



Telkom SA SOC Ltd

Enterprise Risk Management Policy

2023

“The Group continues to enhance its risk management approach and framework. A full disclosure of Telkom’s material risks are detailed herein, in compliance with the governance requirements contained in paragraph 8.63(s) of the JSE Listings Requirements.”

Telkom

Risk disclosure (paragraph 8.63(s) of the JSE Listings Requirements)

The Telkom Group Enterprise Risk Management policy is designed to uphold the Telkom Board's responsibility for enterprise risk and serves as a formal acknowledgment by both the Board and Management of Telkom's dedication to the fundamental principles of risk management.

This policy provides guidance to Executives and Senior Management, outlining the principles, requirements, and responsibilities necessary for a robust approach to risk management and continuous internal control assurance. By adhering to these practices, Telkom aims to conduct business with integrity, promoting growth and sustainability amidst the ever-changing economic, political, technological, and social conditions within the business landscape the Group operates in.

Telkom acknowledges enterprise risk management as a fundamental and crucial element of sound corporate governance. Telkom Group is committed to the following principles:



Instilling risk management into the organisation's culture and the way business is conducted across the entire Group.



Integrating enterprise risk management into strategy formulation, activity planning, performance management, and resource allocation decisions.



Adhering to best practices in managing risks and capitalising on opportunities.



Analysing and assessing the Company's risk profile, aligning it with the risk appetite, and evaluating the effectiveness of risk responses and root causes in line with strategic objectives.

Telkom ensures effective management and handling of the Group's risks by:



Recognising that robust risk management is crucial for sustainability and maintaining strong relationships with customers and other stakeholders in the long term.



Embedding risk and opportunity management consistently and coherently into Telkom's culture, following best practices.



Supporting the strategy with capable individuals, efficient processes, and appropriate technology, all while upholding governance, risk, and compliance requirements.



Acknowledging the interconnectedness of the Group's operations and fostering business resilience, including anticipating, monitoring, and responding to both macro- and micro-environmental factors.





Telkom's material and strategic risks, managed at the Group level, are outlined below in accordance with paragraph 8.63(s) of the JSE Listings Requirements. It is important to review these risk disclosures alongside Telkom Group's 2023 Integrated Report, which emphasises our materiality themes.

Risk Name	Risk definition	Mitigating and monitoring
<p>1</p> <p>Unstable and unpredictable regulatory dispensation</p>	<p>Unstable and unpredictable regulatory dispensation influenced by the changing market, customer and technological trends may impact Telkom's long-term decision-making and investment aspirations.</p> <p>It also creates competitive pressures and unexpected costs that can hamper Telkom's profitability and sustainability.</p>	<ul style="list-style-type: none"> - Continuous engagement with key government stakeholders - Continuously manage our compliance universe effectively to improve our relationship with regulators and ensure we remain compliant - Proactively implement new legislation - Continuously scan the regulatory environment (including outside of ICT) - Empower and support the regulatory and compliance teams - Continuously monitor key risk indicators
<p>2</p> <p>Market forces and disruption exacerbating competition pressures</p>	<p>Telkom operates in a competitive and rapidly changing market. The increase in technological innovations, accelerated market deregulations, customer expectations, and new entrants in the connectivity space exacerbate this risk. These put pricing and product offerings under pressure as Telkom strives to remain competitive.</p> <p>Failure to swiftly respond to competitive threats could negatively impact the Group's prospects, including its market share, relevancy, revenue growth and profit margins.</p>	<ul style="list-style-type: none"> - Continuously monitor the market and competitive landscape, using intelligence to gain further insights - Develop product offerings that appeal to customers and explore upselling opportunities - Develop and implement adaptive strategies focused on innovation - Investigate strategic partnerships to increase competitive advantage - Implement an employee value proposition to ensure the competition does not poach our critical employees - Invest in technology that ensures agile and speedy solution delivery - Continuously identify and address operational inefficiencies
<p>3</p> <p>Inability to attract and retain a suitable, resilient and healthy workforce to service and support the changing ecosystem</p>	<p>The world is experiencing several changes, such as a shift in the way companies work, hybrid working models, customer behaviours, technology trends, etc. This requires talent that can provide a sustainable competitive advantage. Failing in this regard might result in the loss of our competitive advantage, an increase in employee costs and delays in achieving the Group's Strategy.</p>	<ul style="list-style-type: none"> - Design and implement the culture transformation journey - Develop a recruitment strategy that will merge the demands of business while allowing flexibility to the workforce to align with market demand - Develop and implement change management processes to keep up with the pace of change and enable a robust environment



Risk Name	Risk definition	Mitigating and monitoring
<p>4</p> <p>Increased focus and scrutiny on ESG matters</p>	<p>Increased focus on ESG matters is due to the rapid heightened importance of sustainability matters in society, an increase in climate change awareness, social inequality, and corporate misconduct. This might impact Telkom's financial sustainability and reputation and create limitations in accessing opportunities.</p>	<ul style="list-style-type: none"> - Develop and implement a Group ESG Strategy, with defined roles and responsibilities - Integrate ESG risks into the ERM framework
<p>5</p> <p>Financial sustainability</p>	<p>Maintaining financial capacity is crucial to sustain or grow operations while building adequate financial resilience to manage unforeseen economic events. This risk can be due to:</p> <ul style="list-style-type: none"> - A depressed economic environment with added pressure from dealing with the aftereffects of the pandemic - Insufficient liquidity and/or cash flow deterioration - Inability to generate free cash flow - Customers not paying on time - Unsustainable leverage ratios 	<ul style="list-style-type: none"> - Monitor our sustainable Cost Management Programme - Launch new products to drive revenue - Continue with cash release initiatives, such as the Supply Chain Finance Programme - Maintain adequate debt headroom and disciplined capital allocation with flexible capex investments and secured debt facilities - Maintain a sound governance framework that ensures transparent financial and operational frameworks and supportive credit ratios
<p>6</p> <p>Macro socio-economic instability</p>	<p>Telkom is not immune to the critical characteristics introduced by socio-economic matters that influence consumers' behaviours, preferences, attitudes and quality of life. Therefore, this instability creates uncertainty, particularly where consumers are critical to the Group's success.</p> <p>This volatility affects the levels of profitability and cash generation that are considered acceptable. It also impacts our shareholders' perspective around the Value Unlock Programme and future growth.</p>	<ul style="list-style-type: none"> - Formulate and implement initiatives and frameworks aligned with the National Development Plan - Enforce collaborative efforts with social agents and foster private-public partnerships - Strengthen corporate social responsibility initiatives - Develop and implement the youth employment strategy - Continue to invest in advocacy that assists in driving a positive behavioural change

Telkom
Consumer

open serve

BCX

swiftnet

Gyro