

## Seamlessly connecting our customers to a better life

“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 SA SOC Ltd

# Enterprise Risk Management Policy

2024



**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 amid 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:

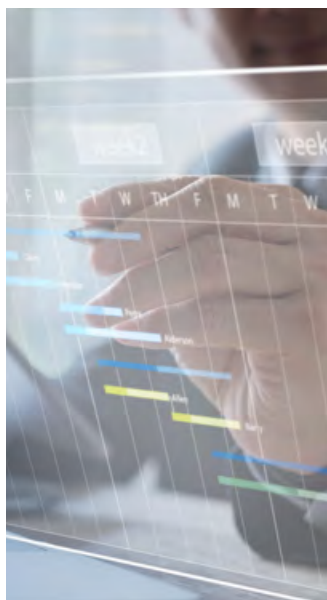
- Instilling risk management into the organisation's culture and the way business is conducted across the entire Group
- Integrating enterprise risk management into strategy formulation, activity planning, performance management and resource allocation decisions
- Adhering to best practices in managing 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:

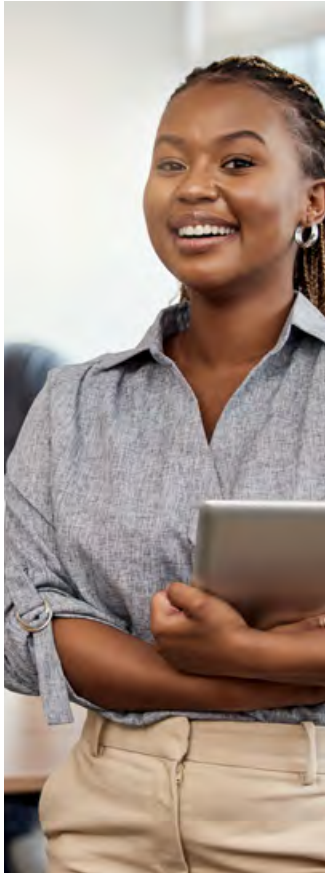
- Recognising that robust risk management is crucial for sustainability and maintaining strong relationships with customers and other stakeholders in the long term
- Embedding risk and opportunity management consistently and coherently into Telkom's culture, following best practices
- Supporting the 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 2024 integrated report, which emphasises our materiality themes.



Risk name	Risk definition	Mitigating and monitoring
<p><b>1</b> <b>Market forces and disruption exacerbating competition pressures</b></p>	<p>Telkom operates in a competitive and rapidly changing market. Increases in technological innovation, market deregulation, customer expectations and new entrants in the connectivity space exacerbate this risk, putting pricing and product offerings under pressure.</p> <p>Failure to respond swiftly to competitive threats could negatively impact the Group's prospects, including its market share, relevance, revenue growth and profit margins.</p>	<ul style="list-style-type: none"> <li>- Continuously monitor the market and competitive landscape, using artificial intelligence (AI) to gain further insights</li> <li>- Develop product offerings that appeal to customers and explore upselling opportunities</li> <li>- Develop and implement adaptive strategies focused on innovation</li> <li>- Investigate strategic partnerships to increase competitive advantage</li> <li>- implement and enhance our employee value proposition to ensure the competition does not poach critical employees</li> <li>- Invest in technology that ensures agile and speedy solution delivery</li> <li>- Continuously identify and address operational inefficiencies</li> </ul>
<p><b>2</b> <b>Inability to attract and retain suitable, resilient, and healthy workforce to service and support the changing ecosystem</b></p>	<p>The world is undergoing several changes related to how companies work, hybrid working models, customer behaviours and technology trends. This requires talent that can provide a sustainable competitive advantage. Failure in this regard could result in loss of competitive advantage, increased employee costs and delays in achieving the Group's strategy.</p>	<ul style="list-style-type: none"> <li>- Continuously implement the culture transformation journey</li> <li>- Review and implement the recruitment strategy to meet the demands of the business while allowing flexibility to the workforce to align with market demand</li> <li>- Develop and implement change management processes to keep up with the pace of change and enable a robust working environment</li> <li>- Implement future skills programme</li> </ul>
<p><b>3</b> <b>Increased focus/scrutiny on environmental, social and governance matters</b></p>	<p>Increased focus on ESG matters is due to the fast-growing importance of sustainability matters in society, including increased awareness of climate change, social inequality and corporate misconduct. This could impact Telkom's financial sustainability and reputation and limit access to opportunities.</p>	<ul style="list-style-type: none"> <li>- Implement the ESG strategy with defined roles and responsibilities</li> <li>- Continuously identify and monitor ESG risks</li> <li>- Continuously improve ESG maturity</li> <li>- Conduct climate risk assessments in all the regions</li> </ul>
<p><b>4</b> <b>Financial sustainability</b></p>	<p>Maintaining financial capacity is crucial to sustain and grow operations while building financial resilience to manage unforeseen economic events. This risk is due to:</p> <ul style="list-style-type: none"> <li>- A depressed economic environment</li> <li>- Insufficient liquidity and/or cash flow deterioration</li> <li>- Inability to generate free cash flow</li> <li>- Customers not paying on time</li> <li>- Unsustainable leverage ratios</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor our Sustainable Cost Management programme</li> <li>- Launch new products to drive revenue</li> <li>- Continue with cash release initiatives, such as the Supply Chain Finance programme</li> <li>- Maintain adequate debt headroom and disciplined capital allocation with flexible capex investments and secured debt facilities</li> <li>- Maintain a sound governance framework that ensures transparent financial and operational frameworks and supportive credit ratios</li> </ul>





Risk name	Risk definition	Mitigating and monitoring
<p><b>5</b> <b>Macro-environmental instability</b></p>	<p>Socio-economic challenges impact consumers' quality of life and influence their attitudes, behaviours and preferences.</p> <p>Since consumers are critical to the Group's success, this instability could lead to levels of profitability and cash generation that are unsustainable. It could also impact our shareholders' perspective on the Value Unlock Strategy and future growth.</p>	<ul style="list-style-type: none"> <li>- Formulate and implement initiatives and frameworks aligned with the National Development Plan</li> <li>- Increase collaborative efforts with social agents and foster private-public partnerships</li> <li>- Strengthen corporate social responsibility initiatives</li> <li>- Continue to develop and implement a youth employment strategy</li> <li>- Monitor micro-economic indicators to guide financial decision-making and strategy execution</li> <li>- Monitor geopolitical developments and their effect on strategy execution and operations</li> <li>- Develop products and services that remain competitive to meet changing customer needs</li> </ul>
<p><b>6</b> <b>Inability to manage and meet material stakeholder expectations</b></p>	<p>Inability to meet stakeholder needs and expectations, which could result in:</p> <ul style="list-style-type: none"> <li>- Diminished reputation</li> <li>- Loss of trust, investor confidence and access to capital</li> <li>- Customer dissatisfaction, loss of market share, and diminished brand reputation</li> <li>- Public backlash and potential boycotts of our products and services</li> <li>- Low employee morale, decreased productivity, and increased employee turnover rates.</li> </ul>	<ul style="list-style-type: none"> <li>- Review and enhance the stakeholder management framework</li> <li>- Implement effective communication strategies to manage and align expectations</li> <li>- Continuously monitor and track performance against stakeholder expectations, creating opportunities to revise plans, collect feedback and adapt to evolving needs to ensure alignment</li> </ul>

**Telkom**  
Consumer

open serve

**BCX**

swiftnet

**Gyro**