Telkom SA SOC Ltd

Enterprise Risk Management Policy

"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 new governance requirements contained in paragraph 8.63(s) of the JSE Listings Requirements."

2021

Telkom

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

The Telkom Enterprise Risk Management Policy confirms the commitment of Telkom Group's Executive and senior management, in support of the Board's accountability, for enterprise risk management towards conducting healthy business practices which are beyond reproach, through the application of enterprise risk management principles to stimulate business growth and sustainability.

Telkom considers enterprise risk management to be a fundamental and significant aspect of good corporate governance. It is the policy of Telkom Group to:

- Embed risk management into the culture and the way business is conducted across the Company
- Integrate enterprise risk management into strategy formulation, activity planning, performance management and resource allocation decisions
- Manage risks and leverage opportunities in accordance with best practice
- Analyse and assess the risk profile of the Company, application of the risk appetite and the effectiveness of risk responses and root causes in the context of strategic intent

In relation to paragraph 8.63(s) of the JSE Listings Requirements, Telkom's material and strategic risks, managed at Group level, are listed below. The risk disclosure contained herein should be read together with Telkom Group's 2021 Integrated Report, which also highlights our materiality themes.

#	Risk name	Risk definition	Mitigation and monitoring
1.	Changing legislative and regulatory environment	Government enacts legislation that can potentially impact Telkom's regulatory environment. This might result in possible non-compliance with laws and regulations, cause reputational damage and threaten the financial sustainability of the Group.	- Continuous engagement with internal and key government stakeholders - Managing our compliance universe effectively to improve our relationship with regulators and ensure we remain compliant - Proactive implementation of any new legislation - Continuous scanning of any regulation (including outside of telecommunications) that might have an impact on Telkom's sustainability
2.	Changing market and competitive environment	Telkom operates in a rapidly changing market and technological environment. Pricing and product offerings are constantly under pressure as Telkom strives to remain competitive. This is exacerbated by new entrants in the connectivity space. Failure to swiftly respond to competitive threats and market changes could negatively impact the Group's market share, revenue growth and profit margins. The anticipated spectrum auction contributes to this risk, as it puts pressure on Telkom's competitiveness.	- Continuous monitoring of the market and competitive landscape, using intelligence to gain further insights - Developing product offerings that are appealing to customers and exploring upselling opportunities - Developing and implementing adaptive strategies that are focused on innovation - Implementing strategy to remain competitive
3.	Inability to deliver innovative solutions timeously	Failure to deliver innovative solutions could negatively impact the Group's market share, relevancy, revenue growth and profit margins. Incomplete business technology transformation means that although the business is transformed at the top, processes and resources at the bottom still require updating to drive innovation, efficiency and agility. Legacy platforms inhibit agile and speedy solution delivery.	- Execution of the digital strategy is under way, with notable achievements in Yep! - Developing and implementing an innovation framework that will ensure Telkom remains innovative and competitive and enhance value-added offerings to capitalise on price pressures - Enhancing customer-facing processes to improve time to market

#	Risk name	Risk definition	Mitigation and monitoring
4.	Increase in cyberattacks	The upsurge in online activities (i.e. work from home, expansion of e-commerce footprints, etc.) increase the possibility of cyberattacks, which could lead to unstable systems, loss of customers, and consequently, reputational damage as well as data and revenue loss. The external risk of proliferation in the digital space, Internet of Things and software of networks poses a risk of an exponential increase in cyberattacks or even cyberwar. The risk is heightened by: - Limited user awareness of new attack strategies - Ineffective security operations - Poor security operational governance - Limited threat hunting capability	- Ensuring that cyber-related risks are mitigated, and all business-critical/sensitive data is protected in line with relevant regulations - Ensuring that all the relevant mitigating measures (i.e. backups, installations of anti-virus software, employees' awareness, and infrastructure security) are in place and continuously monitored to assess Telkom's vulnerabilities and opportunities to secure it against cyber-related risks - Continuously monitoring the information security strategy and operational security management - Conducting security assessments across the Group to re-examine information security - Ensuring that there is collaboration between related parties to resolve some of the common threats in the industry (i.e. cloud providers, operators and device vendors, etc.).
5.	Compromised customer experience	Customer experience can be compromised due to customer perceptions and related feelings caused by the cumulative effects of the quality of services offered, possible data breaches and product prices. The inability to meet the rising demand for innovative product offerings might exacerbate the risk, which could result in lost revenue, brand erosion and reputational damage.	- Continuously improving and crystallising Telkom's customer value proposition - Enhancing customer-facing processes to improve quality and reduce our time to market for new products - Launching new products to attain sustainable competitive advantage - Improving customer service by accelerating the digital platform over and above providing the network - Improving our effectiveness in resolving service queries at the first instance across all Group touchpoints - Developing and implementing data enhancement initiatives to ensure that customer data is always protected
6.	Financial sustainability	Maintaining financial capacity to sustain or grow operations, while simultaneously building adequate financial resilience to manage unforeseen economic events. This risk can be due to: - Insufficient liquidity and/or cash flow deterioration - Inadequate management of forex - Impact of interest rate - Customers' inability to pay on time - Unsustainable leverage ratios - Technology evolution contributing to the rapid decline in fixed-voice usage - Regulatory uncertainty, for example, spectrum auction - A tough competitive environment	- Continuously monitoring Telkom's sustainable Cost Management programme - Launching new products to drive revenue - Continuing with cash release initiatives, for example, the Supply Chain Finance programme - Maintaining adequate debt headroom and disciplined capital allocation with flexible capex investments and secured debt facilities - Maintaining a sound governance framework in ensuring transparent financial and operational frameworks and supportive credit ratios

#	Risk name	Risk definition	Mitigation and monitoring
7.	Inability to attract and retain suitable, resilient and healthy workforce to execute Telkom's strategy	Telkom's ability to attract and retain suitable scarce expertise for its strategy execution and to compete in a market that requires new skills (Internet of Things, cloud and information security). This risk is driven by the following key factors: - Alignment of skills needed to execute the business strategy - Ability to build workforce resilience (engaged and productive for the future) - Telkom's ability to protect the health of employees - Telkom's ability to address issues of gender parity - Employee engagement and support - A recruitment strategy that will merge the demands of business while allowing flexibility to the workforce alignment with market demand (i.e. adoption of a people-centric approach)	- Telkom's ability to address issues of gender parity - Employee engagement and support - Developing a recruitment strategy that will merge the demands of business while allowing flexibility to the workforce to align with market demand (i.e. adoption of a people-centric approach) - Developing and implementing change management processes to keep up with the pace of change and enable a robust environment - Continuously supporting employees through Occupational Health and Safety and Psychological Containment programmes
8.	Supply chain risks	Telkom's exposure to internal and external supplier-related risks has a potential to disrupt the business and cause revenue loss and reputational damage.	- Implementing a clearly defined supply chain strategy that considers supplier quality, diversification, risks, opportunities and liabilities - Developing and implementing policies and processes to manage the supply chain across the Group - Continuously conducting a comprehensive business impact analysis to get a clear understanding of exposure post the COVID-19 pandemic - Reducing the supply concentration - Creating collaboration platforms and a communication framework that have the potential to assist with cost management and error reduction as well as foster collaboration in matters like security and logistics