



Sebata Holdings

INNOVATIVE SOLUTIONS

Material Risks Disclosure: Financial Year Ended 31 March 2026

Material Risks

Sebata's risk management framework is designed to identify, assess, and mitigate risks across all business units in alignment with the Group's strategy and governance responsibilities. The Audit and Risk Committees, supported by internal audit and management, monitor material risks on an ongoing basis and ensure that appropriate controls and mitigation strategies are in place. The risks outlined below represent the key challenges currently facing the Group.

Liquidity Risk

The Board of Directors has assessed the Group's liquidity position and adopted the going-concern basis in preparing the annual financial statements. While pressures on cash flow remain, particularly linked to government clients' payment cycles, the Group has implemented robust working capital management practices, strengthened internal financial controls, and ensured access to sufficient funding lines. Based on these measures, the Board is satisfied

that the Group has the resources and flexibility to continue as a going concern for the foreseeable future.

Cyber Security Risk

Given Sebata's reliance on ICT systems and platforms to deliver products and services, cyber-security remains a core risk. Threats such as data breaches, ransomware, and system downtime could materially disrupt operations. Mitigation strategies include cloud-based network environments with real-time monitoring, continuous software updates, secure firewalls, and rolling back-ups. The Group also invests in internal IT capacity to strengthen resilience and ensure that incidents are promptly identified and contained.

Political and Regulatory Risk

As a significant portion of the Group's revenue is derived from Local and Provincial Government contracts, changes in political leadership and regulatory frameworks may affect continuity of service provision. Election cycles can result in changes to priorities or spending patterns. While such changes can also create opportunities, the risk of contract non-renewal or client attrition remains. Sebata mitigates this risk through legally robust contracts, proactive stakeholder engagement, a diversified client base, and leveraging its empowerment credentials in line with South Africa's transformation agenda.

Billing and Credit Risk

The financial challenges facing many municipalities and state entities create heightened risk in respect of billing and collections. Delayed or partial payments for services rendered impact liquidity and cash flow. Sebata mitigates this risk through contractual safeguards, including suspension-of-services clauses, close monitoring of debtor ageing, and engagement with National Treasury regarding equitable share allocations. Legal remedies are pursued where appropriate to protect shareholder value.

Supply Chain and Infrastructure Risk

The Group's water metering and manufacturing businesses remain exposed to supply chain disruptions, including dependency on imported components and domestic infrastructure challenges such as unreliable electricity supply. To mitigate these risks, Sebata has established a dedicated procurement committee, diversified its supplier base, invested in buffer stock strategies, and explored alternative energy solutions to support manufacturing continuity.

Employee Retention and Skills Risk

The Group's competitive advantage is underpinned by its highly skilled workforce, particularly in ICT software development and technical services. Scarcity of critical skills in the South African market creates a risk of attrition and increased labour costs. Sebata addresses this risk through retention initiatives, including targeted incentive schemes, succession planning, continuous upskilling of employees, and fostering a performance-driven, ethical culture aligned with long-term business sustainability.

Unethical Behaviour and Fraud Risk

Due to the nature of services provided to government entities, Sebata is exposed to risks of unethical behaviour, including fraud and corruption at operational levels. The Group has a zero-tolerance approach to misconduct and has implemented strong internal controls, segregation of duties, and regular monitoring. The independently operated Sebata Ethics Hotline provides a confidential channel for reporting concerns, with all reports escalated to management and the Audit Committee for review and action.

Tender and Procurement Risk

Opaque tender adjudication processes and administrative inefficiencies within government procurement structures present a risk of lost business opportunities. Sebata mitigates this by ensuring strict compliance with tender requirements, proactive relationship management, and the pursuit of opportunities across multiple service lines and regions to reduce dependency on any single procurement outcome.

Risk Governance and Oversight

The Audit Committee, in collaboration with the Risk Committee, provides oversight of the Group's combined assurance model. Through regular reviews of risk registers, management reports, and assurance from internal and external audit, the Board is satisfied that significant risks are adequately addressed. In line with King IV principles, the Audit Committee has reviewed the integrated report and is satisfied that disclosures are fair, balanced, and aligned with Sebata's financial, operational, and governance performance.

Risk Registers specific to the various subsidiaries of Sebata may be requested from the company secretary if required.