

## RISK DISCLOSURE

The Board of Directors (“Board”) of Frontier Transport Holdings Limited (“the Company” or “Frontier” or “the Group”) acknowledges that it is accountable for the Group’s process of risk management and systems of internal control. Each of the Group’s subsidiaries similarly has its own board of directors responsible for the risk management and systems of internal control of such company and its business.

The Audit and Risk Committee (“Committee”) is accountable to the Board for monitoring the risk management process, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and senior management.

The following risk management measures have been implemented as a minimum at Frontier and its subsidiaries:

- management designs, implements and monitors the risk management policies (as approved by the Board);
- risk assessments are performed on an ongoing basis;
- frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risk monitoring is continuous; and
- the Board receives assurance regarding the effectiveness of Group risk management.

Risk registers are presented to the Committee, which identify the most significant risks based on likelihood and impact of occurrence, with mitigating controls documented per risk. This is achieved by requiring that subsidiaries report their key risks and responses to the Committee at each Committee meeting. The Chairperson of the Committee reports the most significant risks derived from the above process to the Board.

The Committee has appointed GRIPP Advisory Proprietary Limited to perform the internal audit function who report directly to the Committee. In assessing the system of internal control, the Committee reviews the internal audit reports and interrogate the findings directly with the internal auditors.

The Board, on recommendation from the Committee, concluded that the systems of internal control and the risk management process were effective for the financial year ended 31 March 2022. The Board is satisfied that there was no material breakdown in controls at either the Company or its subsidiaries during the past financial year.

Pursuant to paragraph 8.63(s) of the JSE Listings Requirements, below is a description of immediately identifiable material risks for the Frontier Group. The risk disclosure contained herein should be read together with Group’s 2022 Integrated Annual Report.

Key risks	Risk description	Risk response
Pandemic risk and Government-imposed lockdown in response	<p>Services, staff and passengers are susceptible to pandemic emergencies, and breakouts of infectious diseases.</p> <p>Passengers may stop using the service and/or reduced passenger numbers may result due to social distancing requirements.</p>	<p>Educate and train staff on causes and spread of illness.</p> <p>Adhere to Government standards (to ensure essential service categorisation remains in place and business is able to operate).</p> <p>Focus on cost containment to minimise financial losses.</p>

Key risks	Risk description	Risk response
Operational contract	Changes to Government policy	<p>Ensure Government understand bus operation's contribution to economy through regular SABOA meetings with Government.</p> <p>Focus on operational efficiency to meet service requirements of contracts.</p>
Competition	Competition from other modes of transport (which are not regulated), other bus operators and train services.	<p>Aim to provide better service through pricing and service quality.</p> <p>Upskill staff to provide better customer service and driver behaviour.</p> <p>Focus on fleet maintenance and management to reduce number of breakdowns and accidents to ensure good quality vehicles.</p> <p>Subsidiary companies have established passenger forums within communities.</p> <p>Stringent cost control measures to minimise the need for increase in fare prices.</p>
Societal	<p>Continual risk of theft and crime on buses prevalent in a cash business (passengers also carry valuables). Risk of theft at ticket offices where cash is deposited.</p> <p>Buses at risk of damage/destruction from service delivery protests in the areas in which services operate.</p>	<p>Potential theft of company cash by drivers is mitigated by ticket inspectors on buses, electronic fare collection system allows for daily checking of floats and revenue.</p> <p>Physical security measures in place at ticket offices and necessary cash reconciliations performed.</p> <p>Management work closely with law enforcement to keep abreast of "hot-spot" areas and communicate with drivers accordingly.</p> <p>Installation of panic buttons, camera's and drop safes across the fleet.</p> <p>Necessary insurance for financial losses.</p>

Key risks	Risk description	Risk response
People, employment equity	<p>There is a lack of suitably qualified and skilled staff from designated groups, particularly woman and individuals with disabilities, to fill technical and management vacancies.</p> <p>Recent changes to the employment equity act are being incorporated into company policy documentation.</p>	<p>The training and recruitment centre provides quality training to staff.</p> <p>Recruitment drives incorporate employment equity requirements.</p> <p>Market-related salaries and incentives are provided to retain quality staff.</p>
Information technology	<p>Cyber-attacks and loss of data.</p> <p>Reliance on technology, business continuity.</p>	<p>Necessary skills and equipment in the IT department to implement, manage, monitor and safeguard IT systems.</p> <p>Internal control and IT control environment testing carried out by internal audit to identify and address any identified weaknesses.</p>
Electrical and fuel supply/sustainability	<p>Loadshedding impacts all companies within the group, our staff and our customers.</p> <p>A fuel shortage would affect operations across the group</p>	<p>Generators and solar panels have been installed at most locations.</p> <p>Sourcing alternative suppliers for fuel</p> <p>Procuring electric vehicles which will reduce reliance on the supply of fuel.</p> <p>Implementation of sustainability initiatives across the operations.</p>
Macro and micro economic factors	Changes adversely impacting market risk (interest rate, exchange rate, fuel price, etc.)	Fares can be increased to mitigate negative changes in market risk.
Compliance	Inadvertent transgression of laws and regulations	<p>Compliance with laws and regulations form part of the operating environment.</p> <p>Independent tax and legal advice is obtained as required, as well as continuous interaction with sponsors to ensure ongoing regulatory compliance.</p>