MTN

Group Risk & Compliance

Evolving maturity of risk management

In line with Ambition 2025 objective to enhance governance the following significant developments since launch of the strategy has elevated the risk management across MTN and enhanced maturity of the various 2nd line disciplines

2020

- Operationalised the risk appetite framework, giving management greater understanding of risk preference along with key risk indicators to monitor tolerance levels
- Introduced catastrophic risk scenarios.
- Introduced stress testing of annual business plan for a variety of possible scenarios and identified appropriate mitigations
- Introduced strategic risk assessments on **Ambition 2025** to identify strategy risks and develop mitigations.

2021

- Created Chief Risk Officer Role effectively elevating risk management, compliance, internal audit and forensic services to Group Exco
- Enhanced timely flow of risk issues from operating companies to the Group using the Group's risk management framework.
- Enhanced our maturity model to improve risk culture and processes across Opcos.

2022

- Continued monitoring of key risks and facilitation of discussion across the organisation, including embedding subcommittees of Exco focused on risk and compliance matters.
- Applied risk management focus on strategic separation initiatives and special projects.
- Adopted performance metrics for risk and compliance in line with **Ambition 2025**.
- Set-up risk and compliance function in Fintech
- Roll-out of a "gatekeeper kpi" – the RACE Index which requires OpCos to meet risk, audit, compliance and ethics scorecard objectives, outside of normal commercial KPI tracking

2023

- Internal Control Improvement programme – rolling out risk and control matrices for mega and major processes across all OpCos
- Data Privacy programme run from the Group.
- Setup of partner trade compliance and sanctions teams.

Key matters

Enterprise wide risk management from the centre has enhanced MTN's ability to coordinate response to risk issues and crisis. The following are a few selected achievements over the last three years in line with Ambition 2025 enhanced governance objective

Ghana (GRA) Tax Matter

- A tax reassessment of several years declared revenues resulted in a tax claim of over USD1Bn.
- We vigorously defended our revenue submissions and were able to work closely with the tax authority to resolve

Finance

- Macroeconomic response
- The uncertainties during the pandemic and subsequent global inflationary and interest rate pressures required a coordinated response across functions and markets.
- We were able to address supply chain issues and achieve expense efficiencies of around ZAR6.bn over the three years.

Governance

- Established dedicated subcommittees of Group and OpCo excos that enables robust discussion on risk and compliance.

ESG

- The ESG initiatives driven from the Group Corporate Affairs team starts with risk assessments; and a dedicated risk category allows for a centralised view of all ESG related issues.

Operations

- Vendor Risk and Concentration Framework
- Taking a group-wide view prompts development of strategies and thinking across several functions, for example the efforts by the Network and GSSC teams to re-look at vendor supply in the core network

Strategy

- With excellent tone from the top / Exco support, we have embedded good behaviours such as ensuring risk assessments performed for all strategic projects and decisions.
- In addition for annual budgeting and planning we introduced process of stress and shock testing of the annual budgeting process.

Enhanced enterprise risk management enables us to take lessons learned across markets

- In general improved flow of risk information across the organisation enables timely escalation and wide input into mitigations

Overview of risk and ethical culture

High risk management maturity levels across the organisation, beyond best practice frameworks and methodologies.

Risk Management at MTN is in the interest of all our stakeholders and national infrastructure in our markets.

- We have an embedded culture of protecting people and assets – with demonstrated risk ownership with over two decades of dedicated risk management structures and resources.
- Risk Management at MTN has significantly matured becoming truly embedded across the full spectrum of Management decision making, from strategy formulation to operations.
- Risk & Compliance teams are in place at Group and in each OpCo driving Ambition 2025 objectives of elevating ERM and Internal Control.

The maturity of MTN's risk management culture and behaviours is admirably reflected by the channels of information flow to discuss and assess issues and risks.

- The Risk Acceptance and Escalation Process has been key to driving information sharing and discussion at all levels.
- A culture of information sharing recognises the wisdom of the crowds in formulating meaningful, enterprise wide mitigations
- The RACE Index is a performance management tool deployed across the organisation..
- RACE stands for Risk, Audit, Compliance and Ethics – the index includes extensive obligations at the functional and OpCo levels including risk escalation and risk reducing initiatives,
- The RACE Index serves as a "Gatekeeper" that caps performance bonuses should risk and assurance requirements not be achieved.

Overview of risk and ethical culture (continued)

Ethical Culture is the foundation of sound Risk Management. In 2022, we benchmarked ourselves against other international multinationals

- In 2022 we underwent an ethics maturity survey administered by US-based organisation Ethisphere.
- Previous years surveys were performed by The Ethics Institute of South Africa; with our scores as follows: 2016 = 63; 2020 score = 71
- Although a different index and methodology, our 2022 Ethisphere Group Ethical Culture Quotient score = 79;
- The benefit of the Ethisphere survey is that it allows us to benchmark against international multinational. The Global Benchmark Quotient is 85
- - We view ethical culture and behaviours as the foundation of sound risk management; hence the ethics program is run out of Group ERM along with oversight by the Boards Social and Ethics Sub-committee.

Crisis Management and Resilience

- The face of Risk Management is often times crisis situations – such as the early days of Covid or the ongoing responses required across our markets.
- In view of this Group Risk drives integrated crisis management structures across the organisation; and crisis readiness (i.e. contingency planning and testing) for all ‘High’ and ‘Very High’ risk scenarios; and Root-cause-analysis for major crisis incidents; along with ongoing efforts to de-risk critical network elements with DR planning, Data backup and testing

Governance and Risk Management Framework

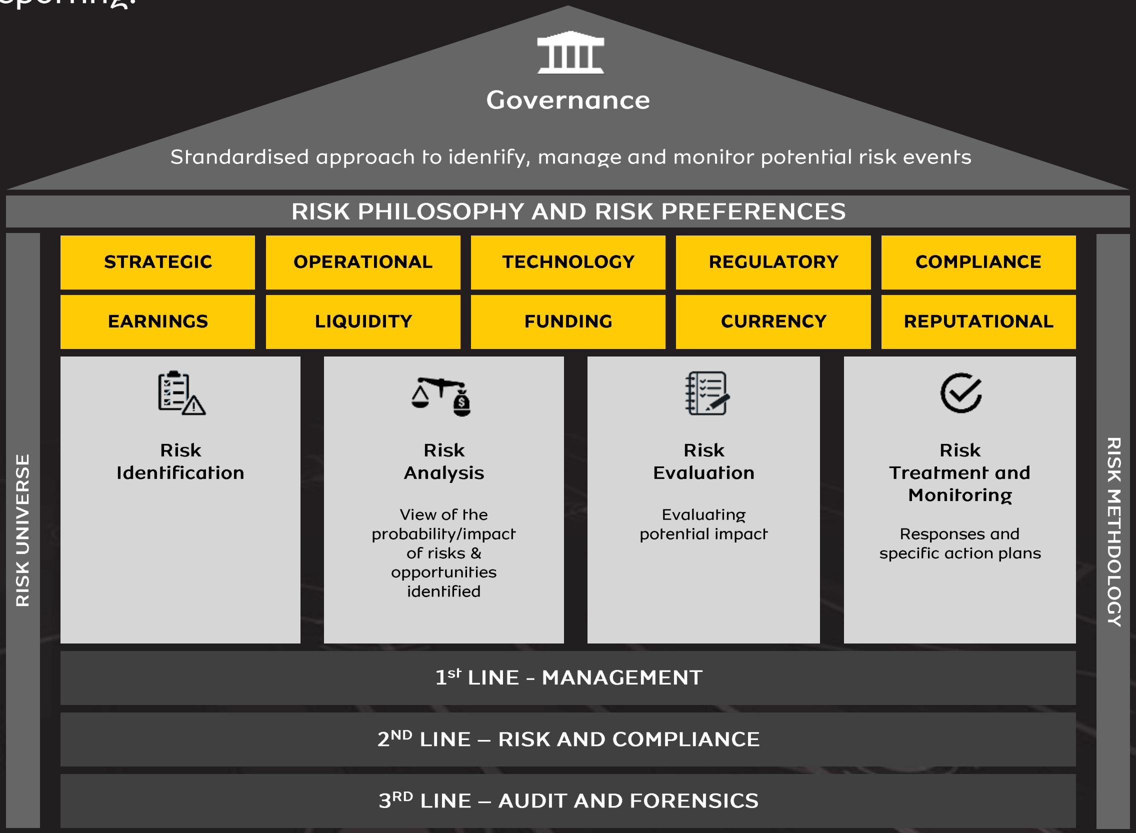
- A Group-issued Risk Management Policy is in place and adopted at OpCo Level
- ERM and Integrated Assurance framework and methodology are developed and rolled out across the Group.
- The Principal Risk Universe guides all ERM activity.
- Standard reporting templates are in place for ERM Monthly and Quarterly Reporting.

Integrated approach that co-ordinates the activities of the three lines of defense

Well defined risk philosophy and risk preferences for key risk types

E.g.: The resources and maturity of Risk Management at MTN enabled timely development and rollout of a coordinated Group-wide pandemic response during 2020

Enterprise risk management (ERM) framework aligned to:
- ISO 31000 International Risk Management standard
- COSO framework
- King IV



How we manage group-wide enterprise risk

1. Enterprise Risk Management (ERM) at MTN is a centrally driven strategy and process

2. Its objective is to ensure that Management have the tools and techniques to identify threats and opportunities that impact strategic and operational objectives

3. Dedicated ERM resources are in place at Group and each OpCo

4. Management Exco teams have Risk Management as a standing agenda item

5. Risk Committees (and teams) at Group and OpCo level driving Ambition 2025 objectives of elevating ERM and Internal Control

6. The scope of ERM covers the full ambit of all MTN activities; which the Principal Risk universe seeks to capture

Risk and compliance overview | Principal Risk Categories

Risk and Compliance at MTN

- From a governance perspective there is an approved Risk Management Policy is in place.
- R&C methodologies across the disciplines draw from best practice frameworks such as COSO, ISO, professional bodies and the collective experience within the teams.
- R&C mission is to make risk thinking a core competency in 1st line Management by promoting a risk and compliance culture supported by top-down and bottom-up processes aimed at completeness and proportionality of mitigating actions.
- One example of good risk culture is the "Risk Escalation and Acceptance Policy" that requires documented escalation and cross functional discussion for certain levels of risks and issues. This is very well embedded across all OpCos and at all levels.
- Another excellent example of embedded risk and compliance, and Management's commitment, is the RACE Index.
- RACE stands for Risk, Audit, Compliance and Ethics – and works as a Gatekeeper KPI from OpCo CEO's down. This means that bonus is capped at max of 90% should risk and compliance objectives for the year not be met.

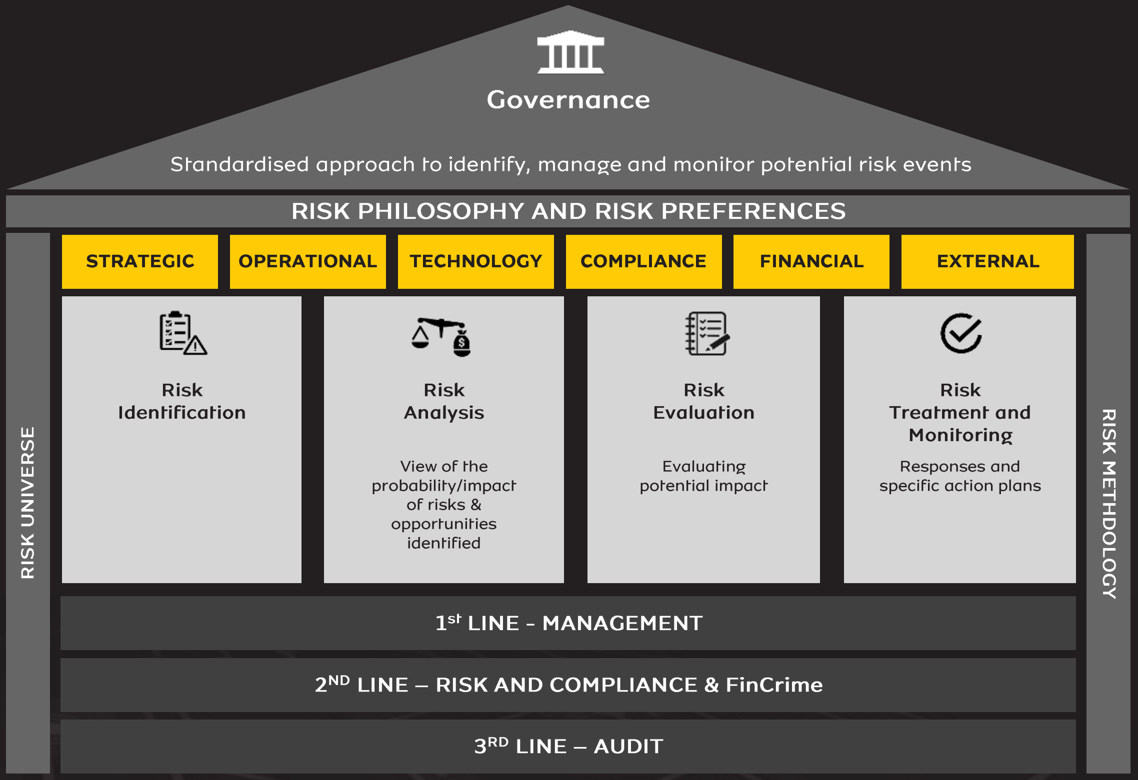
Principle Risk Categories – Risk Universe

- The key enabler of risk entails use of a focused principal risk universe. In the first instance, the risk universe provides a two-tiered risk categorisation that enables uniform mapping of issues for bottom-up integration and consistency. Currently we have 6 tier 1 risk categories and 28 tier 2's.*
- From the top-down perspective, the principal risk universe guides management to achieve completeness of risk identification.
- The principal risk universe is dynamic and periodically reviewed to reflect changes in strategy, organisation and operations.

Group Fintech Risk, Compliance, FinCrime, and Audit Journey

The Group Fintech Team is well underway in fully resourcing the Risk, Compliance, FinCrime, and Audit teams leveraging Group MTN's mature practices and developing bespoke governance processes for the Fintech business.

1. **Key focus on structural alignment and recruitment** of the right resources for Risk, Compliance, FinCrime, and Audit at all the markets. Increase engagements with the Fintech R&C community for better planning and execution.
2. **Deployment of industry-leading tools** to support the R&C teams across all the markets and assist with managing reporting information intelligently. Archer integrated risk management and SAS (modules outside Fraud and AML) will be the tools to be deployed.
3. **Better understanding and management of the Fintech Risk profile,** refresh of Fintech OpCo risk profile through risk assessment based on new R&C Methodologies that have been developed
4. **Embedment of risk management governance across Fintech OpCo,** roll out the ERM Policy, ERM Methodology, Risk Philosophy, Compliance Policy, AML Policy, ABC Policy, Fraud Policy, Audit Methodology and execute the Combined Assurance Plan.
5. **Build a controls-based culture in Fintech,** the priority focus will be on rolling out a controls improvement project for Fintech OpCos and continuing with GSMA certifications.
6. **Maturing Technology and Information Security Resilience,** through a structured programme with Group Fintech Technology and Fintech OpCo to ensure sustainability in the platform and business continuity.



- The revised Group Fintech Risk assessment has resulted in the identification of 6 principal risks and 26 principal risk categories.
- The key drivers of our risk management philosophy are based on the tenets of risk innovation, risk in expansion, and proactive risk management processes.

Thank you