WITS	4	8	9

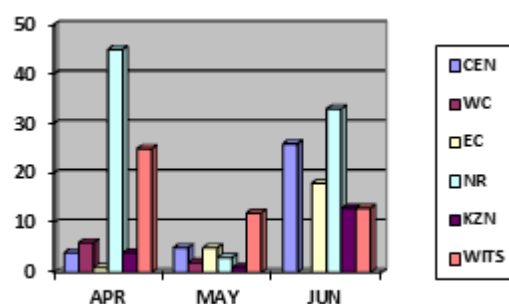


#### Number of misconduct cases per Region

	APR	MAY	JUN
CEN	4	5	26
WC	6	2	7
EC	1	5	18
NR	45	3	33
KZN	4	1	13
WITS	25	12	13

#### Threshold dispute with SAPWU

- Pursuant to the CCMA arbitration award dated 18 February 2011, the Company took the arbitration award on review. The matter is still pending at the Labour Court.
- In the interim, SAPWU have continued to recruit members. Consequently, SAPWU demand that they be recognized by the Company.
- There has been much correspondence between the Company and the two Unions



(CWU and SAPWU) regarding the recognition of SAPWU. The Company initiated an audit of the membership percentages of both Unions. Both Unions are amenable to such audit; however, SAPWU are adamant that they must first be recognized on achieving the threshold of 40% + 1 and that the audit can take place thereafter.

#### **Outstanding substantive matters (2010/11 Negotiations with CWU)**

- A presentation was made to the Union on 11 May 2011 on the job grading and job levels and the progression of employees from one job level to another. The Union is yet to provide the Company with feedback flowing from the presentation that was made.
- The Parties are yet to craft a framework which will become an annexure to the Recognition Agreement that will clearly spell out the rules of engagement for bargaining for non managerial total-cost-to-company (TCTC) employees.
- The gain sharing model is yet to be finalized.
- The services of Bond Pro have been enlisted for the assistance of CWU members with housing financing.
- The Company met with the Union to thrash out the procedures pertaining to Policy on Total Temporary Disability (TTD). It was discovered that the Policy and Procedures are not complied with widely in the Company. To this end, in the month of June 2011, the Union and representatives of Management are embarking on a joint- road show throughout the Company in order to ensure that there is uniformity and consistency in the understanding and application of the aforesaid Policy and Procedures.
- While three of the outstanding matters above have not been finalized, CWU unequivocally stated that they will not be tabling their 2011 substantive demands until the matters have been finalized. The parties continue to work to ensure that these outstanding matters are resolved.

#### **2011 Substantive Demands**

As stated in the preceding paragraph, the South African Post Office Limited will be furnished with the substantive demand by CWU upon finalization of all outstanding matters. The Company is however, in receipt of the substantive demands from BIFAWU for Docex and they are listed below:

- An across the board salary increase of R 2000.00 on adjusted basic salary;

- To address the unfairness in the salary remuneration structure by establishing the following:
  - (i) the average monthly salary for each job category – to be treated as the new standard / minimum salary for each job category;
  - (ii) the length of service, experience and skill must be applied as fair criteria to address unfairness;
  - (iii) a long service allowance of R 100.00 per month for each 5 years of service to be added to the newly established standard / minimum salary for each job category or grade. After probation period, the normal salary must be paid
- Resolve all outstanding issues from the 2010/2011 agreement:
  - (i) Gain sharing;
  - (ii) Job grading;
  - (iii) Housing subsidy / Employer's housing scheme.
- Employer to provide staff uniform.

### **Capacitating Chairpersons and initiators of disciplinary and grievance hearings**

Training of Chairperson's and litigators of disciplinary and grievance meetings has commenced and will be roll out throughout the Company. To date, 228 employees have been trained.

### **Revision of Human Resources Policies and Procedures**

On 24 – 25 May 2011, Human Capital Management presented several policies to the Union, for their inputs and comments. These Policies and Procedures are listed below:

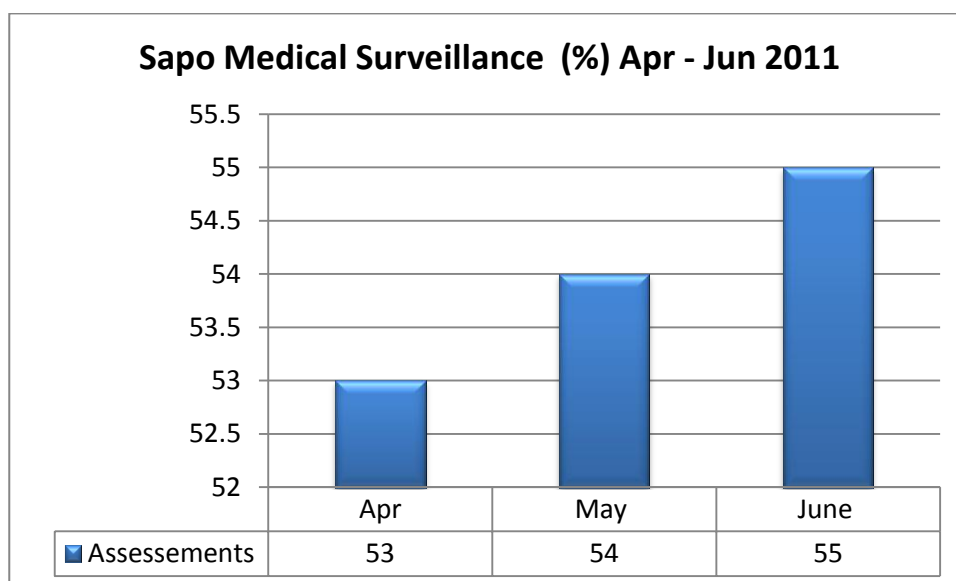
- Disciplinary Policy and Procedures
- Incapacity (Ill-health and Injury and Poor Performance)
- Health and Wellness Policy and Procedures
- Medical Surveillance Procedure
- HIV and AIDS Policy
- Recruitment and Selection Policy and Procedures
- Housing Policy

● Talent and Succession Planning Policy

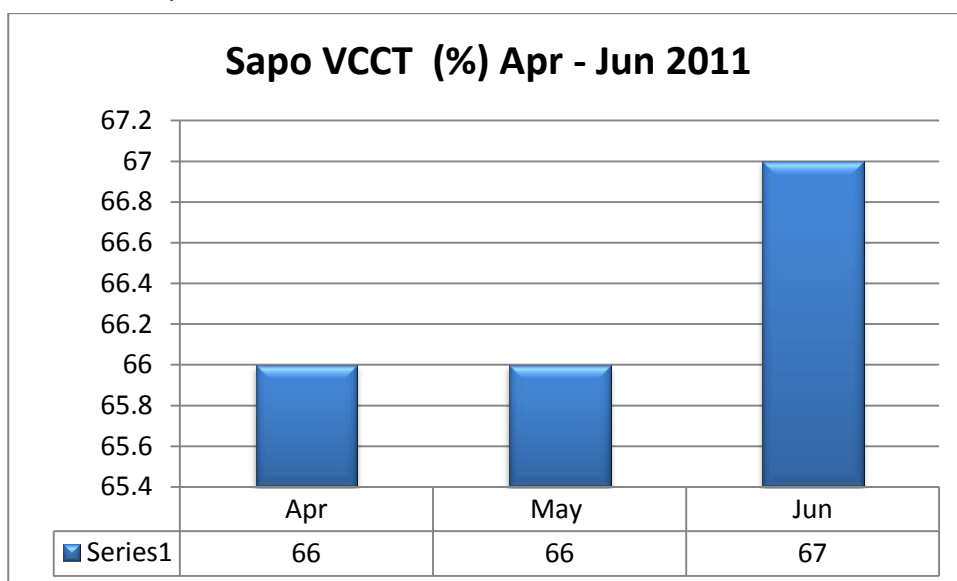
● Diversity and Employment Equity

#### 4.1.4 Health

##### 4.1.4.1 Wellness program



##### 4.1.4.2 HIV/Aids



● Generally, in the 1<sup>st</sup> Quarter, poor responses to the program is being experienced, however, this will be focussed on in the coming months.

## 4.2 Satisfied customers

### 4.2.1 Licence and Mandate Obligations

#### 4.2.1.1 Access to ICT services

This division comprises of the Trust Centre and Digital Services Unit.

##### 4.2.1.1.1 Trust Centre

This international standards compliant infrastructure has been designed to deliver authentication products and services in compliance with the Electronic Communications and Transactions Act 25 of 2002 and the Accreditation Regulations of 20 June 2007. The SAPO Trust Centre is operational and undergoing final ECT Act and Web Trust compliance preparations.

Microsoft have tested and accepted the Trust Centre Root Certificates into the Microsoft Root Certificate Program. This major step means that Microsoft users all over the world that use the SAPO Trust Centre Certificates will find that Microsoft recognises and trusts SAPO Certificates.

The Trust Centre Hierarchy has been created and ready to issue relevant Certificates.

The migration of the 3rd parties, EBDN and Docex is underway

Business plans are under review

The Disaster Recovery is 56% complete

Accreditation Audits are planned for July/August

Accreditation application with SAAA is ready and will be lodged after audits

Accreditation planned for September/October

##### 4.2.1.1.2 Digital services

#### Hybrid Mail

The performance for Quarter 1 was promising as we not only recovered of losing the JMPD AARTO pilot project (accounted for nearly 30% of revenue for first quarter last year), ePostal was still able to show a growth of 4.9% compared to previous year. Revenue increased from the previous year of **R21,8 million** to **R22, 9 million** as at 30 June 2011. The revenue is also **26% better than expected budget** (R18, 1m) for the first quarter in 2011/12. This growth from previous year (customer base excluding JMPD AARTO pilot) has been as a result of:

- Primarily, growth from our existing customers especially SASSA and the Department Of Transport (accounted for 93% of growth)
- New Customer acquisition accounted for about 7% of the total growth achieved

The **third Hybrid Mail site in CapeMail was opened in June 2011**, which will increase the value proposition of Hybrid Mail in South Africa, as well as provide the additional capacity for printing and processing items. Emphasis is to sell Hybrid Mail as we now have a **Hybrid Mail value proposition** and **“additional capacity on print, one step mailing and inserting”**. This new customer acquisition/take on and market information will also inform our business case of “upgrading the three hybrid mail sites with standardised production capability and increased capacity “for the years ahead.

### **Mobile and Internet Based Business**

The Virtual Post Office ([www.virtualpostoffice.co.za](http://www.virtualpostoffice.co.za)) continues to generate sales for Philately, bulk postage stamps, prepaid envelopes and prepaid courier products; however no marketing or awareness has been created amongst the consumer and SMME segments to leverage off this channel. The PO Box renewals campaign during the third quarter of this financial year will be an opportune time to create awareness and cross sell to the over 200,000 online consumer market.

The Virtual Post Office has also become a victim of a syndicate who purchased goods online with stolen credit cards. An arrest has been made by the South African Police and a court date is awaited. Goods to the value of about R120,000 were ordered online and delivered to addresses in Gauteng. Measures have been put in place to limit the use of credit cards from foreign banks and new payment instruments for foreign buyers will need to be implemented.

#### 4.2.1.2 Address Expansion

An additional 169 287 addresses were rolled out against a planned target of 298 854 during the 1<sup>st</sup> quarter ended 30 June 2011. This represents 56.6% achievement against target. 72.2% of the total addresses rolled out were in the under-serviced and subserviced areas.

REGION / PROVINCE	ADDRESS TYPE		AREA SERVICED		PERFORMANCE AGAINST TARGET	
	POST BOXES	STREET DELIVERY	URBAN	RURAL	ACTUALS PER REGION (YTD)	YTD Target
Free State	0	3,516	824	2,692	3,516	16,331
North West	0	9,337	4,824	4,513	9,337	33,109
Northern Cape	0	1,124	977	147	1,124	1,367
Eastern Cape	0	9,708	8000	8,908	9,708	36,728
Kwazulu/Natal	0	22,874	1,706	221,168	22,874	52,584
Limpopo	0	57,503	18,620	38,883	57,503	46,600
Mpumalanga	0	36,529	2,215	34,314	36,529	36,237
Western Cape	0	9,060	5,722	3,338	9,060	36,865
Gauteng	0	19,636	11,287	8,349	19,636	39,035
<b>Total</b>	<b>0</b>	<b>169,287</b>	<b>46,975</b>	<b>122,312</b>	<b>169,287</b>	<b>298,854</b>

#### 4.2.1.3 Additional points of presence

Total Retail Outlets Footprint per province as at 30 June 2011

Region	Post Offices			RPAs	Total
	Serviced	Under - Serviced	Total	Total	Footprint
Central Provinces	176	87	<b>263</b>	184	<b>447</b>
Eastern Cape	103	96	<b>199</b>	144	<b>343</b>
KwaZulu-Natal	131	117	<b>248</b>	100	<b>348</b>
North Central Region	121	86	<b>207</b>	93	<b>300</b>
North East Region	77	98	<b>175</b>	201	<b>376</b>
Western Cape	134	60	<b>194</b>	123	<b>317</b>
Witwatersrand	202	70	<b>272</b>	10	<b>282</b>
<b>Total</b>	<b>944</b>	<b>614</b>	<b>1558</b>	<b>855</b>	<b>2413</b>

64% of RPAs are in under serviced areas.

There has been a decrease in the number of branches due to Retail postal Agencies closing down due to host businesses and mines closing down and no other alternatives were available in the areas.

**New and Refurbished Outlets rolled out and operationalised at the end of the 1<sup>st</sup> quarter**

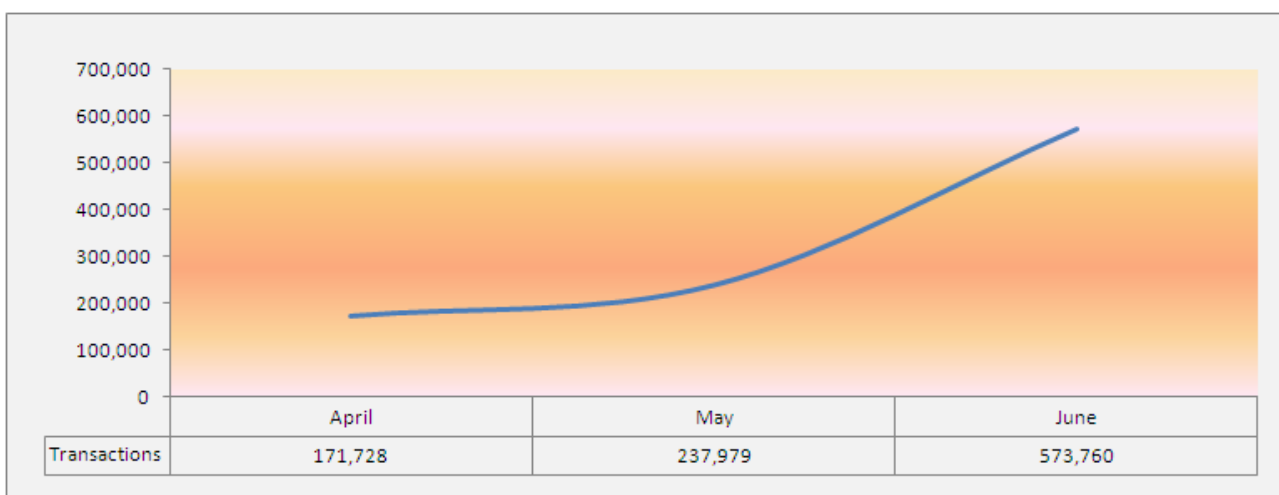
Region	New Outlets			Upgrading and Relocations		
	Annual Target	YTD Actual	Var	Annual Target	YTD Actual	Var
Eastern Cape	7	0	-7	2	1	-1
Free State	3	0	-3	2	2	0
Gauteng	21	0	-21	2	2	0
KwaZulu-Natal	20	0	-20	2	1	-1
Limpopo	2	1	-1	1	2	+1
Mpumalanga	3	0	-3	1	0	-1
Northern Cape	0	0	0	1	0	-1
North West	0	0	0	1	0	-1
Western Cape	1	2	+1	2	0	-2
<b>TOTAL</b>	<b>57</b>	<b>3</b>	<b>-54</b>	<b>14</b>	<b>8</b>	<b>-6</b>

**4.2.1.4 Quality and Oversight**

A total number of 521 branches were audited by our Quality and Oversight unit for compliance with regulations and procedural processes within the company.

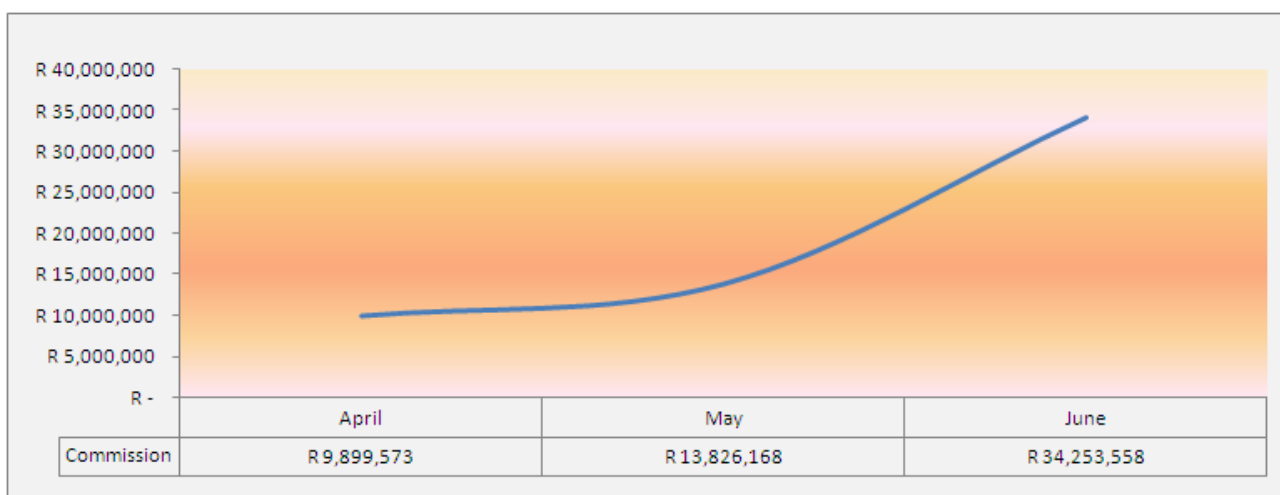
**4.2.1.5 Motor Vehicle Licences**

**Transaction volumes**





## SAPO Commission



### 4.2.1.6 Reward and Recognition program

The 2010/11 annual reward and recognition award ceremonies for Retail offices have commenced to acknowledge branches and individuals for the enhancement of operational performance and the rendering of excellent customer service.

#### The results:

Half Yearly Winners (Second round)

Region	CATEGORY A - Class A+, A, B, C)				CATEGORY B - Class D and E)		
	Area	Branch	CL	Result	Branch	CL	Result
North Central	Emalahleni	Marble Hall	B	92.69%	Seven Stad	E	91.89%
	Pretoria	Centurion	A	99.52%	Pyramid	D	94.18%
	Rustenburg	Rustenburg	A	92.78%	Yarona	E	91.97%
	Secunda	Secunda	A	97.70%	Breyton	D	96.37%
Wits	East Rand	Ferrarmere	C	99.07%	Brenthurst	D	98.16%
	East Vaal	Germiston	A	98.93%	Rothdene	E	96.16%
	North West Rand	Randburg	A	98.02%	Delarey	D	93.76%
	South West Rand	Randfontein	B	97.05%	Hekpoort	E	96.78%
	Wits Central	Joubert Park	C	98.42%	Ridgeway	D	97.40%

### Most Improved branches

Region	Area	CI	Branch	1st round%	2nd round %	Improvement
North Central	Rustenburg	D	Mogono	42.00%	88.82%	46.82%
North Central	Pretoria	D	Ondersterpoort	47.00%	83.09%	36.09%
North Central	Emalahleni	D	Cullinan	47.00%	79.63%	32.63%
North Central	Secunda	C	Hendrina	64.00%	92.81%	28.81%
Wits	Wits Central	B	Houghton	47.13%	91.23%	44.10%
Wits	North West Rand	D	Dainfern	45.94%	76.06%	30.12%
Wits	South West Rand	E	Hekpoort	67.91%	96.78%	28.87%
Wits	East Vaal	D	Kwenzekile	65.93%	91.41%	25.48%
Wits	East Rand	D	Petersfield	72.80%	97.18%	24.37%

### Annual winners – Regional Best Branches

CATEGORY A - Class A+, A, B, C)					CATEGORY B - Class D and E)			
Region	Area	Branch	CL	Result	Area	Branch	CL	Result
North Central	Pretoria	Centurion	A	99.52%	Secunda	Breyton	D	96.37%
Wits	East Rand	Kempton Park	A	97.51%	East Rand	Brenthurst	D	94.83%

### Annual winners – Most improved branches

Region	Area	CL	Branch	1st round%	2nd round %	Improvement
North Central	Rustenburg	D	Mogono	42.00%	88.82%	46.82%
Wits	Wits Central	B	Houghton	47.13%	91.23%	44.10%

### North Central: Award Ceremony



Breyton branch: Annual Regional Best Branch Winner (category B)



Lyttleton branch recognised for Customer Service

**Wits: Award ceremony**



Regional Best Branch Award – Kempton Park and Brenthurst branch



Farrarmere – Awarded with Best Branch Award and Customer Service

#### 4.2.1.7 Delivery Standard

##### 4.2.1.7.1 Mail

Mail Delivery standard of 94.2% was achieved against the target of 92%. This reflects the internal measurement - "Testpost". No alternative measurement system has yet been implemented by the Regulator (ICASA).-

##### 4.2.1.7.2 Logistics

Delivery standard of 94.5% was achieved against the target of 98%. This reflects the internal measurement.

#### 4.2.1.8 Queue waiting time

The branch queue waiting time as per the regulatory target is 7 minutes. The internal measurement done by Consumer Services indicated that 96% of the branches comply with this target. The unstable network has a grave impact on customer service.

## 4.2.2 Customer centricity

### 4.2.2.1 Develop intelligence

#### 4.2.2.1.1 Define data strategy during first six months

Draft strategy defined – Completed

Draft Strategy in process of review by CIO

#### 4.2.2.1.2 Conduct product and customer profitability study by March 2012

Product audits have started for Logistics, Mail and Post bank. Corporate Affairs, Post bank, Mail business and Finance have attended marketing metrics workshop so as to understand the tools that we use in order to determine product and customer profitability. A marketing metrics for Boxes in Mail business has already started. This will assist determine only the customer and product profitability but also the opportunities for revenue growth per product and customer segment.

### 4.2.2.2 Philately

#### International recognition for South African stamps

Every year the Internet website [www.stampnews.com](http://www.stampnews.com) from the UK selects the best stamps that were issued by Postal Administrations during the previous year. The selection is done by their editorial team, stamp experts and the StampNews focus group from stamps issued by 150 countries.

In the category “the most interesting sport-themed stamps”, which is awarded to stamps for celebrating some sporting events or achievements, South Africa’s stamp issue for the FIFA Soccer World Cup came joint first with stamps from Slovakia, Ecuador and Portugal - [http://www.stampnews.com/stamps/stamps\\_2011/stamp\\_1304452737\\_291373.html](http://www.stampnews.com/stamps/stamps_2011/stamp_1304452737_291373.html).



In the category “the most touching stamps”, which is awarded to stamps with a funny design, stamps from our 8th definitive stamp series came third - [http://www.stampnews.com/stamps/stamps\\_2011/stamp\\_1301463993\\_298735.html](http://www.stampnews.com/stamps/stamps_2011/stamp_1301463993_298735.html)





Southern Colour Print in New Zealand, who print the stamps for our 8th definitive stamp series, has entered the 70c and R20,00 stamps of the 8th definitive stamp series in the New Zealand Pride in Print Awards and both won Gold Medals.

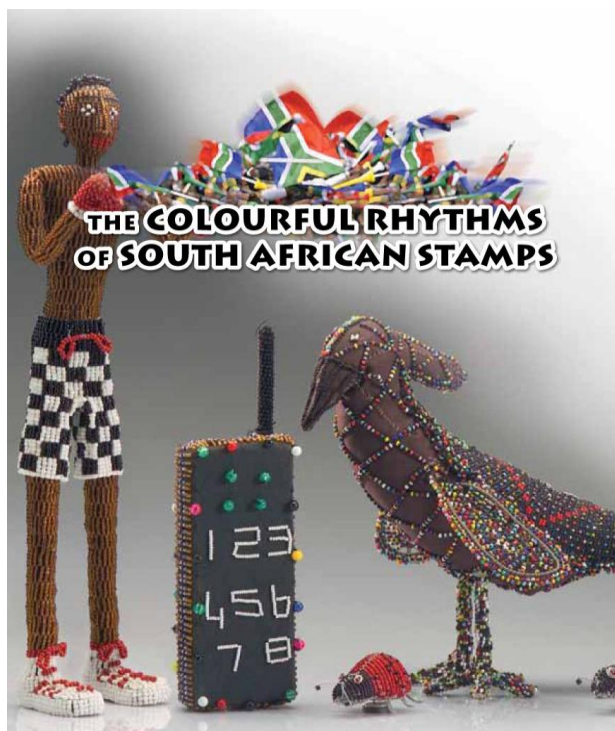


South Africa has won the seventh competition class for designated operators of Universal Postal Union (UPU) member countries, held during Postal Operators Council (POC) in Berne, Switzerland from 26 April to 13 May 2011.

Our entry entitled *The colourful rhythms of South African stamps* displayed 32 A4-size pages of stamps issued from 2008 to 2010 and scored 88 points. South Africa competed against entries from 17 Postal Administrations with Russia second (87 points), Hungary third (84 points) and Portugal fourth (74 points). Other countries that took part in the competition included Monaco, Spain, Denmark, Romania, Brasil and Australia.

Entries were evaluated according to:

- Originality of the presentation
- Technical quality of the philatelic material exhibited
- Utility
- Postal usage
- Philatelic interest and
- Quality of entry



Front page of entry for UPU competition

### Sumbandila satellite stamp launch

Stamps to commemorate the Sumbandila satellite were launched on 1 April at the South African National Space Agency (SANSA) at Hartebeesthoek near Pretoria.





Minister Pandor with Thea Clemons, designer of the Sumbandila stamps

### Commemorating South Africa's Constitution

The preamble to the South African Constitution is featured on the stamp issue of 23 May 2011. The stamp was designed by Muane Mainganye, a student at the Open Window School of Visual Communication in Centurion.



### Museum seminar

The South African Museum Association (SAMA) North region hosted a Museum Security Seminar on 25 May 2011 in Silverton courtesy of Philatelic Services. 50 attendees from as far as Cape Town, Port Elizabeth and Durban attended the conference with presentations, amongst others, by the South African Police Service and Interpol.

### Tourism Indaba

Philately joined colleagues from CFG at the Tourism Indaba from 6 – 10 May to promote stamps and stamp collecting to visitors from the tourism industry.



## Stamps play an African tune

The South Africa Post Office has issued a set of stamps on 30 June 2011 to celebrate hand-made African instruments that were used to make music on the continent through the ages. These instruments remain in daily use in many parts of the African continent.

Designed by Hein Botha, the stamps depict instruments as diverse as drums, the dipela, ramkie, horns and flute. Some of these, such as the drum, made the transition into commercial music, while others remained in the traditional cultural sphere.



## Additional commemorative stamps for 2011

The following additional commemorative stamp issues for 2011 was approved:

- The International Astronautical Congress in Cape Town in October 2010. It is the first time that this congress is held in Africa.
- Joint stamp issue with Indonesia. It has been agreed the stamp issue will be launched at the National Stamp Show in Cape Town from 13 – 15 October - the issue date of the stamp still has to be finalised.

## 4.3 Governance and Compliance

### 4.3.1 Ethics

#### 4.3.1.1 Anonymous crime reporting

The first quarter of 2011/12 financial year a total of 50 cases were reported, this is against 36 reported cases during the same period last year.

By submitting factual reports to the hotline, employees are demonstrating confidence in the facility and that their reporting is taken seriously.

Alongside this 38% increase in reported cases, it should also be mentioned that the reliability of information and positive turnover thereof, has improved substantially.

#### 4.3.1.2 Crime and fraud

Overall reported crime was recorded at 5% below that of the previous financial year quarter reports.

## **Violent Crime**

60 reports of violent crime were reported during this quarter. The performance has however remained constant between this quarter and that of the previous year. Within the aforementioned consolidated figure however, it is worth mentioning that no vehicle hijacking incidents were reported.

## **Financial related Crime**

There has been an overall 17% increase in financial-related crime, during which a total 193 incidents were reported. Of these, 118 comprised Postbank-related fraud which recorded a 35% increase from the previous year quarter. Non-Postbank fraud has, however; gone down by 48% from 144 reported incidents in the previous financial year quarter. A syndicate, which was responsible for numerous incidents of identity fraud within Postbank, was successfully infiltrated, and led to 11 arrests, 8 of which were staff members. The syndicate was responsible, during April '11 and May '11 for a loss of R800,000.00 totalling 54 transactions.

## **Postal Crime**

Postal Crime continues its down ward trend, recording a 3% decrease in this quarter. The past two financial years have recorded a 60% reduction in Postal Crime. This trend is due to the investment in the electronic CCTV and access control.

## **Crime Prevalence in the Regions & BU's**

With 638 cases recorded, the Wits region accounted for 30% of all reported crime cases in the Post Office, followed by Northern region at 25%, Central at 13% and KZN at 11%, W.Cape at 6%. The least number of cases were reported in the Eastern Cape region, with 5%. Reported crime in Consumer Services remains the highest at 44%, Mail 20%, Postbank 20% and 9% in Logistics.

## **Investigation Performance**

The average turnaround time for the completion of an investigation was 21 days, from a target 15 days. It was noted that the turnaround time on the investigation of Postbank account inflation cases was longer due to the nature of the investigation and level of syndication.

While a challenge still exists on the implementation of recommendations, some positive trends have developed recently with specific reference to consequence management.

By the end of the quarter, a total of 25 arrests were made by the SAPS.

## **Preview of the next Quarter**

The 5% crime reduction recorded in this quarter will be surpassed in the next quarter given the positive and proactive in-roads made in combating Postbank fraud, banking irregularities and Post Crime.

In conjunction with Business Units in general and specifically the IT Division and the Logistics BU, efforts have been initiated in order to improve internal controls that would deter, detect and track e-crime and financial-related security threats. These efforts should realise the achievement of a 15% crime reduction in the organisation.

## 4.3.2 Governance

### 4.3.2.1 Contract management

The process of continuously loading and updating contracts on SAP is underway.

### 4.3.2.2 Licence agreement

#### 4.3.2.2.1 Introduction

Non-compliance to Post Office License has been identified as a key risk for the Group which could severely impact on its reputation and additionally lead to penalties being instituted against the Post Office.

The level of compliance to the Post Office License has been determined by assessing the extent of compliance with each sections/ areas contained in the license.

In total, 60 Sections and Sub-sections relating to the Post Office License were compliance assessed.

#### 4.3.2.2.2 Control Efficiency

The Overall Risk Control Rating (as highlighted below) reflects the general compliance to the Post Office License as **“Satisfactory”**.

Risk Category	Cause	Inherent Risk	Control Rating	Residual Risk
Compliance Risk	Non-Compliance	Very High	Satisfactory	High

The integrated risk assessment approach additionally brings to the forefront those aspects which are not adequately being complied with.

The Graph below, based on the 60 Sections/Sub-sections assessed, summarizes the Group’s compliance of all the relevant Sections.

#### 4.3.2.2.3 Action Plans and Control Review

Group Compliance has, based upon the initial assessment convened sessions with management to review the control assessments and determine action plans, with target dates required to mitigate the risks.

#### 4.3.2.3 Audit issues

The external audit process is currently underway and all issues raised will be captured and monitored by the Risk and Audit Committee.

#### 4.3.3 Transformation

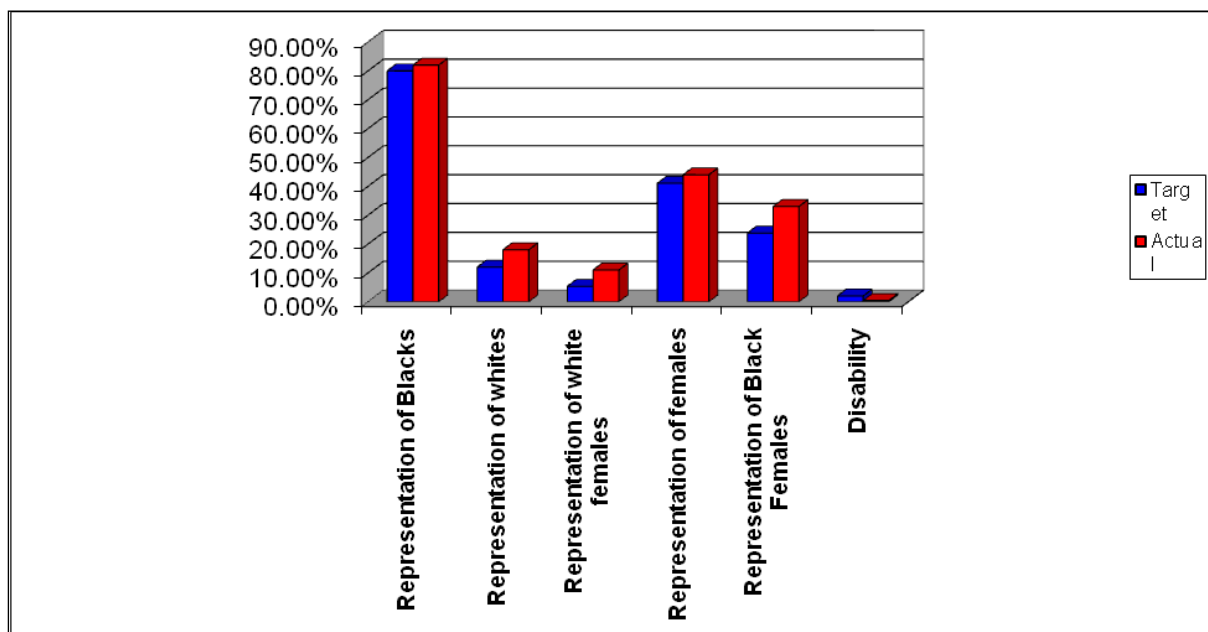
##### 4.3.3.1 Employment Equity

The following indicates the status of the representation of designated groups within the Group. The table below reflects the overall summary of the representation of designated groups as a percentage against target, as at 30 June 2011.

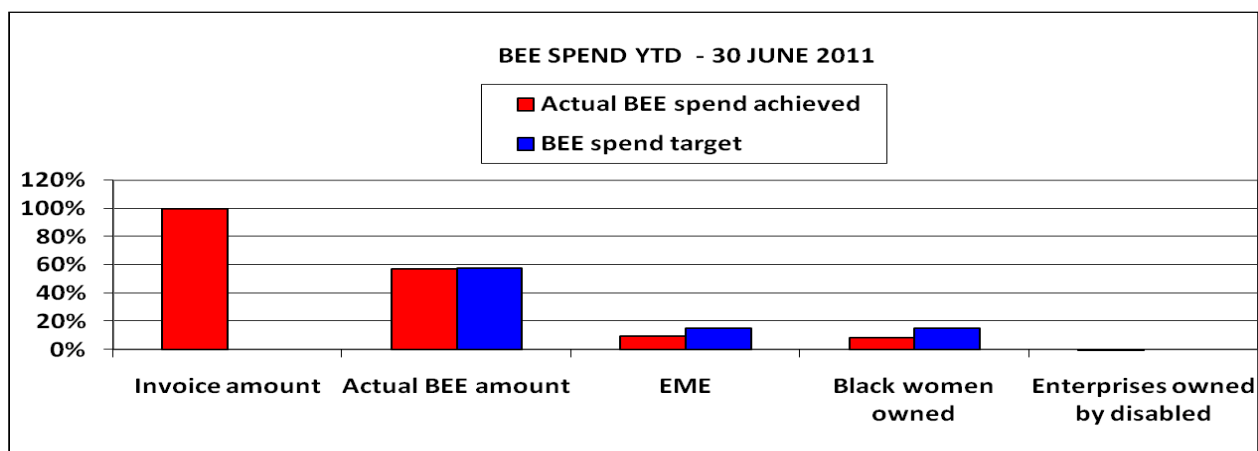
Race and gender	Targets	Status as at 30 June 2010	Status as at 30 June 2011
Female representation	41.05%	43%	<b>44%</b>
Representation of black females	23.88%	33%	<b>34%</b>
Representation of blacks	80%	83%	<b>82%</b>
Disability	4%	0.44%	<b>0.36%</b>

The above is a reflection of the South African Post Office workforce. Black employees constitute 82% of the total workforce, 44% of whom are females. Black female representation is 34% of the total workforce. The under representation of females has significantly improved though it's still a focal point in scarce and critical areas where specialized skills required are not readily available. The attainment of targets is an ongoing process.

**Total workforce profile according to race, gender and occupational levels as at 30 June 2011:**



**4.3.3.2 BBBEE**



Notes	Description	Value	Actual %	Target %
	The invoice amount is	R247,804,730.25		
	The BEE invoice amount is	R141,904,592.96	57	58
	Emerging micro enterprises invoice	R24,350,089.47	10	15
	Black Women invoice amount	R20,476,069.26	8	15
	Disabled people invoice amount	R295,485.70	0.1	1

#### 4.3.3.3 Identified Business Opportunities

- Bulk renewal of Motor vehicle licenses
- Selling of PSL Soccer tickets (e-Ticketing)
- Standard Bank business opportunities
- Eurogiro business opportunity
- Blue Label Distribution business opportunity

## 5 Environmental Sustainability (Planet)

### 5.1 Environmental Sustainability

Reducing carbon footprint	Achieved a cumulative of 4.96 Kt CO <sub>2</sub> e for April and May 2011.  The homologation process for the 5 E-max scooters has been approved and they are undergoing licencing.
Reducing fossil fuel consumption	The total petrol consumed for April and May 2011 is 532050.56 Litres. The total diesel consumed for April and May 2011 is 474434.04 Litres.
Reducing electricity consumption	SAPO signed the Energy Efficiency Accord with the Department of Energy with the view of reducing actual consumption by 12% by 2015. The Tshwane Mail Centre energy efficiency solution as a pilot: <ul style="list-style-type: none"> <li>● The current 400W high bay lamps with energy efficient alternative lamps like Tube Florescent, Compact florescent lamps (CFL) or LED lights (Light Emitting Diodes) ;</li> <li>● The replacement of 150 litre geysers with on-line hot heaters;</li> <li>● The replacement of two 3000 litre boilers with heat pumps.</li> </ul> The optimization of the Heating ventilation & air conditioning system (HVAC) After the optimization of Tshwane Mail Centre's energy usage other mail centres will follow. Tshwane Mail centre's energy consumption for April and May is as follows respectively: <ul style="list-style-type: none"> <li>● May consumed 625329 KWH and saved 11% of the set target.</li> <li>● April consumed 590416 KWH and saved 16% of the set target.</li> </ul>
Reducing water consumption	The water pattern is still being profiled.
Improve sustainability through recycling	Paper recycled for April and May 2011 is 92.369 tons.
Participation in the debate around	SAPO has completed and submitted the CDP 2011. SAPO is a member of the National Business Initiative and therefore participates in the Energy Efficiency Technical Committee. SAPO is the sponsor of the climate change leadership awards (CCLA) to the tune

sustainable development	of R350 000 per annum. SAPO is a corporate member of the Food & Trees for Africa which is a partnership to sequester carbon emissions through planting trees which are a major carbon sink.
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## 5.2 Social Investment

### 5.2.1 Formal CSI programs

**Humana People to People:** The Post office has invested R593 000 into the partnership with Humana People to People which focuses on strengthening the economy of families in the Tubatse municipality in Limpopo by improving the local environment as well as boosting food security. The activities include Sewing Courses, Garden Skills training, Business skills and computer training as well as Backyard gardens. Highlights are that the computer training started on the 1<sup>st</sup> May and 30 participants have completed, 70 % being women. Currently there are another 30 participants that have been enrolled and will be completing the module the end of June. Humana has also started backyard gardens in 30 schools and the vegetables will be used to feed the school children as well as their families.

**The e-Rural Access programme:** The e-Rural Access Programme is part of the Comprehensive Rural Development programme which is being implemented by the department of Rural Development and Land Reform. The South African Post Office has committed R2.3 million to this project. The purpose of this programme is to establish e-rural centres in the two pilot areas called Riemvasmaak (Sending, Vredesvallei) and Giyani (Muyexe) with the purpose of:

- Creating an information society especially amongst citizens who are rural poor, unemployed and in need of assistance.
- Enabling citizens to access utilise and share information and knowledge.
- Providing tools such as the Internet, e-mail, telephones, fax machines, photocopying machines etc. **FREE OF CHARGE**, to enable rural communities to become part of a global knowledge economy.
- Providing and facilitating access to online government services.

These computer centres are fully operational in all communities and the community forum committee members have been trained on digital literacy, communication and facilitation skills. The e-centres in the Northern Cape has also been included as part of the e-skills training programme that is being run by the Department of Communications. This e-skills programme ensures that communities and beneficiaries receive the relevant and appropriate ICT skills training for their contexts.

**Partnership for Information Technology Training in support of Local Government.** This partnership between South African Local Government Association (SALGA), Microsoft, the Development Bank of Southern Africa (DBSA), the Local Government Seta and the South African Post Office aims to assist local municipalities with the relevant IT skills training in order to make service delivery more efficient and effective. The student to government pillar of the programme ensures that students receive skills training and employment by being placed in the local municipalities. The student to government pillar is currently being rolled out in the Free State where 20 students have been selected to participate. The first training session started on 13<sup>th</sup> June and will continue for the next three months at which point, the students will be placed as interns at the participating municipalities. The selection process for the Eastern and Western Cape is currently underway. The training for local municipality employees has been completed and to date, 1900 municipal employees in 12 municipalities across the Western and Eastern Cape have been trained. The Seminar Series for Municipal managers took place in the Eastern and Western Cape during October and November in which 14 municipalities were represented and participated.

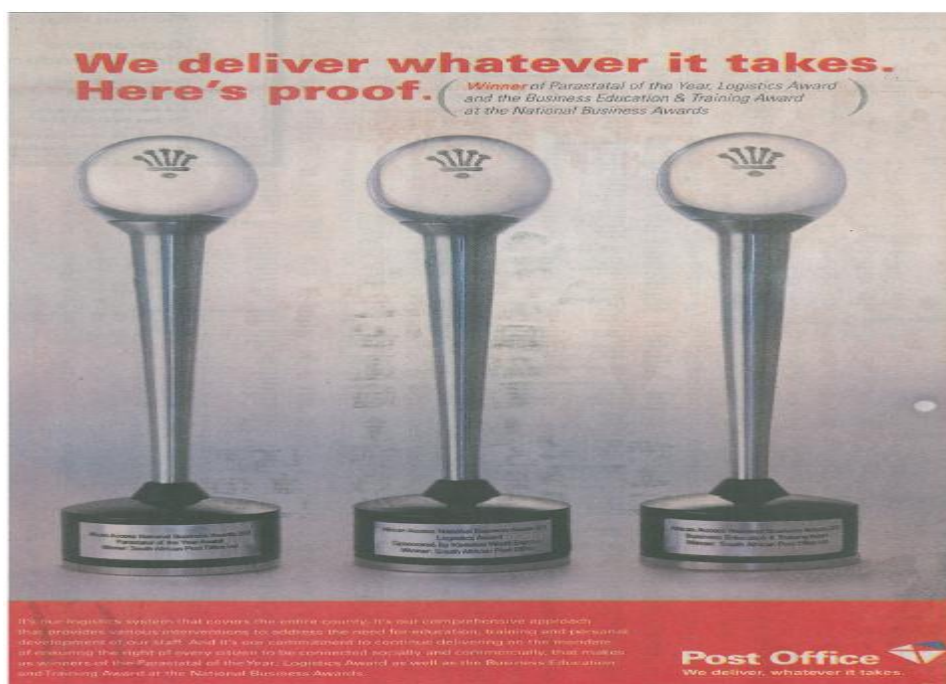


### 5.2.2 Volunteerism

This financial year, the volunteerism activities have started with much enthusiasm. Thus far 3 regions have participated in the Trees for Schools programme and each region is actively involved in their own volunteerism activities. Currently, the regions and business units are preparing for the Nelson Mandela 67 minutes in July.

### 5.3 Awards Received

The South African Post Office has been named the Parastatal of the year at the National Business Awards event in Johannesburg on 23 June 2011. It was also the winner of the Logistics Award as well as the Business Education and Training Award.



Name	Activity	Signatures	Date
Chief Executive Officer MM Lefoka	Submitted	Electronic	14 July 2011