

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

Telkom

TELKOM SA SOC LIMITED ("Telkom")

RISK COMMITTEE

TERMS OF REFERENCE

RISK COMMITTEE TERMS OF REFERENCE

1. CONSTITUTION

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

2. PURPOSE OF THE COMMITTEE TERMS OF REFERENCE

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

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

3. PURPOSE OF THE COMMITTEE

The Board has delegated the quality, integrity and reliability of the Company's risk management to this Committee. For this Committee to provide an independent and objective oversight of risk management within the Company, this Committee shall –

- 3.1 Review and assess the integrity of the risk control processes and systems.
- 3.2 Ensure that the risk policies are managed effectively and in accordance with the Enterprise Risk Management Framework (“ERM Framework”) approved by the Board from time to time.
- 3.3 Ensure effective communication with Management, the internal and external auditors, the Audit Committee, the Board, and regulators and supervisors on risk management.
- 3.4 Contribute to a climate of discipline and control which will reduce the opportunity for fraud and other operational losses.
- 3.5 Assess any significant risk control failings or weaknesses identified and their potential impact, and confirm that appropriate action has or is being taken.
- 3.6 The Committee is constituted as a Committee of the Board of Directors of the Company. The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.

4. MEMBERSHIP

- 4.1 The Committee shall be appointed by the Board, and shall comprise of at least three (3) Non-Executive Directors.
- 4.2 The Chairperson of the Committee, who shall be a Non-Executive Director, shall be appointed by the Board, and shall serve for such period as the Board shall determine.
- 4.3 The Chairperson of the Audit Committee shall be a member of this Committee to promote continuity.
- 4.4 The Group Company Secretary or his/her designate shall be the secretary of the Committee.
- 4.5 The following attendees shall attend by invitation:

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- 4.5.1 The Group Chief Executive Officer (“Group CEO”).
- 4.5.2 The Group Chief Financial Officer (“Group CFO”).
- 4.5.3 The Group Executive: ERM, Security and Forensics.
- 4.5.4 The Group Executive: Internal Audit.
- 4.5.5 The Group Executive: Regulatory and Legal.
- 4.5.6 The Joint External Auditors.

- 4.6 Suitably qualified persons may be invited by the Committee as advisors when necessary to render specialist services as may be required to assist the Committee in its deliberations on any particular matter subject to following a Board approved process, but shall have no rights of voting (refer to the Board Charter for the approved process).
- 4.7 Other Non-Executive Directors may attend the Committee’s meetings post notification of the Chairperson of this Committee, but will not be remunerated for attendance.
- 4.8 If necessary, independent experts and specialists may be co-opted to the Committee as attendees by the Chairperson of the Committee.

5. MEETINGS AND PROCEEDINGS AT MEETINGS

5.1 Quorum

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

5.2 Meetings

- 5.2.1 The meetings of the Committee shall be held at least three (3) times annually.
- 5.2.2 Special meetings of the Committee may be convened as required through the Group Company Secretariat.
- 5.2.3 Any member of the Committee may request a special meeting through the Chairperson of the Committee, and this shall be facilitated by the Group Company Secretariat.
- 5.2.4 The meetings of the Committee may be held in person, by telephone, by video conference or such other form of long-distance conference facility as the circumstances may require (such person shall be deemed as being present at the meeting), provided that the required quorum is met.
- 5.2.5 Outside of the formal meeting programme, the Chairperson will maintain a dialogue with key individuals involved in the Company’s governance, including the Chairperson of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer and the Management Group. Committee Members’ engagements should ideally be managed through the Committee Chairperson and/or the Office of the Group Company Secretary,

5.3 Notice of meetings

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

5.4 Agenda of meetings

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

5.5 Chairperson

- 5.5.1 The Role and Responsibility of the Chairperson is:
 - 5.5.1.1 Officiating and conducting meetings.

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- 5.5.1.2 Approving the Meeting Agenda in consultation with Management and the Committee's approved Annual Work Plan.
- 5.5.1.3 Providing leadership to the Committee and its deliberations and ensure that the Committee Members are aware of their obligations and that the Committee complies with its responsibilities.
- 5.5.1.4 Ensuring that the matters tabled in the meeting are afforded sufficient time during the meeting deliberations.
- 5.5.1.5 Ensuring an effective functioning of the Committee including reviewing the skills mix and the performance thereof.

5.6 Conflict of interest

- 5.6.1 Prior to the meeting, a meeting agenda will be circulated to the Committee Members to confirm that there are no potential conflict of interests to be deliberated at the forthcoming meeting. Feedback thereon will be noted by the Office of the Group Company Secretary. Where there is perceived conflict of interest, meeting papers in relation to the respective item for consideration will not be shared with the Member who indicated potential conflict of interests.
- 5.6.2 Before the commencement of every meeting, the Committee members must disclose any conflict or potential conflict of interest on any matter to be discussed at the meeting, and this shall be reflected in the minutes. If there are no conflicts or potential conflicts, this must also be reflected in the minutes.
- 5.6.3 Where a Committee Member has a Material Personal Interest ("MPI"), whether financial or otherwise, in the subject matter of a decision to be considered and acted upon by the Committee and has declared such, such MPI will be deemed to be a conflict of interest, and the Member shall recuse himself / herself from taking part in any discussion or decision concerning the subject matter, and shall leave the meeting for the requisite period of time during such discussion. The recusal shall be minuted. An MPI in any subject matter includes where a Member and/or any person related to the Member:
 - 5.6.3.1 Is a trustee of a trust, director of a company or holds a similar position in any other entity ("Affected Entity"), and such Affected Entity is the subject matter concerned or owns or controls the subject matter concerned ("Affected Entity Subject Matter"); or
 - 5.6.3.2 Has a material beneficial interest (as defined in the Act and applied, with the necessary changes, to any other Affected Person) in an Affected Entity Subject Matter, including material beneficial interest will also mean a beneficial interest representing a monetary value equal to, or greater than 10% of the net worth of the Member or Related Person concerned.
- 5.6.4 Where a conflict of interest exists whether financial or otherwise, a member shall not receive the minutes that relate to the matter or company that he/she has declared an interest on.

5.7 Minutes of meetings

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

5.8 Written Resolutions

- 5.8.1 The business of the Committee may, on an exceptional basis, be conducted through electronic means and/or written resolution in terms of Section 74 of the Companies Act No. 71 of 2008, as amended, post consultation with the Chairperson. The written resolution must be received by all members and approved by 75% of the members of the Committee.
- 5.8.2 The comments received on the proposal will be circulated to all the members for information purposes prior to the Committee reaching a final decision on the matter.

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5.8.3 As per provisions of Section 74 of the Companies Act of 2008, a decision in writing signed by 75% of the members shall be as effective as a decision passed at a meeting of the Committee.

6. Reporting responsibilities

6.1 The Committee shall report to the Board, through its Chairperson, who shall provide feedback on the deliberations of the Committee for Board noting, consideration and/or approval as appropriate.

6.2 Minutes of the meetings of Committee must be submitted to the Board for information purposes.

7. AUTHORITY OF THE COMMITTEE

7.1 The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

7.2 The Committee, in the fulfilment of its duties, may call upon the Chairpersons of the other Board Committees, any of the Executive Directors, or Group Company Secretary to provide it with information.

7.3 The Committee shall have reasonable access to the Company's records, Employees, facilities and any other resources necessary to discharge its duties and responsibilities, through the Office of the Group Company Secretary.

7.4 The Committee may form, and delegate authority to committees, and may formally delegate authority to one or more designated members of the Committee.

7.5 The Committee has the right to obtain independent external professional advice, facilitated through the Group Company Secretariat, to assist with the execution of its duties, at the company's cost, subject to following a board approved process (refer to the Board charter for the approved process).

7.6 The Committee shall make recommendations to the Board that it deems appropriate on any area within the ambit of its Terms of Reference where action or improvement is required.

8. COMMITTEE RESPONSIBILITIES

The Committee shall be responsible for the following:

8.1 Risk Management

8.1.1 Setting the direction for how risk should be approached and addressed in the Company.

8.1.2 Approving a policy that articulates and gives effect to its set direction.

8.1.3 Dealing with the governance of risk comprehensively, taking into consideration both the opportunities and associated risks to be considered when developing strategy as well as the potential positive and negative effects of the same risks on the achievement of Company objectives.

8.1.4 Overseeing the development and review of a policy, related internal control, compliance and governance processes and annual plan for risk management to recommend for approval to the Board.

8.1.5 Monitoring implementation of the policy and plan for risk management taking place by means of risk management systems and processes.

8.1.6 Making recommendations to the Board on the risk tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board.

8.1.7 Ensuring that the risk management plan is widely disseminated throughout the Company, and that risk management is integrated in the day-to-day activities and culture of the Company.

8.1.8 Ensuring risk is integral to the way the Committee makes decisions and executes its duties.

8.1.9 Ensuring that continuous risk monitoring by Management takes place and that risk management results in the following:

8.1.9.1 An assessment of risks and opportunities emanating from the triple context that the Company operates in, and the six capitals that the Company employs.

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- 8.1.9.2 An assessment of the Company's dependency on resources and relationships as presented by the various forms of capital.
- 8.1.10 Ensuring that frameworks and methodologies are implemented to increase the possibility of mitigating unpredictable risks.
- 8.1.11 Ensuring that Management considers and implements appropriate risk responses.
- 8.1.12 Liaising closely with the Audit Committee to exchange information relevant to risk activities.
- 8.1.13 Receiving periodic independent assurance and express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management, and disclose this in the integrated report.
- 8.1.14 Disclosing the following:
- 8.1.14.1 Any current, imminent or any envisaged risk that may threaten the long-term sustainability of the company.
 - 8.1.14.2 The nature and extent of the risks that the Company is willing to take without compromising sensitive information.
 - 8.1.14.3 An overview of the arrangements for governing risk.
 - 8.1.14.4 Key areas of focus during the reporting period, including objectives, key risks that the Company faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels.
 - 8.1.14.5 Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed.
 - 8.1.14.6 Planned areas of future focus.
- 8.1.15 Considering the result of work performed by and the conclusions of the Internal Audit Function in relation to risk management.
- 8.1.16 Assessing the adequacy of and overall effectiveness of the corporate enterprise risk management function and the business continuity for the Company to ensure that the directors have identified and monitor risks in the widest sense including strategic risk, operational risk, compliance risk, and reporting risk.
- 8.1.17 Requiring Management to perform risk assessments for all Company investments and transactions to accompany the recommendations for approval submitted to the Investment and Transactions Committee. The Investment and Transactions Committee Chairperson is a member of the Risk Committee and must ensure that the risk assessments form part of the recommendations.
- 8.1.18 The Audit Committee Chairperson is a member of the Risk Committee and must ensure that the financial risks are adequately addressed.
- 8.1.19 The Social and Ethics Committee Chairperson is a member and must ensure that the ethics-based risks are adequately addressed.
- 8.1.20 Ensuring that appropriate systems are in place to identify, monitor and manage business risks and to ensure regulatory and legal compliance and that there are effective risk-based internal audit activities.
- 8.1.21 Ensuring that a relevant system of policies and procedures is operative to ensure control and the devolution of authority and responsibility.
- 8.1.22 Providing quarterly reports to the Nominations Committee on changes in risks, laws and the environment within the ambit of the Committee.
- 8.2 Compliance**
- 8.2.1 Reviewing the effectiveness of the Group's systems for monitoring compliance with laws and regulations.
- 8.2.2 Setting the direction for how compliance with applicable laws, non-binding rules, codes and standards should be approached and addressed in the Company.
- 8.2.3 Approving a policy that articulates and gives effect to its direction on compliance and that identifies the non-binding rules, codes and standards the Company has adopted.

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- 8.2.4 Ensuring Management implements and executes an effective compliance management programme.
- 8.2.5 Ensuring continuous oversight of compliance and that it results in:
 - 8.2.5.1 Compliance being understood for the obligations it creates and the rights and protections it affords.
 - 8.2.5.2 Compliance management taking a holistic view of how applicable laws and non-binding rules, codes and standards relate to one another.
 - 8.2.5.3 Continual monitoring of the regulatory environment and appropriate responses to changes and developments.
- 8.2.6 Obtaining independent assurance on the effectiveness of compliance management.
- 8.2.7 Disclosing the following in relation to compliance:
 - 8.2.7.1 An overview of the arrangements for governing and managing compliance.
 - 8.2.7.2 Key focus areas during the reporting period.
 - 8.2.7.3 Actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed.
 - 8.2.7.4 Planned areas of focus.
 - 8.2.7.5 Material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations whether imposed on the Company or members of the Board of Directors or officers.
- 8.2.8 Ensuring that the Audit Committee is informed of all regulatory compliance matters that have been considered in the preparation of the financial statements.
- 8.2.9 Reviewing and recommending the Procurement Policy to the Board of Directors for approval.
- 8.3 Information and Technology Governance**
- 8.3.1 Setting the direction for how information and technology should be approached and addressed within the Company;
- 8.3.2 Approving a policy that articulates and gives effect to its said direction.
- 8.3.3 Ensuring Management implements and executes effective technology and information management activities.
- 8.3.4 Ensuring continuous oversight of technology and information management and that it results in:
 - 8.3.4.1 Integration of people, technologies, information and processes across the Company.
 - 8.3.4.2 Integration of technology and information risks into Companywide risk management.
 - 8.3.4.3 Arrangements to provide for business resilience.
 - 8.3.4.4 Proactive monitoring of intelligence to identify and respond to incidents including cyber-attacks and adverse social media events.
 - 8.3.4.5 Management of the performance of and the risks pertaining to third party and outsourced service providers.
 - 8.3.4.6 The assessment of value delivered to the Company through significant investments in technology and information, including the evaluation of projects throughout their life cycle and of significant operational expenditure.
 - 8.3.4.7 Compliance with relevant laws.
- 8.3.5 Reviewing the adequacy and effectiveness of the control framework and governance structures implemented within the technology and information environment.
- 8.3.6 Ensuring an ethical technology and information governance culture and promote awareness thereof.
- 8.3.7 Receiving progress updates on ICT-related matters including any areas of concern / success that the Committee should be aware of.
- 8.3.8 Obtaining independent assurance on the effectiveness of the internal controls pertaining to technology and information.
- 8.3.9 Ensuring that there is a process in place to identify and exploit opportunities to improve the performance and sustainability of the company through the use of technology.

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- 8.3.10 Ensuring that the management of information results in an information architecture that supports confidentiality, integrity and availability of information, the protection of personal information and the continuous monitoring of security of information.
- 8.3.11 Reviewing the arrangements Management has implemented for disaster recovery and business continuity.
- 8.3.12 Considering and review the reliance of the business on technology and information systems and obtain assurance that:
 - 8.3.12.1 Risk assessments were conducted to understand the risk.
 - 8.3.12.2 Controls are in place to govern the risks within the environments that are highly dependent on systems.
 - 8.3.12.3 Controls around the management of information and the protection of personal information processed by the company are adequate.
- 8.3.13 Ensuring that the technology and information governance is adequately reported on to the Board of Directors.

8.4 Fraud and Forensics

- 8.4.1 Reviewing the Group Forensics Charter for adequacy.
- 8.4.2 Reviewing the Group Fraud Statement for adequacy.
- 8.4.3 Receiving regular update on the adequacy and effectiveness of the Fraud Risk Management (“FRM”) governance, plans and programs. The plans and programs should cover all components of FRM, namely, fraud prevention, fraud detection and fraud investigations. The update should also include outcomes of FRM activities and plans to mitigate fraud risks identified.

8.5 Sustainable Development

- 8.5.1 In conjunction with the Social and Ethics Committee, reviewing the climate-related risks and opportunities presented by the The UN Sustainable Development Goals (“SDGs”), Carbon Disclosure Project (“CDP”), Global Reporting Standards for Sustainability Reporting (“GRI Standards”) and the Task Force on climate-related financial disclosure approved by the Board in which it operates and the six capitals that the Group uses and affects, with the aim to achieve the creation of value over time.
- 8.5.2 Review all cross-cutting matters emanating from other Board Committees.

9. COMMITTEE EVALUATION

- 9.1 The effectiveness of the Committee shall be evaluated through an external process every three (3) years (unless there are adverse findings). Every other time an internal evaluation process shall be conducted, in consultation with the Chairperson of the Board.
- 9.2 The evaluations shall be conducted through the Nominations Committee and facilitated through the Office of the Group Company Secretary.

10. REVIEW OF THE TERMS OF REFERENCE

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