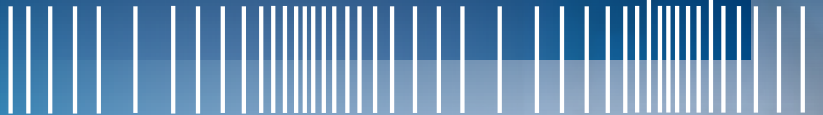


Telkom SA SOC Ltd

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.”

2022



Telkom

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

In support of Telkom Board's accountability for enterprise risk, the Telkom Group Enterprise Risk Management policy serves as the formal Board and Management acknowledgement of Telkom's commitment to the overall philosophy of risk management.

The policy guides Executives and Senior Management to encompass the principles, requirements and responsibilities for a sound approach towards both risk management and continuous internal control assurance required to conducting healthy business practices which are beyond reproach, aimed at stimulating business growth and sustainability under evolving economic, political, technological and social conditions in the business landscape the Group is facing.

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 Group
- 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 managing and dealing with the Group's risks, Telkom ensures:

- There is effective risk management, which is key to sustainability. It also underpins the Group's long-term relationship with its customers and other stakeholders
- Risk and opportunity management is clearly and consistently integrated into Telkom's culture and managed according to best practice
- People, processes and technology support the strategy underpinned by governance, risk and compliance requirements
- Group-wide interdependencies are recognised in enhancing business resiliency and that it anticipates, observes and responds to the macro- and micro-environments

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 disclosures contained herein should be read together with Telkom Group's 2022 Integrated Report, which also highlights our materiality themes.

#	Risk name	Risk definition	Mitigation and monitoring
1	Unstable and unpredictable regulatory dispensation	<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 - 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 - Monitor key risk indicators
2	Market forces and disruption exacerbating competition pressures	<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 the 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"> - Monitor the market and competitive landscape continuously, using intelligence to gain further insights - Develop product offerings that appeals 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 critical employees - Invest in technology that ensures agile and speedy solution delivery - Identify and address operational inefficiencies

#	Risk name	Risk definition	Mitigation and monitoring
3	Inability to attract and retain suitable, resilient, and healthy workforce to service and support the changing ecosystem	<p>The world is experiencing several changes, such as a shift in the way companies work, hybrid working models, customer behaviours, technology trends, etc.</p> <p>This requires talent that can provide a sustainable competitive advantage. Failing in this regard might result in the loss of our competitive advantage, 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
4	Increased focus and scrutiny on ESG matters	<p>Increased focus on ESG matters due to the rapid heightened importance of sustainability matters in society, an increase in climate change awareness, social inequality, and corporate misconduct.</p> <p>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
5	Financial sustainability	<p>Maintaining financial capacity 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 COVID-19 - Insufficient liquidity and/or cash flow deterioration - Ability to generate free cash flow - Customers' inability to pay on time - Unsustainable leverage ratios 	<ul style="list-style-type: none"> - Monitor Telkom's 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
6	Macro socio-economic instability	<p>Telkom is not immune to the critical characteristics introduced by socio-economic matters that influence consumer behaviours, preferences, attitudes and quality of life. Therefore, the instability creates uncertainty, particularly where consumers are critical to the Group's success.</p> <p>This instability impacts the levels of profitability and cash generation that are considered acceptable. It impacts 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 partnership - Strengthen corporate social responsibility initiatives - Develop and implement the youth employment strategy - Continue to invest in advocacy that assists in steering a positive behavioural change

Telkom
Consumer

open serve

BCX

swiftnet

Gyro