

2015



cutting through complexity

Risks for Telecommunications



Increased competitive pressures, emergence of fast evolving digital technologies and global economic uncertainty are key factors in the current risks landscape.



KPMG Risk Consulting assists clients to develop robust risk mitigation methods by interpreting the underlying drivers of global risks.

KPMG presents our view of the top risks by value driver faced by corporates in the Telecommunications sector

Strategy

Declining voice revenues, resulting in reduced growth of overall mobile revenues

Increasing pressures to develop, upgrade and successfully launch and market **new products** to meet unpredictable customer demand

Profitability

Inability to effectively and efficiently invest and **upgrade network and IT technology**

The risk of **adverse movements in interest rates and exchange rates**

Inability to compete against the price, network coverage, quality of product and customer relationship management offered by competitors

Growth

Expanding international operations leading to risks due to non-compliance with various regulations, economical and political developments, discriminatory fiscal policies etc.

Operational Excellence

Poor infrastructure across rural regions of Asia and Africa **increases operational cost** and adversely **impacts penetration**

Damages to network and billing infrastructure due to major upheavals such as diseases, strikes and other disasters can affect operations in national and international markets

Reliance on suppliers for sourcing most of the components, parts and systems, which has increased the concentration of risk

Rise in **network capacity constraints**

People

Operational risk resulting disruption by labor unions, strikes, work stoppages

Technology

IT risks relating to malfunction or disruption in the operation of the systems, or a security breach, could adversely impact of the company's ability to compete

Technological risks relating to rapid development of technology and the effects of product substitutions, malfunction or disruption in the operation of the systems.

Compliance

Increased litigation are leading to companies paying significant amounts of money in damages or settlements

Growing dispute over **spectrum pricing and deployment**

Risks related to **infringement of intellectual property rights** and non availability of rights to use the intellectual properties of third parties that are necessary for the conduct of business

Regulatory and compliance risk due to changes in international and domestic laws, rules, policies and tax regulations

Reputation & Ethics

Risk to **reputation/brand** as a result of negative assessment or comments from stakeholders

Health, Safety & Environment

Increase in costs for pension benefits and active/retiree healthcare benefits are **reducing the probability** and **increasing funding commitments**

Stringent environmental regulations by governments to reduce radiations from base station hinders infrastructure development.

**Risks have not been listed in any particular order*

LEGENDS



Contact us:

Ashley Smith

Internal Audit, Risk & Compliance Services
Practice leader for Europe, Middle-East & Africa (EMA)
T +27 (0)82 719 2392
E ashley.smith@kpmg.co.za