



**CORPORATE PLAN**  
For the Period  
**2018/19- 2022/23**

Official Sign- off

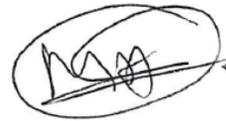
It is hereby certified that this Corporate Plan:

- was developed by the Management and Board of Broadband Infraco SOC Limited;
- takes into account all the relevant policies, legislation and other mandates for which Broadband Infraco is responsible; and
- accurately reflects the strategic, outcome-oriented goals and objectives which Broadband Infraco will endeavour to achieve over the period until 2023.

It is also certified that this Annual Performance Plan:

- was developed by the Management under the guidance of the Board of Directors' of Broadband Infraco;
- was prepared in line with the current Corporate Plan of Broadband Infraco; and
- accurately reflects the performance targets which Broadband Infraco will endeavour to achieve, given the resources available in the budget for 2019-2023.

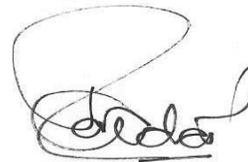
Furthermore, the performance information has been simplified and it is measurable, accurate and reliable with definite timelines



Manager PIM:

Motlatso Okine

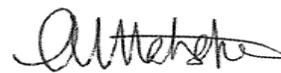
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Chief Financial Officer:

Ian van Niekerk

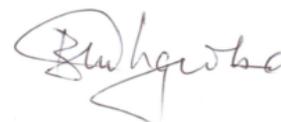
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Chief Executive Officer:

Andrew Matseke

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Chairperson of the Board:

Mandla Ngcobo

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## **ANNEXURES**

- A: Financial Plan 2019- 2023**
- B: 2018/19 Annual Performance Plan**
- C: Employment Equity Plan 2018-2021**
- D: Risk Management Plan 2018- 2019**
- E: Fraud Prevention Plan 2018- 2019**
- F: KPI Technical Description 2018-2019**



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## EXECUTIVE SUMMARY

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The Board and Executive Management of Broadband Infraco SOC Limited (“the Company”) hereby present the Company’s five year Corporate Plan for 2019 to 2023 and the Annual Performance Plan (APP) for 2018/2019.

The Corporate Plan and Annual Performance Plan are prepared and presented to the shareholders, namely the Minister of Telecommunications and Postal Services (Executive Authority in terms of the Public Finance Management Act 1 of 1999) in his capacity as the Executive Authority and shareholder representative on behalf of the government of South Africa, and to the Industrial Development Corporation (IDC) of South Africa, as the secondary shareholder.

The Company utilises the Corporate Plan, Shareholders Compact and Annual Performance Plan, Quarterly Reports, Integrated Annual Report, Annual Financial Statements as its main accountability instruments, including any other information that may be requested by the Shareholders from time to time.

The Corporate Plan is tabled annually in Parliament in compliance with the requirements of the Public Finance Management Act No.1 of 1999, as amended (the “PFMA”); the Money Bills Amendment Procedures and Related Matters Act, 2009; the National Treasury Regulations issued in terms of the Public Finance Management Act and the Companies Act No 71 of 2008.

The primary aim of this Corporate Plan is to provide insight into Broadband Infraco’s value proposition and strategy, opportunities and risks, its business model and governance framework. It also serves to provide a synopsis of past performance against its strategic objectives in a manner that affords stakeholders a holistic view of the Company and its potential to successfully deliver on its future commitments.

The Corporate Plan presented includes information on the rollout of SA Connect (Phase 1) and forward-looking material to enable stakeholders to make an insightful assessment of the Company’s prospective value creation ability.

This Corporate Plan is tabled against the background of a decisive turnaround strategy entrenched in the Company.



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## **PART A STRATEGIC OVERVIEW**

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### **1. Vision Statement**

Broadband Infraco's vision is as follows:

**“To be recognised as the provider of choice for end-to-end communication services.”**

The Company's critical success factors are:

- To enable high-speed broadband connectivity for all provinces, districts and municipalities in South Africa;
- To connect to all six (6) neighbouring countries of South Africa; and
- To connect countries on the west coast of Africa to the West Africa Cable System.

### **2. Mission Statement**

Broadband Infraco's Mission is to:

- Expand the availability and affordability of access to electronic communications networks and services, including but not limited to underdeveloped and under-serviced areas;
- Ensure that the high capacity connectivity and bandwidth requirements for specific projects of national interests are met;
- Enable national and regional private and public collaboration on infrastructure development;
- Remain relevant to customers and stakeholders by offering products and services that fulfil their needs; and
- Delivery on the Shareholders mandate.

### **3. Values**

#### **Active Engagement of Stakeholders**

Broadband Infraco will proactively engage its stakeholders to understand their requirements.

#### **Excellence in service delivery**

Broadband Infraco is dedicated to satisfying its customers' needs. The Company respects its customers, and understands their requirements by providing them with quality services within the agreed timeframes and at affordable prices.

#### **Executes in a simple, flexible and timeous manner**

Broadband Infraco's design philosophy is to be flexible in order to accommodate customisation of solutions for its customers timeously for value add.

#### **Acts with integrity in all that we do**

Broadband Infraco's directors and employees are personally accountable for the highest standards of behaviour, including honesty and fairness in all aspects of their work. Broadband Infraco's personnel will fulfil their commitments as responsible citizens and employees. Broadband Infraco will consistently treat customers with the respect they deserve.



## Open and transparent communication

Broadband Infraco builds and maintains mutually beneficial relationships with its stakeholders through open and transparent communication.

### 4. Legislative Mandate

Broadband Infraco's legislative mandate is set out in the Broadband Infraco Act No 33 of 2007 (the Act). The main object in terms of the Act is to expand the availability and affordability of access to electronic communications, including but not limited to, under-developed and under-serviced areas.

The Company is a Schedule 2 public entity in terms of the Public Finance Management Act 1 of 1999 (PFMA).

### 5. Situational Analysis

#### 5.1 Five-Year Performance Overview: 2012/13 to 2016/17

##### 5.1.1 Network Performance over the period 2012/13 to 2016/17

Network Service Availability is a measure of the reliability of customer service that Broadband Infraco provides. This is a measurement of the actual time that the customer services are available (up and running). Broadband Infraco continues to deliver on its mandate by ensuring that all the customers' contracted service levels are upheld.

The illustration of the overall network performance trends shown in figure 1 below covers the period from the 2013 Financial Year to 2017. During this entire period, the network service level availability performed above the contracted requirement. This was as a result of increased efforts from employees as well as the rigorous regime of preventative maintenance taking place.

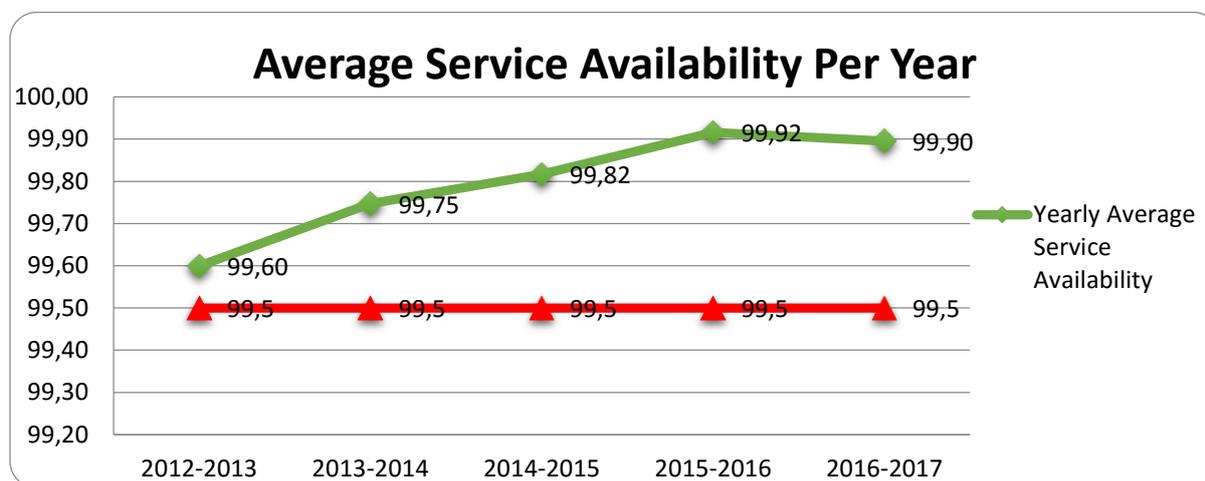


Figure 1 Average performance levels per customer to date



### 5.1.2 Financial Overview

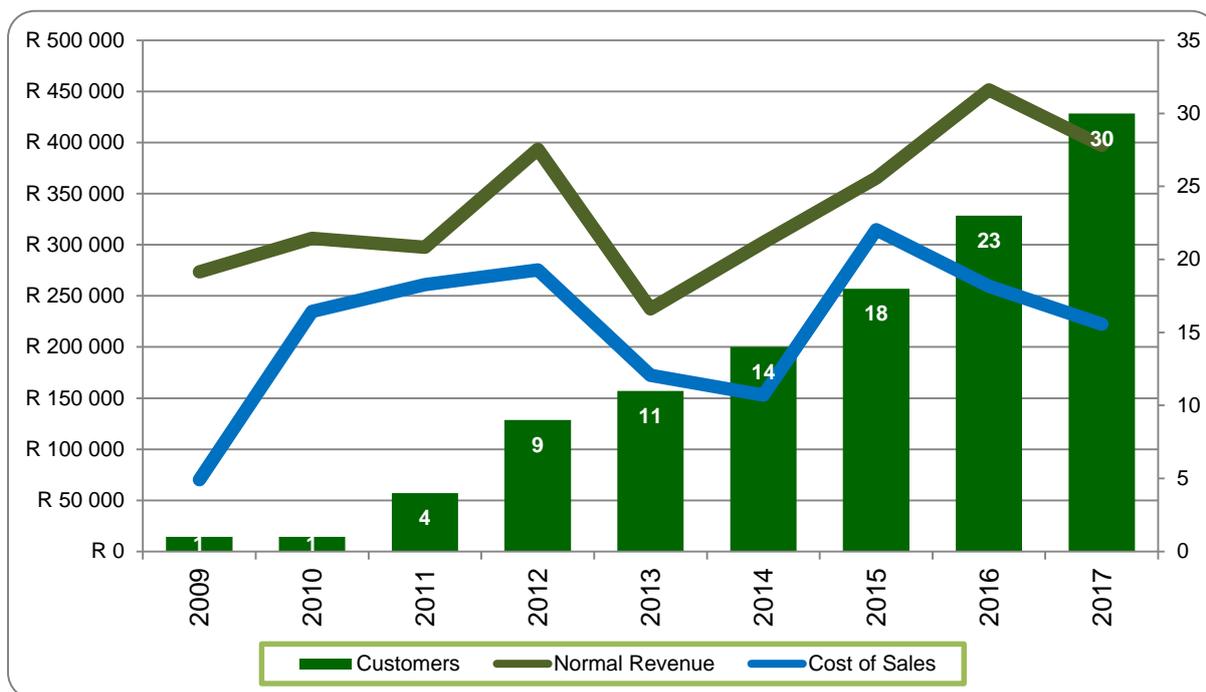


Figure 2 Financial Performance of the company over time

**Revenue** – The Company has grown its customer base from only 11 in 2013 to 30 in 2017. In line with customer growth, revenue has been increasing steadily year on to levels exceeding R450 million in 2016. 2017 saw a consolidation of contracts that led to a planned decrease in both revenue and cost of sales.

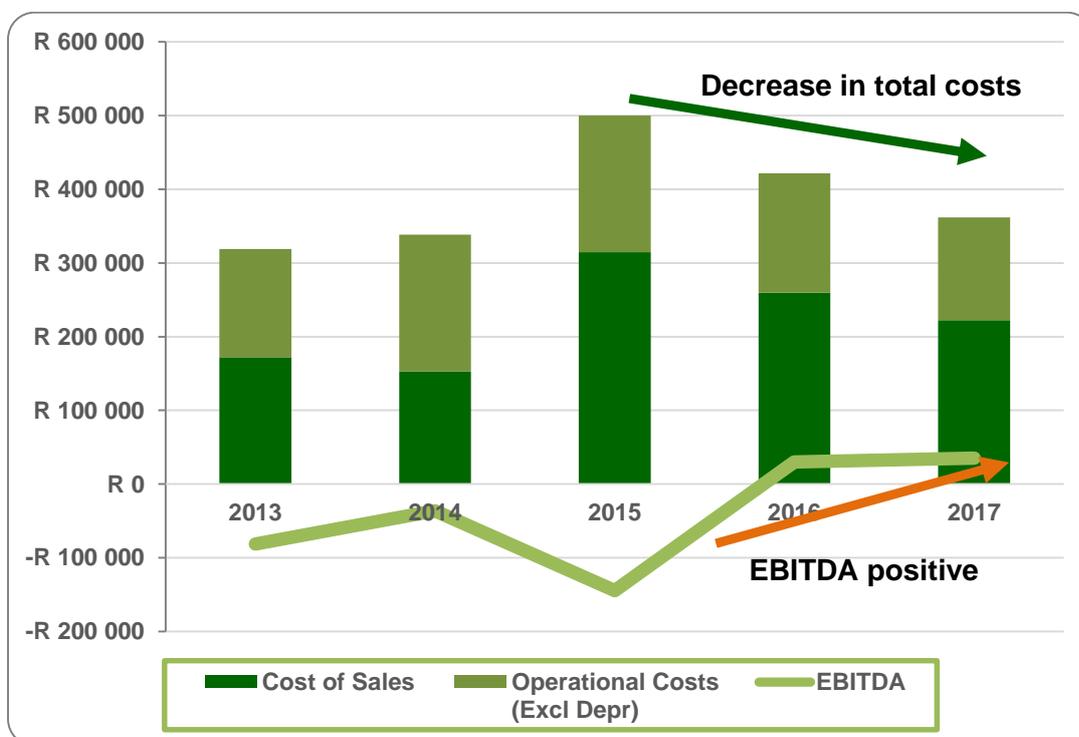


Figure 3 Overview of the Costs and EBITDA over time



**Cost of Sales** - Management continued optimisation initiatives from the previous period to reduce the cost of sales by re-negotiating maintenance contracts and fibre lease agreements which resulted in a sustainable reduction in cost of sales

**Operational Costs** – Operating expenditure increases were also kept to below inflation by good cost management and cost optimisation initiatives by management.

**Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)** – The improved sales and good cost management initiatives enabled the Company to have a positive EBITDA during both the 2016 and 2017 financial years. A positive trend which is set to continue.

### 5.1.3 Human Resources Overview

The Company recognises that human capital management is a critical component of its existence with a significant contribution towards its sustainability and growth. As a result, the Human Resources division continually strives for the development and implementation of best, legally compliant and most appropriate talent management practices.

Broadband Infracore has successfully positioned itself as a key role player in the provisioning of telecommunications infrastructure and services. This brings with it the challenges of building adequate human resources capacity for the proficiency to build and maintain these services; in order to grow and retain a solid client base.

There has been concerted drive for the evolution of the Human Resources Management function to transform into an aligned strategic partner with value add. Since 2013 HR has focused on reviewing the role of the division with the intention to provide human capital management to the strategic goals of the organisation. Equally significant was the need to enhance and advance its capability to enable support for effective people management practices.

- **Short Term:** To create an enabling and legislatively compliant employee management environment.
- **Medium Term:** To develop integrated talent management strategies for increased role effectiveness.
- **Long Term:** To adhere to world class human capital management philosophies and practices.

Over the past 5 (five) years, the HR function has enhanced its value add and earned itself recognition for facilitating a successful organisational transformation process by establishing basics for good people management practices, an effective employee performance monitoring system, talent attraction and retention strategies, integrated human resources development and organisational effectiveness and efficiency enhancement strategies.

The recent labour legislation framework review has added to the need to review human capital management practices in accordance with applicable amendments. The Company's financial performance and adoption of cost containment measures has also presented a challenge where HR has not been able to meet the planned legislative imperatives.

The Company has been grappling with the risk of loss of critical skills and inability to retain talent due to future uncertainty. This situation has created a challenge for building required human resources capacity and critical skills set to ensure successful execution. Capacity building strategies such as succession planning could not be effectively instituted. There has been an improvement in the Company's human capital outlook, partly due to the market awareness about its role in the implementation of SA Connect.



#### 5.1.4 **Socio-Economic Performance**

As a key pillar of support to the delivery of the Company's mandate, Supply Chain Management (SCM) continues to play a role in transformation by contributing to Broad-Based Black Economic Empowerment (B-BBEE) through a management system that enables all stakeholders to participate in a fair, equitable, transparent, competitive and cost-effective manner. To facilitate the inclusion of SMMEs in the ICT sector, the Company has facilitated Occupational Health and Safety training to ensure compliance with the requisite legislations.

The Company will intensify the transformation drive during 2018/19 to improve on enterprise development targets set by the Board of Directors and Shareholders.

### 5.2 **Organisation Environment**

#### 5.2.1 **Accountability and Reporting**

Broadband Infraco is required to comply with the Public Finance Management Act (PFMA), 1 of 1999 (as amended), National Treasury Regulations issued in terms of the PFMA, and the Companies Act No. 71 of 2008. Broadband Infraco also has to comply with any other laws that govern the financial affairs, the stability and soundness of the financial system and management of the budget preparation process. The Company must enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of the Company.

In terms of section 49(1) of the PFMA, every public entity must have an Accounting Authority which must be accountable for the purposes of this Act, which is the Board of Directors. The Shareholder Representatives are the Minister of Telecommunications and Postal Services on behalf of the Government of the Republic of South Africa (Executive Authority in terms of the PFMA) and the Shareholder Representative from the Industrial Development Corporation of South Africa.

In addition to the statutory reporting requirements, Broadband Infraco also responds to any requests for information from its shareholders from time to time. These requests are linked to national strategic priorities and ensure effective shareholder oversight and achievement of the desired strategic outcomes and objectives by the Company.

#### 5.2.2 **Governance Structure**

The Company is governed by the Shareholders, Board of Directors and Executive Management. Refer to Annexure G for details of the experience and qualifications of both the Board and Executive Management. The table below depicts the governance structure:

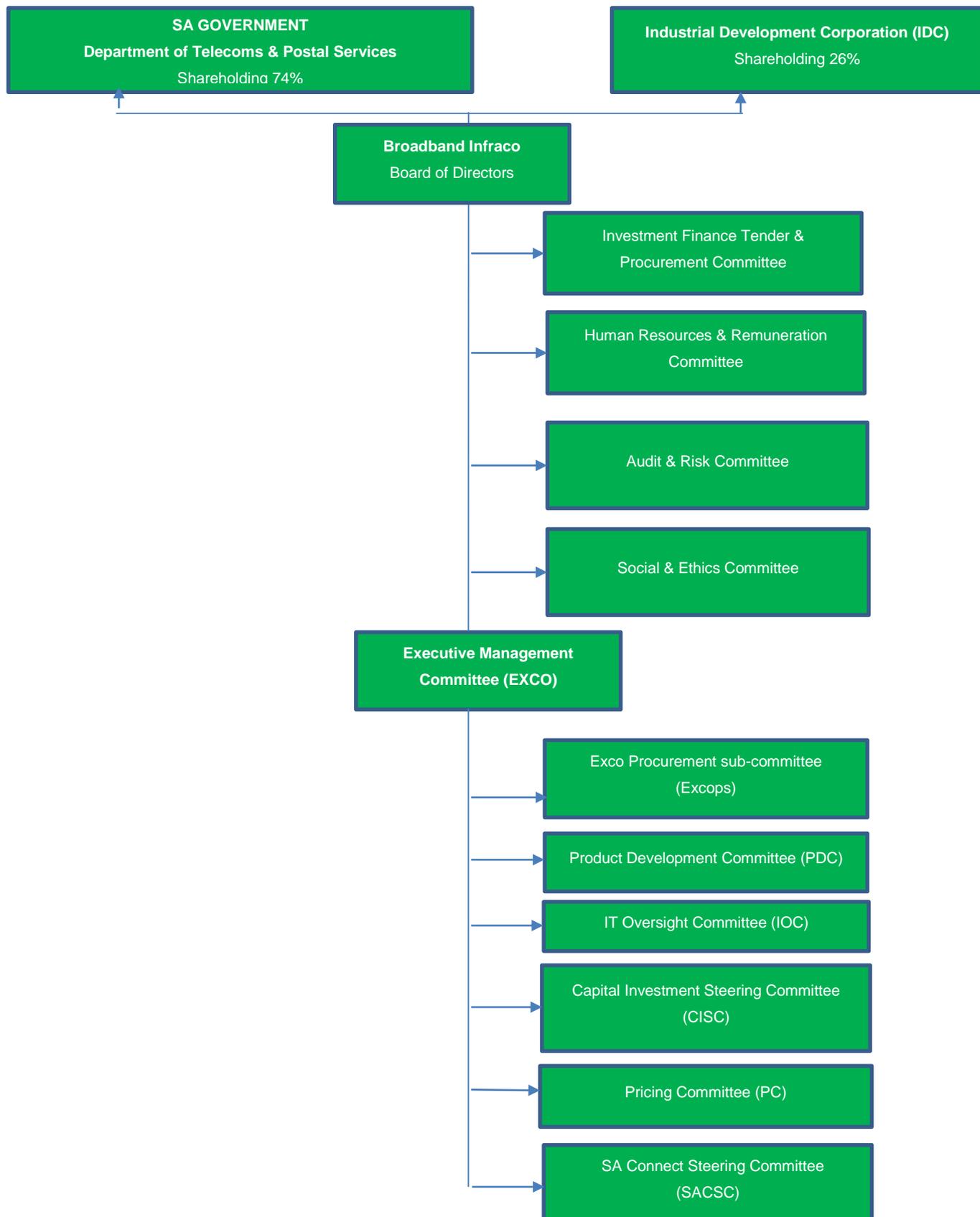


Figure 4 Governance Structure of Broadband Infraco



### a. Board Appointments

The Directors are appointed for a period of three (3) years. The Board members make themselves eligible each year for re-election by the Shareholders at the Annual General Meeting. The Board is guided by the Memorandum of Incorporation (Mol) and the Shareholder Agreement. The Board is appointed for the benefit of its Shareholders and creates sustainable stakeholder value by balancing the interests of all constituencies, including customers, employees, suppliers and local communities.

The current Board of Directors were appointed at the Company's AGM by the Shareholders on 14 October 2014. They have subsequently been re-appointed annually at every AGM thereafter. At the AGM held on 18 August 2017, the Shareholder Representatives approved the re-appointment of Mr Mandla Ngcobo as the Chairperson, Ms N Selamolela, Dr A Githiari, Ms N Selamolela, Mr S Mabalayo and Ms M Mosweu for a further period until the end of their terms of office which will be effective on 14 February 2018. The DTPS has renewed the appointments of Mr Mandla Ngcobo and Ms N Selamolela for a further period until the next AGM. Dr A Githiari has retired from the Board of Directors effective 14 February 2018.

Note: The IDC has re-appointed Mr S Mabalayo for a further period and replaced Ms Mpho Mosweu with Ms Lebogang Ramokone as its Non-Independent Non-Executive Director on the Board of Directors. Both their appointments are effective 20 November 2017.

### b. Board Sub-Committees

Specific responsibilities have been delegated to various Committees of the Board. The Audit and Risk, Human Resources and Remuneration (also plays the role of the Nominations Committee), Social and Ethics (S&E), Investment, Finance, Tender and Procurement (IFTP) Committees assist the Board in discharging its duties and report to the Board regularly on their activities.

Each committee acts in accordance with its own written terms of reference, under which certain functions of the Board are delegated for clearly defined purposes. The Board, however, recognises that delegating various functions and authorities to committees does not absolve the Board of its duties and responsibilities. The chairpersons of the various committees are required to attend the Annual General Meeting to provide clarity where necessary and/or answer questions raised by the shareholders. The Board is empowered to form or disband committees, as it may deem appropriate. The Board evaluates the performance and effectiveness of each of the committees every year. This is detailed in the Board Evaluation report conducted by independent evaluators and submitted to the Shareholders annually. Details of the committees are presented in the tables below.

Investment, Finance, Tender and Procurement Committee	Audit and Risk Committee	Social and Ethics Committee	Human Resources and Remuneration Committee
Vacant (Chairperson)	Nokuthula Selamolela (Chairperson)	Lebogang Ramokone (Chairperson)	Sydney Mabalayo (Chairperson)
Sydney Mabalayo	Sydney Mabalayo	Sydney Mabalayo	Mandla Ngcobo
Nokuthula Selamolela	Lebogang Ramokone		Lebogang Ramokone

Table 1 Composition of Board Sub-Committees



### Broadband Infraco Senior Management Organogram

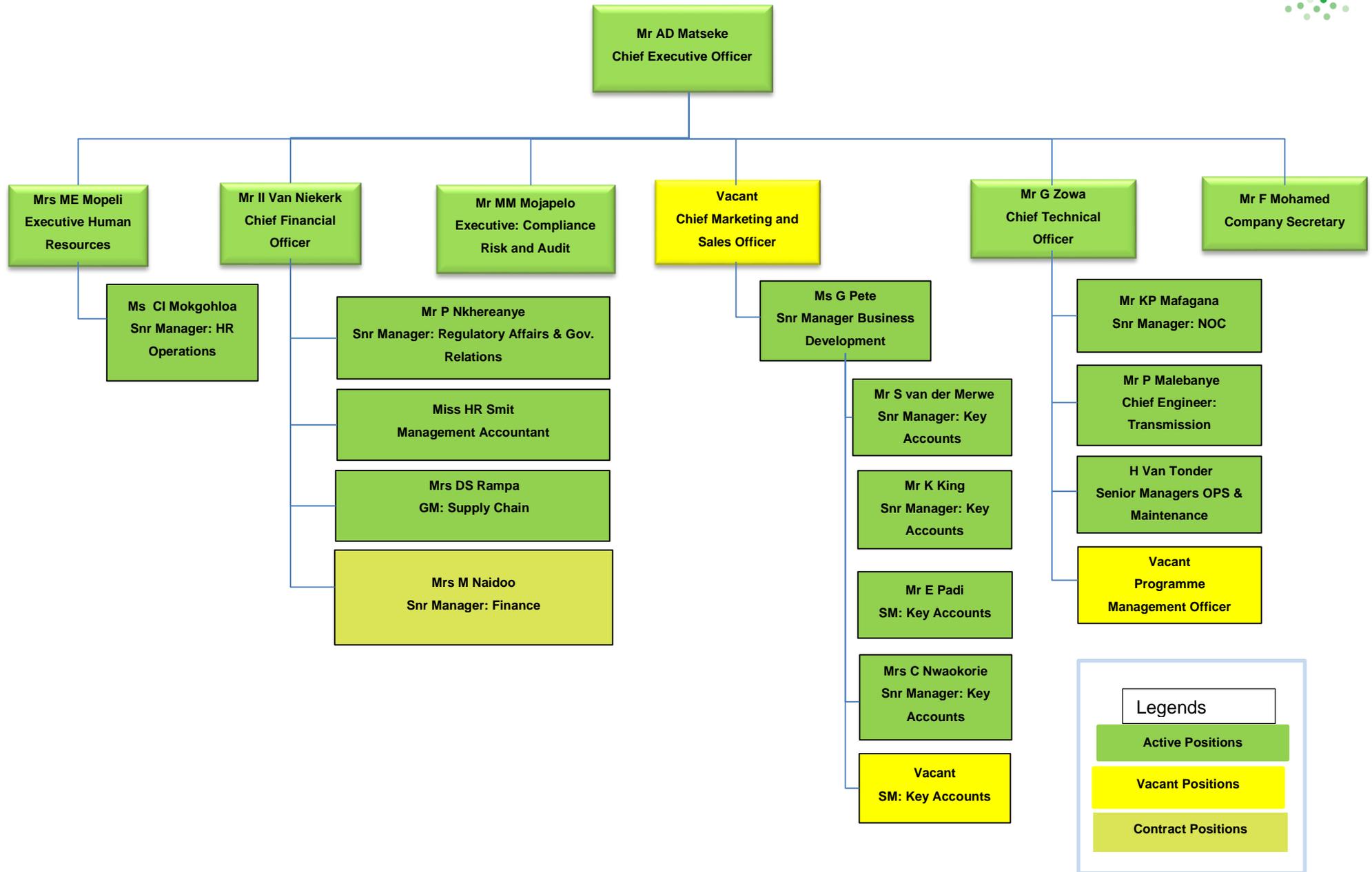


Figure 5 Snr Management Structure



## 5.3 Key Market Trends

### 5.3.1 Provision of Broadband

The design of high reliability and availability broadband networks must provide:

- Internet bandwidth: distance, equipment and content peering;
- Platform costs: ISP platforms and IT systems for fibre access broadband;
- Backhaul and head-end: contention per user and distance to clusters; and
- Access costs: last mile and support.

This indicates that broadband costs are being driven down by over-supply in the market, but bandwidth cost in the southern hemisphere is 10 times more expensive than the northern hemisphere due to:

- Distance from core content providers (intercontinental);
- Lack of content to offer, from South Africa as interchange for peering; and
- The low scale of users and usage in proportion to global usage.

South Africa's geographical space has 50% of the population living in 2% of the land and having 77% of the national income. 59% of households represent 83% of total income. These concentrations make full infrastructure roll-out very challenging. Access to non-metropolitan areas means providing suitable Broadband products to generate sufficient volume to cover backhaul and access costs.

### 5.3.2 Percentage of costs for providing Broadband

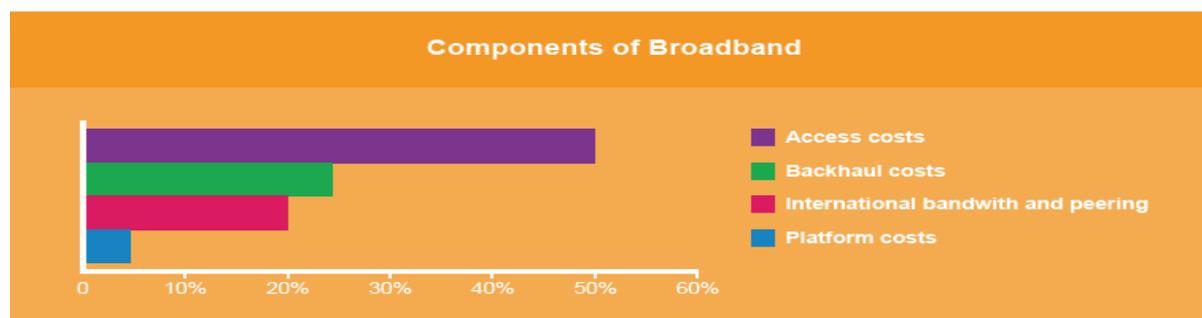


Figure 7 Broadband Cost

Cost drivers in South Africa include the cost of bringing International bandwidth to the country, cost of hosting services, and cost of providing the distribution and network to all users.

Strategy for the future is one where fixed broadband provision takes the lead in serving the demands for high bandwidth volumes, speed, consistent performance levels and concentrated demand and affordability.

Broadband Infraco has been mandated to provide network connectivity for the SA Connect Project. This will drive the roll out of broadband infrastructure to rural and under-served areas with the goal to achieve a universal average download speed of 100 Mbps by 2030. The target is to be achieved in a progressive manner, reviewable targets by increasing user experience speed of 5 Mbps in 2016 to 50% of population and to 90% by 2020.



### 5.3.3 Future Broadband Traffic Usage

The broadband consumer base is changing and there is a current move away from browsing towards streaming content; and gaming on the consumer side. Exponential growth in usage by large businesses is driven by concepts such as Big Data, Business Intelligence, Know Your Customers, and Cloud Computing.

**5G Mobile services:** The 5G bearer technology is applied to various services including the Internet of Things (including Internet of Vehicles), voice services, and data services.

**Steaming Media Content (4k/8k Video):** Video traffic accounts for more than 70% of pipeline traffic, and more than 60 operators worldwide provide video services as a basic service. The move to the internet to watch video on demand services is making a big impact on fibre to the home services. The increase is projected to double as fibre cost goes down. Currently there is Netflix and Showmax services, with other players who are increasing demand for media streaming or internet TV to homes.

**Cloud Computing:** According to ZDnet the bandwidth demands generated by Cloud Computing are helping drive suppliers towards a 100 gigabit in the international market. This will also be the requirement for South Africa in the near future and Broadband Infracore must be at the forefront of this network speed. With regards to moving business to the Cloud, 45% of organisations cite bandwidth requirements as a barrier to cloud adoption. The increase in fibre broadband access will be in high demand for companies that want to stay in business and use the internet as a core part of their services and competitive advantage.

**Internet of Things (IoT) and Artificial Intelligence (AI):** It is estimated that there will be somewhere around 25 billion IoT devices connected by 2020 and this is going to be a massive change to the internet. The current estimate for the amount of traffic over the internet is around 1.1 Zeta bytes. If we add IoT devices, we quickly add another 150 Petabytes of data. For South Africa or Africa, this means broadband infrastructure must increase at a rapid pace. The Artificial Intelligence systems will be required to make sense of the ever-larger volumes of IoT data. Furthermore the faster the data flows, the better and the more real-time and accurate the data analysis can be. This means higher demand of internet traffic and fibre backbone is a must for economic growth with these two emerging technologies.

**Business Intelligence (BI):** Real time BI for data analytics is progressing rapidly and this is a future trend for usage of broadband traffic. Almost all businesses will require either an in-house BI or online BI service to help get real time intelligence and make major decisions to stay competitive and profitable. The use of faster networks i.e. fibre is a must and necessary business investment for all businesses.

**Big Data:** Big Data is taking the world by storm. With the huge amounts of data emanating from various digital sources. The importance of analytics has grown tremendously making companies tap into the dark data that was considered useless in previous years. The use of this technology has made faster and higher internet bandwidth a necessity. Uses of Big Data currently seen in the following industries:

- Public Sector Services;
- Healthcare contributions;
- Learning Services;
- Insurance Services;
- Industrialized and Natural Resources;
- Transportation Services; and
- Banking Sector and Fraud Detection.



Although these industries are not using much of Big Data in South Africa, the market trend is shifting towards increase in their usage.

**Virtual Reality:** Virtual Reality Telecommunication Systems (VRTS) will transmit human verbal and nonverbal communication messages and this will drive telecoms network data usage.

### **Mobile Data Traffic**

Major mobile operators have recently revised their mobile tariffs (voice and data contract prices) up as indicated below:

- Vodacom increased tariffs by 3% to 7%; and
- MTN increased tariffs by 6% to 40%.

The reasons for the above increases include:

- increase in investment going into their network infrastructure (billions of rands are invested annually);
- mobile termination rate cuts have had a major impact on their revenues (in particular Vodacom and MTN);
- Input costs have disproportionately increased due to among other things, electricity supply issues; and
- Declining voice & SMS revenue growths which have traditionally been sources of high margins.

### **Fibre**

FTTH (Fibre-to-the-home) and FTTB (Fibre-to-the- Business): Fibre reaches the boundary of the living space or office, such as a box on the outside wall of a home/office. Passive optical networks and point-to-point Ethernet are architectures that deliver triple-play services over FTTH networks directly from an operator's central office.

Numerous operators launched FTTH and FTTB targeting affluent residential areas and key economic hubs. These areas include high-density urban areas, such as high-end gated communities, boomed-off suburbs and high-rise buildings mainly in Johannesburg, Pretoria, Durban and Cape Town. With FTTH the fibre reaches the boundary of the living space, such as a box on the outside wall of a home.

Vumatel announced on 1 September 2017 that it will offer 100Mbit/s uncapped home fibre in townships for R89/month. The pilot project will be launched in Alexandra Township, high-density and the low-income township that is on the north of Johannesburg, located east of the Sandton CBD. Unlike in the suburbs, however, the fibre will be aerial (strung along poles) rather than trenched, and a contention ratio of 20:1 will apply. This means that if 20 consumers maximise use of their lines at the same time, consumers can expect a minimum speed of 5Mbit/s; meaning that the broadband speed will be very slow.

By the end of the first quarter of 2018, Vumatel will have deployed fibre to 60 000 dwellings in the sprawling township. About 400 000 people live in Alexandra, according to their estimates. Diepsloot is likely to follow Alexandra next year, with Soweto and Tembisa also high on the priority list. Vumatel plans to roll out fibre to other townships in Gauteng and eventually those in Cape Town and Durban.

In South Africa, we have unique challenges and big inequalities. The telecommunications industry is inadvertently exacerbating these inequalities.



The demand for broadband infrastructure in rural and under-served areas is a basic need like water to stimulate economic activities in such areas.

Reseller models have been developed with various operators and ISP's selling the bandwidth on behalf of the FTTH providers.

The FTTX providers have to backhaul their traffic nationally and internationally and thus the requirement for services that Broadband Infracore offers.

### **5.3.4 Regional and International Connectivity**

The key operators in South Africa share capacity in the international submarine cables making it a very competitive market. Notably, Telkom, Vodacom, Neotel and MTN are shareholders in both WACS and EASSy. WACS is undergoing a capacity upgrade to move from 3.2T to 22T and this will enable Broadband Infracore to maximize its return on investment as a major shareholder of the system. There is an abundance of international capacity as submarine cables are increasingly upgraded to their theoretical capacity levels made possible by technology advancement and cost efficiencies. This excess capacity creates competition on pricing putting margins under pressure.

### **5.3.5 Competition in the National Long Distance (NLD) market**

Openserve and Liquid Telecom are both primary players in the NLD market. Openserve supplies wholesale fibre broadband access, metro Ethernet, IP (Internet Protocol) Connect and SAIX (South African Internet eXchange) services. The next significant investment in NLD is the self-provision by the major mobile operators (MTN and Vodacom).

While the demand for NLD capacity is set to grow on a positive trajectory, there remains however a lot of uncertainty in the market over competition on routes, self-provisioning, technology usage and margin pressure.

The Major Mobile Operators (MMOs) are collaborating to co-build a fibre route on the N2 corridor from Durban to Cape Town. This shows that there is an existing opportunity to increase the network capacity and to sell that capacity to the MMO's and other customers. This will reduce the risk of duplication of infrastructure.

## **5.4 Products and Customers**

### **5.4.1 Major Products and Services**

The evolution of technology, coupled with the high consumption of Internet Protocol (IP) based services, has resulted in customers requesting high bandwidth services. Broadband Infracore has responded to this by implementing next generation dense wavelength division multiplex (DWDM) technology that is capable of carrying 100Gbps within its core network. This enables the Company to respond to customers appropriately and is complemented by native IP based technology which positions the Company competitively.

The Open System Interconnection (OSI) model has been adopted to define and name products rather than using definitions based on the technology. The services are in the first three layers which are the physical layer (layer 1), the data link layer (layer 2) and the network layer (layer 3). The bandwidth services using SDH as well as DWDM are in layer 1 and layer 2. The Company also offers IP connectivity services including IP transit which is a layer 3 service.



Services	Description	Remarks
Layer 1 bandwidth services	<ul style="list-style-type: none"> <li>This is the physical network connection. Broadband Infraco offers bandwidth services of up to 10 Gig using SDH technology. It also offers bandwidth higher than 10 Gig using DWDM technology.</li> </ul>	The products are packaged in STM equivalents of up to STM 64 for SDH technology and multiples of 10 Gigs using DWDM technology.
Layer 2 bandwidth services	<ul style="list-style-type: none"> <li>These are packet based bandwidth services where Ethernet services are offered over the SDH or DWDM or native IP technology.</li> </ul>	These services are already being offered to current customers albeit inefficiently. The planned network upgrade will allow more efficient provisioning of these services which many small ISPs are interested in.
Layer 2 Services	<ul style="list-style-type: none"> <li>Broadband Infraco's Remote Peering service provides customers with the cost effective Virtual Layer 2 Ethernet connectivity to the Internet Exchange Points (IXPs) via a single port.</li> </ul>	With this connection our customers benefit from enhanced network performance due to lower latency and are then able to arrange peering directly with content providers and network(s) operators.
Layer 3 Services	<ul style="list-style-type: none"> <li>IP Transit is a service access to the internet.</li> </ul>	The proof of concept with one of the international customers was successful.
Colocation	<ul style="list-style-type: none"> <li>Containerised hosting facility where customers rent space inside these containers and co-locate their equipment.</li> </ul>	This product already exists and will be marketed more strongly to new and existing customers.
Mast Colocation	<ul style="list-style-type: none"> <li>Mast Colocation is a service that is designed to allow customers to lease space on a mast owned by Broadband Infraco to locate their equipment in order to connect to Broadband Infraco's network.</li> </ul>	This product is still in its infancy, but the concept has been successfully trialled with current customers.
Network Operations Centre (NOC) as a service	<ul style="list-style-type: none"> <li>Disaster Recovery NOC is a service where customers can utilise Broadband Infraco premises to monitor their networks in cases of a disaster.</li> </ul>	NOC as a service is currently under development for launch in the next financial year.

Table 2: Broadband Infraco Product Portfolio

#### 5.4.2 Key Customer Base

Broadband Infraco has more than 40 customers from whom it derives its revenue. Amongst these customers are SADC regional players and international players. The key segments that the Company is focusing on are as follows:

- Mobile Network Operators (MNO 1 & MNO 2);
- High Data State Owned Companies;
- Infrastructure Players;
- Fibre-To-The- Home (FTTH) or Business (FTTB) providers;
- Internet Service Providers (Tier 1, 2 &3);
- Content Providers;
- Regional Players; and
- Government entities.



The Company will continue to entrench relationships with existing customers through its integrated sales strategy.

## 5.5 SWOT Analysis

With an in-depth understanding of the market and operational capabilities of Broadband Infraco, a SWOT analysis was conducted and is detailed below:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Experienced, skilled and optimistic workforce</li> <li>• Interconnecting to all SADC countries</li> <li>• Tier 1 investor in the WACS consortium</li> <li>• Terrestrial transmission infrastructure connecting the East and West sub-marine cables</li> <li>• Provision of excellent management of our SLAs;</li> <li>• Diversified customer base</li> <li>• Resilient network</li> <li>• A solid record for occupational health and safety</li> <li>• One of the mandated ICT infrastructure SOCs</li> <li>• Stable company</li> <li>• Consistent growth in the network footprint;</li> <li>• Strong Operations and Maintenance and NOC.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak balance sheet</li> <li>• No borrowing history</li> <li>• Limited integration of functions and processes</li> <li>• 3 100km of old ADLash fibre that requires replacement</li> <li>• Obsolete transmission technology elements in certain areas</li> <li>• Lack of ability to attract critical skills</li> <li>• Dependency on few network technology suppliers</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Strategic partnerships and collaborations</li> <li>• Co-build and infrastructure sharing</li> <li>• Become reseller of spare capacity for non-ICT SOCs</li> <li>• National Treasury funding of the socio-economic mandate</li> <li>• Partnership with ISPs enterprise solutions</li> <li>• The emergence of FTTX</li> <li>• SA Connect - expand infrastructure footprint; eliminate negative perceptions about ability to deliver</li> <li>• Acquire an ECS License</li> <li>• Participation in MICT SETA internship programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Downgrading of the country sovereign credit rating resulting in difficulty to access funding</li> <li>• Negative public perception of SOCs</li> <li>• Infrastructure virtual operators</li> <li>• Fibre network operators dumping capacity</li> <li>• Fibre network operators selling bandwidth directly to our customers</li> <li>• Non-alignment of Public sector ICT infrastructure deployment</li> <li>• Non-ICT SOCs playing in the ICT space</li> <li>• NLD consortium</li> <li>• Margin pressure (price erosion)</li> </ul>

Table 3 SWOT

The following interventions are to ensure that the Company attends to the challenges:

- Conversion of shareholder loans into equity;
- Develop and implement end to end processes;
- Borrowing plan informed by Infrastructure Investment Programs;
- Collaboration with Eskom to replace Adlash fibre and source funding;
- Transmission network upgrade projects in progress;
- Enhance critical skills attraction strategies;
- Exploring alternative supplier options;



- Reputation management; stakeholder relationship management and service delivery;
- Become a provider of choice to infrastructure virtual operators;
- Improve service offering;
- Renegotiate existing contracts with fibre network operators;
- Initiate collaboration discussions with non-ICT SOCs;
- Reduce cost drivers and increase sales; and
- Offer alternative value proposition.

## 5.6 Future Outlook

### 5.6.1 Industry overview

The demand for National Long Distance (NLD) capacity is directly extrapolated from downstream demand for mobile and fixed access, content consumption, devices, and affordability.

Some of the key market trends are listed below:

- Local mobile operators have reported healthy data growth. Mobile operators continue to invest in LTE (high-speed) technologies in an effort to meet market appetite for high-speed broadband access;
- Fixed data continues to grow at a double digit rate annually;
- A wave of fibre-to-the-home (FTTH) and fibre-to-the-business (FTTB) has swept the local telecoms market with numerous operators launching FTTH and FTTB, initially targeting affluent residential areas and key economic hubs; and
- Exponential content consumption: The rising Internet penetration, average data consumption per user, social networking statistics are some of the few indicators of healthy local appetite for digital content.

The above have resulted in high demand for bandwidth services which Broadband Infraco is able to offer. The Business Development Strategy is centred on strengthening the Company within an intensely competitive segment of the telecommunications market through robust positioning of its value proposition stated as follows:

- An open-access carrier class communications enabler;
- Unique, preferential access to rail and electricity servitudes (a diversified risk profile ideal for redundancy/diversity);
- A resilient, comprehensive national terrestrial backhaul network connecting all SADC nodes;
- Competitive international connectivity through its investment in WACS undersea cable connecting Africa to Europe; and
- Competitive international connectivity.

The Company will continue to diversify its customer base and expand its network to ensure autonomy from third parties.



## 5.6.2 Financial overview

Broadband Infraco prepared a five (5) year financial plan with a detailed twelve (12) month operational budget set out in both **Section 7** of this document and **Annexure A**.

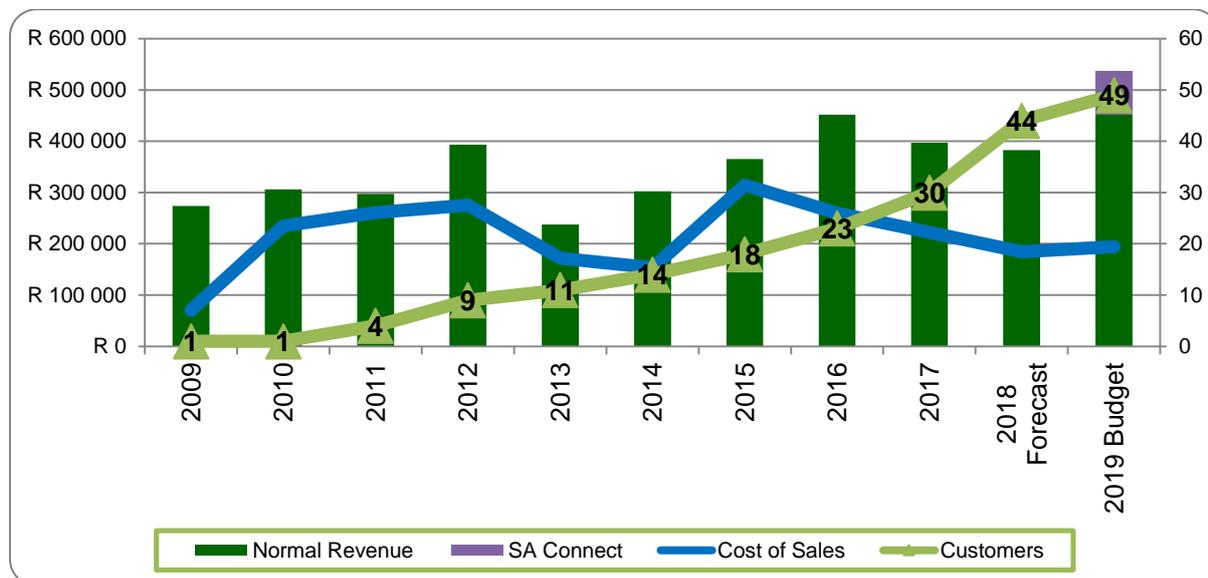


Figure 7 Financial Performance

**Revenue** – The Company has grown its customer base from 23 in 2015/16 to 44 in 2017/18. The aim is to grow the customer base to 49 during the 2018/19 financial year. Broadband Infraco has up-sold to existing customers and also sold capacity to new customers. The budget for the current year (2017/18), will not be met mainly due to expected upgrades from major customers not materialising; and contracted reduction in another major customer. However, due to the changes in the sales and marketing environment, which include new appointments of one (1) key account manager and two (2) senior account managers, improvements in the sales strategy and re-alignment of human resource processes are starting to show good dividends. New business signed during the last nine months of the current financial year is in excess of R130 million. Management is expecting this momentum to carry through to the 2018/19 financial year. Revenue, excluding SA Connect, is expected to grow overall by 18.1% in 2018/19. When SA Connect is included, revenue is expected to grow by 40.0% or R83.8 million, ending the year at R535.7 million.

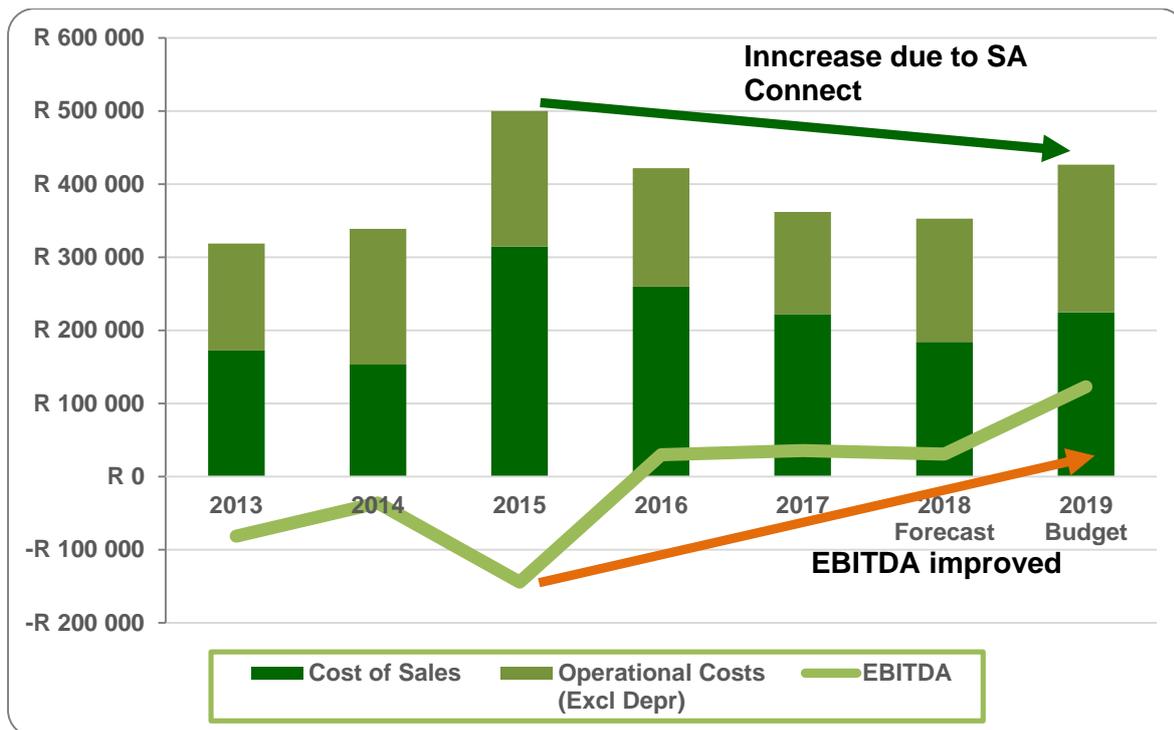


Figure 8 Financial Performance

**Cost of Sales** - Management continued optimisation initiatives from the previous period to reduce the cost of sales through re-negotiations of maintenance contracts and fibre lease agreements, optimisation of routes, building of new networks instead of leasing expensive routes and a contracted reduction during the 2017/18 financial year. This resulted in a sustainable reduction in cost of sales for three consecutive financial years. The next financial year (2018/19), will see the final reduction of a contracted link. Due to SA Connect, cost of sales will increase by 21.9%, ending the year on R224.6 million before depreciation.

**Operational Costs** – Operating expenditure for the 2017/18 financial year is forecasted to be 8% below budget. This is mainly due to management’s continued cost saving drive across the Company, which resulted in sustainable reduction in operational costs. Operational costs is expected to increase by inflation on an annual basis, from this low base.

**Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)** – The Company has continued to improve the overall EBITDA position over the past three years by driving cost optimisation and improving sales. As a result, it is budgeted that the Company will continue to have an improved EBITDA during 2018/19.

Broadband Infracore has budgeted to continue generating positive cash flow from its operations for the second year during 2018/19. Revenue remains a key lever in the break-even target. The Company plans to continue the current sales drive of selling existing capacity and where a new build is required, a combination of risk sharing with Original Equipment Manufacturers (OEM’s) and clients being charged a set-up fee will fund the minor capital investments required. Where a major Capex investment is required, funding will be sourced prior to committing the Company on such client contracts.

### 5.6.3 Strategy

The recent performance of the Company as well as continued demand for bandwidth services fuelled by demand for data services by end users, have compelled the Broadband Infracore to



review the Build, Grow, Expand (BGE) strategy for its relevance in positioning the Company for the future. At the core of this strategy are the following anchor goals:

- Business sustainability;
- Resilient Network;
- Economic and Social transformation;
- Sound Human Capital Practices; and
- Proactive corporate governance.

These will be delivered through the refined process centric operating model which has the anchor pillars of Market and Sell, Design and Build, Operate and Maintain as well as Stakeholder Management.

#### 5.6.4 **SOC Rationalisation**

The strategic outlook of Broadband Infraco for the medium to long term period will have to take into account the impact of the rationalization of SOEs (State Owned Enterprises). In December 2017, Cabinet approved the framework for the rationalisation of SOEs. This approved framework includes the formation of the National Broadband Network (NBN) Company, which will be formed out of the merger of Broadband Infraco and Sentech.

The formation of NBN will require the drafting of new legislation to replace the Broadband Infraco Act 33 of 2007, as well as the Sentech Act 63 of 1996. The Department of Telecommunications and Postal Services is in the process of engaging the affected entities for the formulation of the Business Case for the establishment of NBN Company. The timelines for the establishment of NBN Company have not been finalised.

Broadband Infraco will participate in the deliberations about the formation of NBN Company, and will incorporate the implications of this activity into its strategic outlook.



## 6. Strategy Framework

Broadband Infraco's strategic intent is to provide broadband connectivity products and related value added services to public and private licensed or license-exempt customers, across all industries in South Africa, other selected African and international markets, whilst at the same time continuing to support projects of national importance.

The Company's strategic profile is based on the following principles:

- Understand market demand for broadband connectivity and related value added services in order to segment markets and respond to customers with the right value and cost effective services and timeous delivery to drive volume growth;
- Ensure that products are fit for purpose, flexible, quality, reliable and competitively priced so that Broadband Infraco is seen as the choice provider of broadband connectivity;
- Develop appropriate, effective marketing and sales strategies that will ensure a push and pull strategy for Broadband Infraco products into customer and industry segments to build long term relationships;
- Develop, maintain and operate cost effective national network infrastructure and capacity (including Points of Presence), leveraging its preferential access to Eskom and Transnet servitudes, through appropriate partnerships where required;
- Ensure that the Company has the right capabilities, operational infrastructure, sound governance, internal controls and risk management in order to facilitate business continuity and compliance;
- Attract, retain, develop, deploy and appropriately reward people with the right skills, experience, commitment and energy who will proactively implement this strategy and continuously manage performance through our defined performance management system while ensuring the balancing of gender and racial demographics;
- Enabling regional integration by providing reliable connectivity to neighbouring countries and international markets; and
- Initiate and support the Government's broadband objectives to expand ICT services through projects of national interest.

To realise the strategic intent and profile, the strategic theme in support of the vision is to:

- Increase access to electronic communication services through connection to the Broadband Infraco network and partner broadband connectivity solutions.

The Company developed a strategy intended to ensure sustainability in the long-term. The pillars of the Build Grow Expand (BGE) strategy were set on building foundational elements, growing the business and the last phase being expanding the business. The strategy was reviewed and BGE 2.0 adopted for the next five (5) years as the second phase of the strategy. The BGE is explained below and each pillar has initiatives that facilitate implementation and are monitored quarterly.



Figure 10 The Build, Grow and Expand Strategy Framework



## 6.1 Areas of Excellence

The implementation of Broadband Infraco's strategy will continue to be guided by the following Areas of Excellence:

### 6.1.1 Product and Service Development

Broadband Infraco excels at understanding the expressed and unexpressed end-to-end communication services needs of its target customer segments in order to package and sell competitively priced, innovative and differentiated products and related services, faster and more effectively than our competitors ensuring optimum utilisation of capacity and return on investment.

The product portfolio has been diversified and market segments redefined.

### 6.1.2 Network Footprint

Broadband Infraco excels at developing and rapidly implementing a cost-effective network infrastructure and capacity, leveraging preferential access to Eskom and Transnet servitudes, through fostering appropriate partnerships where required; to maximise capacity utilisation.

### 6.1.3 Service Delivery

Broadband Infraco prides itself in operating and maintaining a network that meets and exceeds customer reliability and quality expectations; supported by effective key account management and administration.

## 6.2 Strategy Map

The Company reviewed the Strategy Map to ensure that it aligns to the strategic goals and addresses the micro-achievements and external ICT Industry evolution. The Strategy map has four (4) "perspectives", which are financial, customers, internal and enabling perspectives.

The first two of the perspectives focus on what the Company needs to do in order to satisfy its Shareholders and Customers. The third perspective is the internal perspective while the last perspective focuses on enablers to improve learning and growth.

The strategy map for the next five years is reflected below:

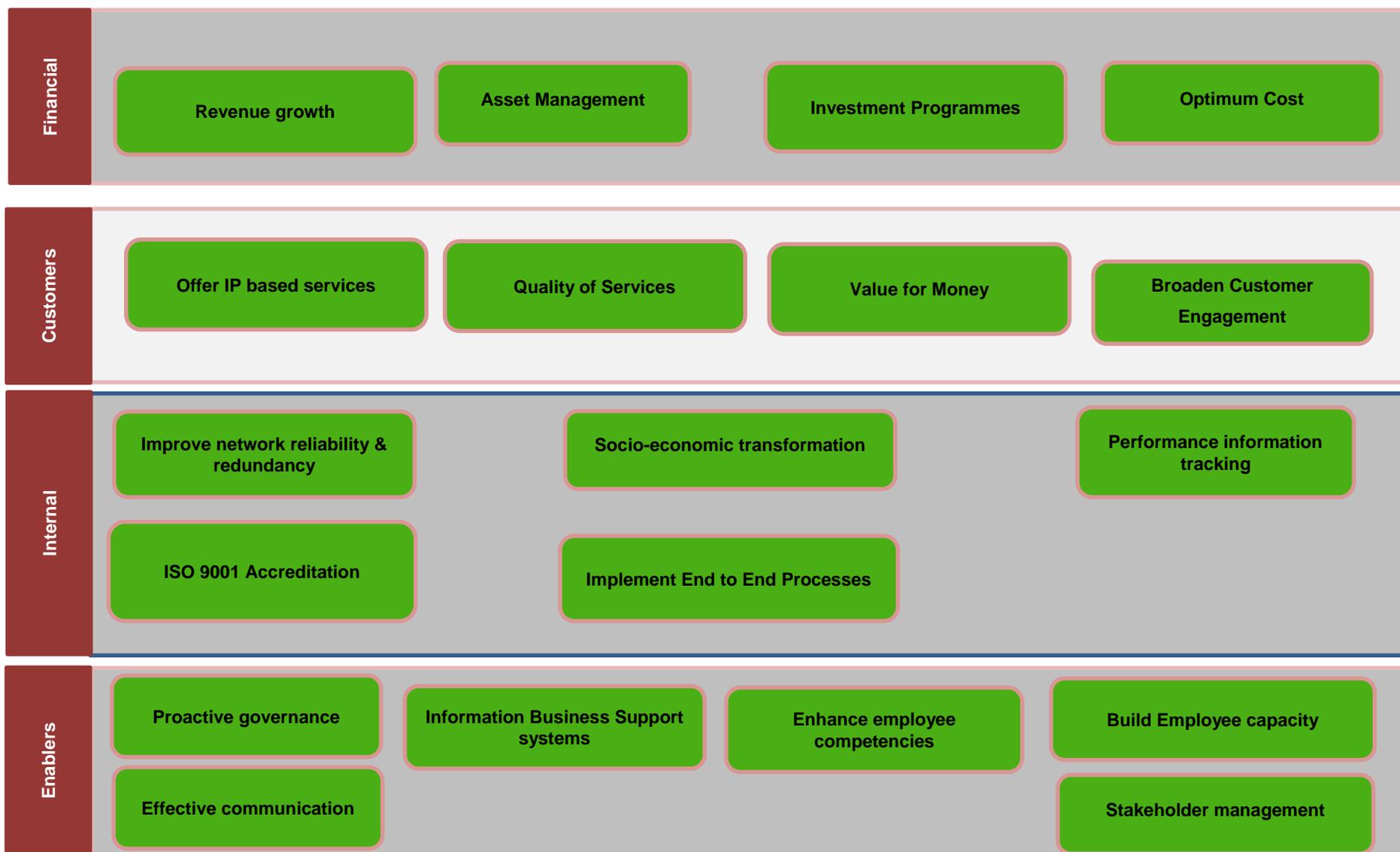


Figure 11: The Broadband Infraco Strategy Map



The financial perspective captures all the key commercial strategic themes which includes the following: Increasing revenue; optimisation of costs; asset management and developing investment programmes to ensure optimal funding of projects. This perspective addresses strategic goal 1, Business Sustainability.

The 'clients/customers' perspective reflects the value propositions to the external world which are: Offer Internet Packet (IP) based services; Quality of service which impacts the service levels that the company offers, Value for money and Broaden Customer engagement. This perspective is linked to strategic goal 2, the Resilient Network.

The last two perspectives are the basis of the financial and customer perspectives. Operational Excellence and sound governance are the blueprint to business sustainability of the organisation. These two perspectives are tracked and monitored internally.

The 'Internal' perspective refers to all the key internal objectives to support and prioritise sustainability, including: Improve reliability and redundancy; drive socio-economic transformation; implement end-to-end processes, track performance and endeavour to obtain ISO 9001 certification. This perspective is linked to goal 1, business sustainability.

The 'enablers/ Learning and Growth' perspective lists all the key enabling pillars the Company must execute to deliver its strategy, including: effective governance; expand strategy awareness, implement effective systems, optimise organisational capacity and productivity; improve engagement with shareholders and stakeholders; Improve skills and leadership capabilities; attract and retain key talent, which are linked to both sound human capital practices goals , goal 4 and effective governance, goal 5.

### **6.3 Enterprise Process Operating Model**

The Enterprise Process Operating Model is a process centric business architecture model that outlines the processes, information, systems and resources required to execute strategy. The model below is driven by the need to be a process centric organisation and to acquire ISO 9001 certification:

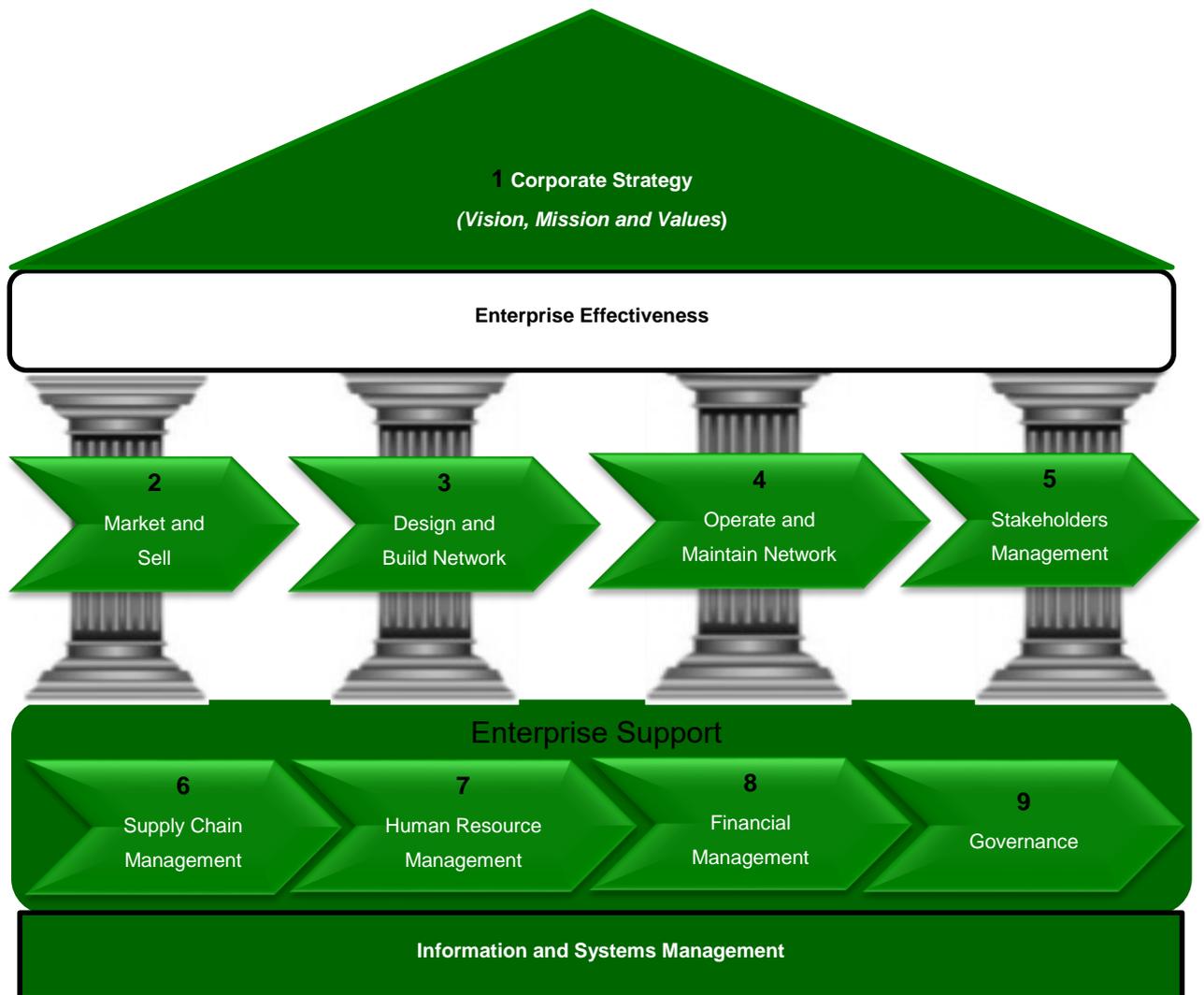


Figure 12: Enterprise Process Operating Model

The Enterprise Process Operating Model depicted in the diagram above consists of 5 layers namely: Strategy, Enterprise Effectiveness, Core Operations and Enterprise Support Management with Information Systems as the foundation of the operating model. Enterprise Effectiveness is the overarching pillar of translating the strategy and monitoring performance information.

The various layers of the enterprise model can be explained as follows:

- The Strategy of the Company entails the Organisational vision, mission, values, strategic goals and objectives and the strategic intent of the company; which drive Enterprise Effectiveness through business processes, policies, procedures, frameworks, quality management, information and systems management and performance information monitoring and evaluation. This layer is the Intellectual Capital of the Company;
- Core processes that drive revenue generation and financial sustainability of the Company are Market and Sell, Design and Build Network, Operate and Maintain Network and Stakeholder Management. In the main three capitals are encapsulated in this layer, being Financial (Market and Sell), Manufactured, and Social and Relationship Capitals; Enterprise Support entails the pillars that enable operational effectiveness and efficiencies, namely Supply Chain Management, Human Resource Management, Financial Management and Governance, which affect the other capitals including Human Capital.



Governance is a pillar that ensures consistent management and ethical leadership. Governance entails the Management of the Board and sub-committees and Executive Management and sub-committee Meetings; and

#### 6.4 Value Proposition

Broadband Infraco must be consistently positioned as:

*A competitive Open-Access, carrier-neutral, connectivity enabler that offers higher than industry service level performance and diverse route coverage, allowing its customers to leverage from productivity gains acquired from using the Broadband Infraco platform which discourages self-provisioning and /or using the service platform of competitors.*

Broadband Infraco’s primary value proposition is treating customers as strategic partners to jointly enable “high-quality, diverse connectivity services at competitive market rates”. Such value proposition is centred around five (5) central themes reflected beneath:

Salient Value Proposition	Description
Reliable diverse, open access network connectivity	<ul style="list-style-type: none"> <li>• Diversity via meshed infrastructure.</li> <li>• Strategic open access PoPs.</li> <li>• Reliable, secure and redundant network.</li> <li>• Robust infrastructure; carrier grade network.</li> </ul>
Reduced Risk	<ul style="list-style-type: none"> <li>• Customers reduce their risk by eliminating high start-up infrastructure costs incurred through investing in technology by exploiting pre-existing expertise, a tried and tested service/infrastructure operational platform.</li> <li>• Improved resource management.</li> <li>• Improved customer cash flow by removing the need for deploying and maintaining own communications infrastructure.</li> </ul>
Enables the customer speed of access to market entry	<ul style="list-style-type: none"> <li>• Customers increase their speed to market by subscribing to the readily available Broadband Infraco bandwidth services. Minimal infrastructure integration; readily available capacity.</li> </ul>
Substantive national (and international) footprint	<ul style="list-style-type: none"> <li>• A large number, geographically dispersed Points of Presence (PoPs) covering South Africa, SADC and WACS.</li> <li>• Extend connectivity to under-developed and under-serviced areas</li> </ul>
Excellence through comprehensive service support	<ul style="list-style-type: none"> <li>• Fibre backbone network is monitored 24/7/365 by experienced professionals;</li> <li>• Network Operations Centre (NOC) uses industry standard tools to monitor every critical aspect of our end-to-end network infrastructure.</li> <li>• Network performance consistency exceeds average industry statistics.</li> </ul>

Table 4: Value Proposition



## 6.5 Strategic Planning Process

The strategic planning process is depicted in the figure below:



Figure 13 Strategic Planning Process



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## **PART B STRATEGIC GOALS AND OBJECTIVES**

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### **7. Strategic Oriented Outcome Goals and Objectives**

The strategic outcomes oriented goals identify:

- The areas of organisational performance that are critical to the achievement of its mandate; and
- Areas of focus to ensure operational efficiencies and excellence.

The associated strategic objectives have been translated into key performance areas and outputs are measured through annual targets and quarterly deliverables.

#### **Strategic Goal 1: Business Sustainability**

##### **SO 1.1: Improve Operational Excellence**

The Key Performance Areas include: Strategy Deployment and Monitoring, Quality Management, Process Improvement and Information and Systems Management. The delivery of Strategic Goal 1 will be executed through Programme 1 and all sub-programmes and will ensure the achievement of strategic objective 1.1.

This is internally focused and seeks to measure execution of strategy and entrench the adoption of process and quality management and reporting.

##### **SO 1.2: Ensure long-term financial sustainability**

The Key Performance Areas include: Revenue, Funding, Cost Optimisation and Working Capital Management. The delivery of Strategic Goal 1 will be executed through Programme 2 and all sub-programmes and will ensure the achievement of strategic objective 1.2.

To strengthen a positive brand and grow the revenue stream, while keeping costs to an absolute minimum. To develop methods and standards that will include forming partnerships with third parties and developing commercial models and incentives for effective sales management.

To limit unnecessary expenditure enabling Broadband Infraco to meet its strategic objectives and financial targets.

#### **Strategic Goal 2: Resilient Network**

##### **SO 2.1: Expand and maintain broadband network infrastructure**

Key Performance Areas include: Product Development, Network planning, Supply Chain Management, Network Build, Network Performance Management and Telecommunications Facility Management.

The delivery of Strategic Goal 2 will be executed through Programme 3: Network Infrastructure that is aligned to Pillar 2 Design and Build Network; Pillar 3 Operate and Maintain Network and Pillar 5 Supply Chain Management of the Enterprise Process Operating Model that seek an efficient, competitive and responsive economic infrastructure network.

This strategic objective will also be fulfilled through the roll out of the SA Connect Phase 1, migration of SDH network to IP network to efficiently integrate with third party networks whilst improving performance and availability of the network. Traditionally, the network has been running SDH based



services in multiples of Synchronous Transport Module levels (STM1, STM4, etc.). The IP interface is more flexible from a routing perspective.

The roll out and rectification of the Data Communications Network (DCN) will enable proper and remote management of the network including remote re-configuration in certain cases. This improves the capability of the network to meet customer SLAs and retain them on the network. Regular testing of the existing network is important. The fibre routes have to be regularly tested and a schedule to maintain the optical and transmission network has to be adhered to.

### **Strategic Goal 3: Economic and Social Transformation**

#### **SO 3.1: To drive socio-economic transformation**

Key Performance Areas include; Brand and Events Management; Employee Relations Management, Enterprise Development, Corporate Communication, and Corporate Social Responsibility.

Branding and Events Management intends to strengthen a positive Broadband Infraco brand and build capacity to sell and grow the product portfolio through a comprehensive marketing mix proposition to enable flexibility and competitiveness which will result in a growth in revenue streams.

Employee Relations Management is the main ingredient of business optimum performance, sustainability and growth. A conducive work environment can be founded on good employer/employee relations and governance principles for fair, transparent and equitable practices. Well-structured engagement processes, competence development and performance enhancement frameworks are essential enablers. Meaningful participation in the socio-economic legislated imperative like the balancing of workplace human resources capacity to ensure representative gender and race demographics as well as the accommodation of persons with disabilities is significant for the Company's reputation.

Enterprise and Supplier development plans focus on leveraging procurement to develop local suppliers to support localisation and industrialisation; creating jobs and reducing the unemployment rate. The focus is to provide Black Owned Businesses with opportunities and preferential trading terms and empowering historically disadvantaged individuals (HDI) to create their own businesses resulting in quality job creation.

Facilitation of supplier and enterprise development is conducted through preferential procurement processes, skills development (which may include pre-bid support and business skills training) and fostering collaboration between Original Equipment Manufacturers and smaller suppliers.

Three (3) small B-BBEE Companies will be trained on the technologies that are provided to Broadband Infraco by multinational Original Equipment Manufacturers (OEMs). This will enable these small companies to become competitive, and to be able to expand their businesses into other customers in the ICT sector.

Selected schools will be provided with connectivity in terms of the corporate social responsibility within the communities that the Company has rolled out broadband infrastructure.

This will be executed through Programme 4: Stakeholder Management.

### **Strategic Goal 4: Sound Human Capital Management**

#### **SO 4.1: Build a high performance organisation**



Key Performance Areas include: Aligned human resources capacity building and optimisation, strategic sourcing of critical and scarce skills, integrated HRD strategies for organisation development, effective retention, creation of a conducive climate including caring about health and safety of employees and legislative compliant workplace practices.

According to the BGE 2.0 strategic model, in order to be assured of the required enterprise support, HR has been set the Strategic Goal 4 (SG 4) to align the function to the Company's Corporate Plan for 2018 – 2023.

The Strategic Objective 4.1 (SO 4.1) is about ensuring optimum organisational performance.

The delivery of Strategic Goal 4 will be executed through Programme 5: Human Capital and all of its sub-programmes. Broadband Infraco will be a highly productive organisation that maximises opportunities and strengths for employees and management through effective human resource management systems and organisational culture.

### **Key initiatives for value add HR role in line with business strategy**

- Despite its novelty and size, Broadband Infraco has the potential to perform at the level of long established and high profile similar entities in the industry. The talent attraction strategies enabled the acquisition of expert technical skills which with carefully managed talent development strategies have been substantially enhanced.
- The aggressive preying on our human resources capability by the financially stronger players who are able to beat Broadband Infraco at remuneration rates has made retention challenging. HR is now required to revisit its strategies to protect its critical skills base.
- A comprehensive performance management framework is in place to ensure that performance standards are at desired levels. It also helps to assure that there is return on human capital investment. What still needs to be supported for effective execution is the process implementation of the poor performance management and incorporation of a 360° feedback process.
- The negative financial performance and the recent past uncertainties about the future of the organisation made it difficult for the human resources department to enable the achievement of the desired racial and gender demographic profile and balanced racial mix according to set 3 year employment equity plan. A concerted effort to bring about improvement is envisaged, given the assignment of projects of national importance by the shareholder and reduced loss of critical and core skills as was the case over the past three (3) years. Refer to Annexure C.

## **Strategic Goal 5: Pro-active Corporate Governance**

### **SO 5.1 Effective Corporate Governance**

Key Performance Areas include: Company secretariat, Legal and Regulatory, Compliance, Internal audit, Risk Management and Environment Management.

Effective governance starts with the Board of Directors who have absolute responsibility for the performance of the Company and are fully accountable to the Executive Authority. The board also provides strategic direction for the Company, and is responsible for ensuring that the Company complies with all relevant laws, regulations and codes of business practices. To execute its duties, a minimum of four meetings per annum are scheduled with the main focus being on the performance of the Company and ensuring adherence to the strategy. Over and above the meetings, a strategy session is held to assess the relevance of the strategy to the prevailing market conditions and a thorough risk assessment. The Board provides the Shareholders with quarterly reports on the activities and performance of the Company which ensures transparency at all times.



The Board's effectiveness is improved by the use of Board sub-committees. Board sub-committees consist of a majority of independent non-executive directors who exercise their authority in accordance with approved terms of reference. An Independent Board Evaluation and formal self-assessment is carried out annually by an external independent company who measures the effectiveness of the Board.

As Broadband Infraco operates within a legislated sector, efficient and effective legal and regulatory advisory services are provided by internal resources and where necessary, external expertise is brought in. The delivery of Strategic Goal 5 will be done through Programme 6.

## 8. Alignment of the Strategic Goals and Objectives

Broadband Infraco's Annual Performance Plan (APP) resonates with the following Outcomes of the Medium Term Strategic Framework:

- Outcome 4: Decent employment through inclusive economic growth;
- Outcome 5: Skilled and capable workforce to support an inclusive growth path; and
- Outcome 6: An efficient, competitive and responsive economic infrastructure network.

The Company is a core contributor and enabler to the Department of Telecommunications and Postal Service's (DTPS) vision of delivering access to broadband services. Refer to Table 2 below which reflects the alignment of Company Objectives to that of the DTPS:

Strategic Goal	Objectives	Key Performance Areas	2018/19 Targets	DTPS Objectives	Outcome No
<b>SG 1</b> Business Sustainability	SO 1.2 Ensure long-term business Sustainability	Sales	40.4% year on year revenue growth (including SA Connect)	SO 4.1 improve performance of SOCs through proactive and stringent oversight	
		Finance	55% Current Ratio		
			22.9% EBITDA as percentage of revenue annually		
			SMME Invoices paid within 30 days		
		Debtors' collection of 45 days per contract plus 15 days			
<b>SG2</b> Resilient Network	SO 2.1 Expand and Maintain broadband infrastructure	Network performance management	7.5 hours to Restore Core Network Faults	SO 1.1 Coordinate broadband connectivity to achieve 100% population coverage by 2020	6
			<0.3% of gross revenue paid as rebates paid for network failures		
			166 Government Sites connected to Broadband		



Strategic Goal	Objectives	Key Performance Areas	2018/19 Targets	DTPS Objectives	Outcome No
			Infraco network (SA Connect)		
<b>SG 3</b> Economic and Social Transformation	SO 3.1 Drive Socio-Economic transformation	Increase participation of HDI's in the ICT sector	70% spend of B-BBEE discretionary budget	SO 2.2 Promote transformation of the ICT Sector through the development of ICT SMME support strategy.	4
			40% spend on Black Owned Entities		
			10% spend on Women owned entities of 40% spend on BOE		
			5% spend on Youth Owned Entities of 40% spend on BOE		
			1% spend on People With Disabilities owned entities of 40% spend on BOE		
			Three (3) SMMEs appointed for OEM installations		
Corporate Social Investment	# of Schools provided with broadband connectivity				
<b>SG 4</b> Sound Human Capital Practices	SO 4.1 Build high performance organisation	Skills and capability development	1% of the wage bill spend on training by end of year	SO 4.2 Create a high performing organisation to enable achievement of the Department's mandate	5
			6 Technical Interns that require P1 and P2 employed		
<b>SG5</b> Proactive Corporate Governance	SO 5.1 Effective Corporate Governance	Effective oversight of the Board and Sub-Committees	Ensure adherence to governance standards	SO 4.1 Improve performance of SOC's through proactive and stringent oversight	
		Efficient legal services and Telecoms Regulatory compliance to safeguard the interests of the Company	Actively participate in governance forums set by the department and provide inputs	SO2.1 Develop and Implement the Policy and legislation aimed at improving access and affordability of ICT's	



*Table 5: Alignment of Company Objectives*

## **9. Shareholder Governance Agreement**

The Company and the Department of Telecommunications and Postal Service's (DTPS) are bound by a Shareholder Governance Agreement concluded between the Minister as the Executive Authority and the Board as the Accounting Authority in terms of the Public Finance Management Act 1 of 1999 (as amended) and Treasury Regulations.

The purpose of the Shareholder Governance Agreement is to confirm the Company's mandate, the strategic objectives that will be attained by the Company during the reporting period as required by the Minister and the IDC Shareholder Representatives; the key performance areas and indicators to measure the Company's performance during the period, and to regulate the discharge of the roles and responsibilities as expressed in the Broadband Infraco Act 33 of 2007, applicable statutes, Companies Act, PFMA, Treasury Regulations, Protocol and King IV Report.

The Shareholder Governance Agreement records the strategic objectives set to measure the performance of the Company. These are as follows:

- Expand and Maintain broadband infrastructure;
- Integrated Strategy Execution;
- Ensure long term financial sustainability;
- Drive socio-economic transformation;
- Build high performance organisation; and
- Effective corporate governance.

The strategic objectives are measured through the key performance indicators and targets tabulated in the Annual Performance Plan (APP) set out below:.



## 9.1 Annual Performance Plan for 2018-2019

Strategic Goal	Strategic Objective	KPI	Activities	Baseline	2018/19 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
SG 1: Business Sustainability	SO 1.1: Improve Operational Excellence	# of Quality Quarterly Reports submitted to EXCO	Monthly reporting  Quarterly auditing of performance information	Quarterly Reporting	Quarterly KPI tracking reporting to EXCO 30 days after end of reporting period	Quarterly Report submitted to EXCO by 20 July 2018	Quarterly Report submitted to EXCO by 22 October 2018	Quarterly Report submitted to EXCO by 22 January 2019	Quarterly Report submitted to EXCO by 22 April 2019
	SO 1.2: Ensure long-term financial sustainability	% revenue year-on-year growth (including SA Connect)	Upselling to existing customers  Manage churn  Acquiring new customers  Identify new markets, products and services	-3.70%	40.0%	32.3%	39.8%	56.1%	33.9%
		Current Ratio	Working capital management  Use vendor financing  Enter in set off agreements with customers who are suppliers as well	112%	55%	55%	55%	55%	55%
		EBITDA as a percentage of revenue	Cost containment. Grow revenue	8.10%	22.9%	20.5%	20.7%	24.2%	26.0%
		# of days within which SMMEs invoices are paid	Analyse creditors age analysis weekly is printed Identify SMME invoices	New	SMME invoice paid within 30 days.	SMME invoice paid within 30 days.	SMME invoice paid within 30 days.	SMME invoice paid within 30 days.	SMME invoice paid within 30 days.



Strategic Goal	Strategic Objective	KPI	Activities	Baseline	2018/19 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
		# of days per outstanding customer invoice per month	Credit verification Enter in set off agreements Weekly follow ups with customers	<b>66 days</b>	Debtors' collection of 45 days per contract plus 15 days	Debtors' collection of 45 days per contract plus 15 days	Debtors' collection of 45 days per contract plus 15 days	Debtors' collection of 45 days per contract plus 15 days	Debtors' collection of 45 days per contract plus 15 days
<b>SG 2: Resilient Network</b>	<b>SO 2.1</b> Expand and maintain broadband network infrastructure	Network performance rebates paid as percentage of gross revenue	Increase network capacity to allow re-routing Implement route optimisation, shortening of rings Strengthening of Northern ring route.	<b>0.40%</b>	≤0.3% of gross revenue	≤0.3% of quarterly gross revenue	≤0.3% of quarterly gross revenue	≤0.3% of quarterly gross revenue	≤0.3% of quarterly gross revenue
		# of Government Sites connected to Broadband Infracore network for SA Connect Phase 1	Place orders for the sites to be connected via each selected Access Network Provider for the relevant district	<b>New</b>	166	0	100	0	66
		Actual Time to Restore Core Network Faults	Preventive maintenance every 6 months Planned maintenance prioritisation Negotiate support contracts with strict SLAs Review NOC dispatch timelines	<b>8hrs</b>	7.5hrs	7.5hrs	7.5hrs	7.5hrs	7.5hrs



Strategic Goal	Strategic Objective	KPI	Activities	Baseline	2018/19 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
<b>SG 3: Economic and Social Transformation</b>	<b>SO 3: Drive Socio-Economic Transformation</b>	# of SMME appointed for OEM installation	Advertise tender to select 3 suppliers	<b>3 SMMEs trained on OHSA</b>	3 SMMEs allocated OEM installation work annually	Identify the SMMEs through RFI	Allocate work to first SMME	Allocate work to second SMME	Allocate work to third SMME
		% allocation of BBBEE budget discretionary spend annually	Identify Target Procurement on BOE from Demand Plan & Database/CSD/	<b>113%</b>	70% spend of B-BBEE	70% spend of B-BBEE	70% spend of B-BBEE	70% spend of B-BBEE	70% spend of B-BBEE
		% increase on black owned entities spend annually	Identify Target Procurement on BOE from Demand Plan & Database/CSD/	<b>22.56%</b>	40% spend of B-BBEE	40% spend of B-BBEE	40% spend of B-BBEE	40% spend of B-BBEE	40% spend of B-BBEE
		% spend of Black Women Owned entities annually	Identify Target Procurement on BOE from Demand Plan & Database/CSD/	<b>60.64%</b>	10% spend of 40% spend on BOE	10% spend of 40% spend on BOE	10% spend of 40% spend on BOE	10% spend of 40% spend on BOE	10% spend of 40% spend on BOE
		% spend on Youth Owned entities annually	Identify Target Procurement on BOE from Demand Plan & Database/CSD/	<b>1.30%</b>	5% spend of 40% spend on BOE	5% spend of 40% spend on BOE	5% spend of 40% spend on BOE	5% spend of 40% spend on BOE	5% spend of 40% spend on BOE
		% spend on People with Disabilities owned Entities annually	Identify Target Procurement on BOE from Demand Plan & Database/CSD/	<b>0.45%</b>	1% spend of 40% spend on BOE	1% spend of 40% spend on BOE	1% spend of 40% spend on BOE	1% spend of 40% spend on BOE	1% spend of 40% spend on BOE
		# of Schools provided with broadband connectivity	Identify new school in consultation with the Provincial Department of Education and relevant Stakeholders	<b>Cyber Security installed at schools</b>	1 School adopted in underserved area	Identify the province and the school	Identify partners to provide sponsorship	Acquire and Connect Telematics on distance platform	Train teachers on the use of Telematics



Strategic Goal	Strategic Objective	KPI	Activities	Baseline	2018/19 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
SG 4: Sound Human Capital Management Practices	SO 4: Build high performance organisation	% of payroll spend on Training per annum	Prioritising approved Individual PDP's Ensure aligning to job competency profiles	1.55%	1% of the salary bill spend on Targeted training and development by end of year	Compile Workplace Skills Plan and Annual training report	Training spent at 0.30% of payroll	Training spent at 0.35% of payroll	Training spent at 0.35% of payroll
		# of Technical Intern who require P1 and P2 to obtain qualifications	Recruitment Allocate coaches Periodical reviews MICT SETA reports	14 P1 & P2 students	Intake of 6 technical students who require P1 and P2	Finalisation of intern placements	Progress reports on internship program	Progress reports on internship program	Completion of P1 & P2 of Technical internship program
Strategic Goal 5: Pro-active Corporate Governance	SO 5.1 Effective Corporate Governance	Manage number of repeat external audit findings	Conduct quarterly follow-up reviews Conduct quarterly reviews Key financial controls and Asset Management	One (1) external audit findings	One (1) external audit findings	Internal Audit report approved by EXCO and ARC	Internal Audit report approved by EXCO and ARC	Internal Audit report approved by EXCO and ARC	Internal Audit report approved by EXCO and ARC

The Annual Performance Plan is attached as Annexure B to enable contracting between the Accounting Authority and Shareholders. Annexure F entails Key Performance Indicators technical descriptions.



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## **PART C STRATEGY EXECUTION**

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To ensure that the strategy is implemented and there is delivery on the identified objectives, each strategic objective has key performance areas which are initiatives to be implemented to execute the strategy. This ensures that there is overall congruence between the overarching direction of the Company and its strategic plan. To this effect the key performance areas have each been assigned Executive-level sponsors and associated measures to track performance.

Broadband Infracore translated the corporate strategy into definite and clear **Programmes** in the year **2014/15**. The current planning year of **2018/19** will be the fifth year of successful execution of this strategy.

There are six (6) Programmes critical for the delivery of the five (5) strategic objectives defined above. The programmes are aligned to the Enterprise Process Operating Model and the six capitals that are impacted by the Company in creating value for the key stakeholders. It is the norm for technology companies to be process and quality driven thus Broadband Infracore has resolved to subscribe to ISO 9001 quality standard and has developed a process anchored operating model. The programmes are aligned to the pillars of the operating model that inform the six capitals.

### **Programme 1: Strategy Management**

This programme is aimed at driving enterprise effectiveness through developing the strategic direction, execution of strategy, monitoring and evaluation of the performance, process and quality management and state of the art information systems. This programme is aligned to the Intellectual Capital that enables strategic execution in all areas of the Company.

**Purpose:** This is internally focused and seeks to measure execution of strategy and entrench the adoption of process management. This programme executes Goal 1, Business Sustainability through strategic 1.2, Improving Operations Excellence.

The Key Performance Areas include: Strategy deployment and monitoring, Quality management, Process Management and Information and Systems Management.

Objectives:

- Ensure business sustainability;
- Develop and implement corporate strategy and annual performance plans
- Facilitate development of end-to-end processes
- Ensure implementation of quality management systems
- Effective information management systems
- Monitor and Evaluate implementation of strategy.

There are four (4) sub-programmes

#### ***Sub-Programme 1: Strategy and Monitoring***

The purpose for this sub-programme is to develop and implement the strategy of the Company. The implementation of the strategy is cascaded through the Corporate Plan and Divisional Business Plans.

#### ***Sub-Programme 2: Process Development***



This sub-programme aims to develop processes by ensuring that critical organisational policies are embedded in processes and that processes are standardised. It also aims at ensuring that the organisation adheres to global quality standards.

### ***Sub-Programme 3: Quality Management***

This sub-programme aims to ensure that the organisation adheres to global quality standards. This will be tracked by the preparation for ISO 9001 certification over the next 2 years in order to guarantee quality operations and maintaining the ISO 9001 certification over a period of 5 years minimum.

### ***Sub-Programme 4: Information and Systems Management***

This sub-program ensures that the platform created supports the organisational IT requirements in a cost effective manner. It is responsible for managing the internal corporate enterprise network, to support the business objectives of the Company whilst ensuring compliance to IT Governance. The programme aims to ensure automation of manual tasks and integration of management and business processes into a single, coherent information system. It is measured by the successful safe-guarding of company information and assurance of business continuity under any adverse situations.

## **Programme 2: Financial Capital**

This programme is at the core of the Company's financial sustainability. It is focused on ensuring that the company focuses energy on prioritised opportunities and delivers on the set revenue targets. It is also focused on ensuring that the pricing strategy is aligned to the business strategy and factors in it the market pressures.

This programme is also responsible for the reduction of organisational costs within the approved budget parameters. It will limit unnecessary expenditures enabling Broadband Infracore to meet its strategic objectives and financial targets. This programme is aligned to the Financial Capital and pillar 2 and 7 of the Enterprise Process Operating Model.

**Purpose:** To diversify and grow revenue whilst retaining and increasing customer base through cost effective customer solutions and marketed related prices. This programme is also concerned with the management of all matters associated with the cash flow of the Company, both short-term and long term, how the company uses its resources and sourcing of funds to fund its working capital needs. This programme executes Goal 1, Business Sustainability through strategic 1.1, Ensuring Long-term financial sustainability

### **Objectives:**

- Implement the approved sales strategy;
- Build Key Account Managers' capacity to sell;
- Grow revenue;
- Review pricing annually;
- Maintain operations cost increases to below inflation;
- Actively manage working capital to ensure current ratio level remains within acceptable levels;
- Maintain debtors' days within acceptable levels; and
- Improve overall profitability of the Company.



These are the two (2) sub-programmes:

### ***Sub-Programme 1: Market and Sell***

This sub-programme is directed at developing a structured method of identifying revenue opportunities. This will enable better network planning, improved prioritisation of projects, and greater coordination across the fulfilment value chain. To build new relationships with clients and optimise existing relationships through loyalty / customer retention programs. In order for the company to be able to sell the product effectively, the market is segmented geographically based on the type of customer.

### ***Sub-Programme 2: Cash Management***

This sub-programme is responsible for determining the optimal funding required and sourcing it from the most appropriate and suited provider(s) of funding. It also includes, maintaining operational expenditure to improve its overall financial position. This include further optimisation of the network and related resources and thereby reducing cost of sales. This sub-programme is also responsible for ensuring that Broadband Infracore has sufficient cash resources in order to meet its operating expenses and any short-term cash requirements.

### **Programme 3: Network Infrastructure**

This program ensures the delivery of government mandate and customer requirements. This includes the deployment of wholesale communication services including in underserved areas. The services delivered must be sustainable and allow for economic activity in the areas where those services are consumed. This provides an opportunity for collaboration with other State Owned Companies (SOCs). In addition, as part of its core planning, Broadband Infracore will ensure that existing infrastructure, including that from other entities, are fully taken into consideration to minimise infrastructure duplication. For the customers running on the network, it is crucial that all Service Level Agreements (SLAs) are adhered to as agreed, so that prospects of additional business increases.

**Purpose:** To ensure that key Government projects such as SA Connect and all network refurbishments as well as customer requirements are fulfilled cost effectively, and timeously. Projects are identified from the Master plan and socialised with various departments to ensure that the correct priority is recorded to the critical requirements. This programme executes strategic goal 2, Resilient Network through strategic objective 2.1, Expand and Maintain broadband infrastructure. This programme is aligned with the Manufactured Capital.

#### **Objectives:**

- Effectively manage products
- Develop an effective and efficient Demand Planning Model;
- Implement Strategic Sourcing for core commodities and services;
- Reduce Total Cost of Ownership (TCO);

There are six (6) sub programmes:

### ***Sub-programme 1: Product Management***



This sub programme ensures that the network organically migrates to an IP network to allow for sub-STM1 connections and optimal routing capability. The roll out of an IP network outside the current Golden Triangle will be driven by customer demand and sustainable business cases. The products include Maintenance Offerings, NOC as a service and a host of IP services.

### ***Sub-programme 2: Network Planning***

This sub programme ensures that the Broadband Infraco network organically migrates to an IP network to allow for sub-STM1 connections and optimal routing capability by running the M-Tera project.

### ***Sub- Programme 3: Supply Chain Management***

The purpose of this sub-programme is to ensure that best practice Supply Chain Management principles are embedded in the organisation using long term demand planning, supplier management and expedient procurement processes. It is responsible for ensuring that companywide needs / demands are properly coordinated and structured in a forecasted procurement plan. This measure will significantly increase efficiency in the turn-around-time (TAT) of procurement transaction, by establishing framework agreements.

### ***Sub-programme 4: Network Build***

A critical part of this programme is to ensure that the SA Connect project is prioritised as part of the key deliverables. The network will organically migrate to an IP network to allow for sub-STM1 connections and optimal routing capability by running the M-Tera project. The program also ensures that the projects are planned and executed successfully within budget and planned timelines. The roll out of an IP network outside the current Golden Triangle will be driven by customer demand and sustainable business cases. The network plans will include the increase of core network capacity to service increasing customer demands.

### ***Sub-programme 5: Operate and Maintain Network***

This sub programme's purpose is to track the effectiveness of the network maintenance regime and team responsiveness to network failures.

### ***Sub-programme 6: Telecoms Asset Management***

This sub programme's purpose is to safeguard and manage all revenue generating assets.

The Company's network covers all nine provinces, major cities and towns of South Africa and also extends to the borders of South Africa's neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe in order to provide the required interconnectivity.

## **Programme 4: Stakeholder Management**

Stakeholder Management focuses on continuous engagement with key stakeholders to ensure an integrated strategy execution in pursuit of operational excellence and good citizenship.

**Purpose:** The purpose of the programme is to create positive relationships with stakeholders, through appropriate management of their expectations and agreed objectives.

### **Objectives:**

- Stakeholder relationship management;
- Improve branding;



- Unlocking SMME Opportunities;
- Effective communication; and
- Responsive corporate citizen.

There are six (6) sub programmes:

### ***Sub-Programme 1: Shareholder and Parliamentary Engagement***

Broadband Infraco attends Parliamentary Portfolio Committee meetings on its own or in support of the DTSP on a regular basis. It does so to report on the Company's Performance and Annual Performance Plan and to support a briefing by Department and entities of its Quarterly Reports and reports rollout. It also attends Portfolio Committee (PC) meetings as and when requested and facilitates oversight meetings from the PC to its sites.

### ***Sub-Programme 2: Brand and Events Management***

To promote Company products and/or services to key customers with the intention of creating a recognised brand and increasing revenues. The sub-programme also focuses on building a strong brand internally and externally by developing initiatives that enhance the reputation of the brand while ensuring consistent application of the corporate identity.

### ***Sub-Programme 3: Employee Relations Management***

The sub-programme is aimed at ensuring mutually beneficial and constructive relations between the employer and the employees through ongoing engagements and through their representative structures. It is about proactive approaches to create an environment where trust level is high, there is adequate transparency, consistency and fairness in dealing with matters of mutual interest between the employer and employee(s). It also seeks to drive alignment of people management practices to labour legislation framework by facilitating social transformation initiatives that are intended to eradicate the injustices of the past, e.g., the Basic Conditions of Employment Act on fairness and equitable practices, Employment Equity Act on creating employment opportunities with intention to increase numbers of women at leadership levels in organisations and persons with disabilities across the board.

### ***Sub-Programme 4: Enterprise Development***

The purpose of the sub-programme is to ensure that best practice Supply Chain Management principles are embedded in the organisation using long term demand planning, supplier management and expedient procurement processes. This sub-programme will focus on ensuring that Broadband Infraco conducts business in line with government empowerment goals, ensuring that business increases their procurement from historically disadvantaged individuals (HDI). This programme executes Strategic Goal 3, Economic and Social Transformation through Strategic objective 3.1, Drive Socio-Economic Transformation.

### ***Sub-Programme 5: Corporate Communication***

The purpose of this sub-programme is to ensure regular communication externally to the Company's stakeholders and internally to its employees

It further focuses on establishing and maintaining a favourable reputation with stakeholder groups with whom the company has dependable relationships.

The sub-programme seeks to actively:



- Share and enhance the company's Build, Grow, Expand 2.0 strategy and improve its corporate profile as an ICT sector leader
- Position Broadband Infraco as the leading and reputable agency on backhaul fibre connectivity;
- Promote the leadership of Broadband Infraco as industry 'thought-leaders' and commentators; and
- Create powerful and effective new communications channels and platforms to engage stakeholders (internal & external), decision makers and opinion-formers.

Two-way communication between the Company and all its stakeholders is imperative to influence the framework of communication for the Company with all its key stakeholders to achieve the Company's business objectives

### ***Sub-Programme 6: Corporate Social Responsibility***

This sub-programme seeks to plough back in the communities where there are Broadband Infraco Points of Presence in the vicinity of schools that have no connectivity to broadband, which in the main are in marginalised and underserved areas. The aim is to expand broadband connectivity in an effort to elevate disadvantaged schools to the technological level of their more privileged counterparts in urban areas, thus bridging the digital divide and contributing to the improvement of education outcomes through ICT.

Corporate Social Investment (CSI) encompasses projects that are external to the normal business mandate and activities of a company and not directly for purposes of increasing company profit. These projects have a strong developmental approach and utilise company resources to benefit and uplift communities within which the company operates and are not primarily driven as marketing initiatives.

### **Programme 5: Human Capital**

The programme is fulfilled through integrated human resources management strategies. The main objective of the human resources function is to ensure that the efforts of the people deployed in various roles at different levels of responsibility ultimately converge towards the achievement of a common purpose. In this way, the Company will achieve its legislated mandate and periodical strategic business objectives that it has set itself to make a meaningful contribution to the success of the organisation.

**Purpose:** This programme is focused on creating human resources capacity and capability for the effective execution of the organisational strategy and ensuring optimisation thereof. To create an environment of good human resource management principles practices for overall performance and sustainability. This programme executes Strategic Goal 4, Sound Human Capital Management Practices.

#### **Objectives:**

- Strategic alignment of the human capital to ensure successful execution of mandate
- Effective talent management strategy to attract and retain best calibre
- Competency based and benchmarked talent management practices
- Inculcating a culture of performance and ongoing development
- Care for safety and health of employees and contractors.



The Human capital management strategy is premised on a global model:

- Unlocking employee performance with focus on the enterprise development;
- Leadership effectiveness through empowerment of teams and collaborations; and
- Continuous review of the HR function to deliver services that are aligned to organisational needs and foresights.

The programme represents a divisional business plan on the basis of which the strategic objectives of the division shall be executed.

### **Human Resources Operational Efficiency and Effectiveness Enhancement**

The HR division reviews its short-medium terms strategies on an annual basis, to ensure that the governance framework (policies, procedures) and management practices are aligned to labour legislation, industry employment cost efficiency measures and human resources optimization strategies.

For the past two (2) financial years, HR has been facilitating the process of optimising human resources capacity, with the aim of reducing labour costs, as part of the cost containment strategy. As a result, there has been skeletal professional capacity with which to provide required support services. Technical college interns were acquired to facilitate the rebuilding of required capacity but this initiative did not meet anticipated success rate in terms of effectiveness. The upgrading of the professional capability of the team, implementation of administrative systems for automation and empowerment of line management has created sufficient readiness to grow towards integrated strategies and legally compliant practices.

There are five sub-programmes:

#### ***Sub-programme 1: Organisational Capacity Building***

The sub-programme is dedicated towards the design and continuous review of the required functional organisational structure that is aligned to the corporate plans and strategic business objectives. It is about ensuring the adequate capacity and appropriate capability is available for the company to execute its plans cost effectively and efficiently.

#### ***Sub-programme 2: Talent Attraction and Retention***

HR enables the company to acquire people who possess the knowledge and skills it requires by being a preferred employer and competing for best talent on the market. Labour legislation aligned people management practices, competent leadership, integrated strategies for employee development, support, recognition and rigorous employee engagement create an employment environment of commitment, loyalty and high individual and team performance levels. However, this is a tough call when the company is faced with financial constraints and cannot afford planned undertakings.

#### ***Sub-programme 3: Human Resources Development***

Through the sub-programme, HR plays a pivotal role in determining requisite job competencies for successful appointments to jobs, assessment of competency levels and skills gaps, as well as the identification of appropriate interventions for desired improvements. The responsible unit produces annual training plans and ensures execution. It oversees the application of acquired skills, sharing of skills and knowledge. Collaboration with the MICT SETA is crucial for contributing towards the national socio-economic imperatives through skills development programmes.



#### ***Sub-programmes 4: Employee Performance Management***

The crux of the sub-programme is the monitoring of individual and team outputs in line with the company's goals and targeted key deliverables. HR must ensure that all the pillars of performance enhancement are intact and aligned to the business mission; among others, clarity of roles and responsibilities, empowered line management, availability of resources enabling set performance standards and a conducive employee relations environment.

#### ***Sub-programmes 5: Safety and Health***

This subprogram will focus on the health and well-being of the employees. The implementation and maintenance of a holistic Safety and Health is key to running a sustainable business and is at the core of an infrastructure based company like Broadband Infracore. This function is performed in consultation with internal and external stakeholders. The purpose of the SHEQ environment is to ensure compliance and conformance to the Occupational Health and Safety Act 85 of 1993, and the conformance to the OSHAS18001:2011 standard as well as local and provincial regulations. In the end, this will assist in reducing costs, attracting more customers and maintaining a safe working environment. The key measurement used to track the success of this sub-programme is the Lost Time Injury Frequency Rate.

#### **Programme 7: Governance**

This programme ensures that there is establishment of governance structures and policies, and continuous monitoring of their oversight and compliance by the Board of Directors and management alike. It includes the mechanisms required to balance the powers of the members (with the associated accountability), and their primary duty of enhancing the prosperity and viability of Broadband Infracore. Proper governance comprises of the rules, norms and actions are structured, sustained, regulated and held accountable.

**Purpose:** This programme is focused on ensuring that the governance assurance management services are provided efficiently and effectively to improve compliance, internal controls, and ensure that risk mitigation interventions are implemented.

#### **Objectives:**

- Effective management of the Board, EXCO and Sub-Committees;
- Review the business processes to provide independent assurance;
- Improve internal controls;
- Assess and monitor the level of compliance with all applicable external regulations and internal policies; and
- Ensure holistic approach to implementation of risk management across the organisational.

There are six (6) sub-programmes:

#### ***Sub-Programme 1: Company Secretariat***

This sub-programme ensures that all Board, EXCO and Sub-Committees meetings are organised and minutes are recorded and kept efficiently and effectively. This sub-programme's objective is to provide efficient administration of the Company; particularly with regard to ensuring compliance with statutory and regulatory requirements and that decisions of the Board of Directors and EXCO are recorded and implemented.

#### ***Sub-Programme 2: Legal and Regulatory***



This sub-programme ensures that Broadband Infracore concludes commercial transactions on terms and conditions favourable to its business, and complies with its licence terms and conditions, and applicable legislation when conducting its business operations, to ensure that the Company operates within the applicable laws at all times. It also ensures that legal agreements entered into by the Company provide the necessary prescripts to protect the Company's asset base, finances and other resources.

### ***Sub-Programme 3: Compliance***

The purpose of compliance is to ensuring compliance with applicable legislation, policies, codes and standards to prevent financial loss, reputational damage and eroding the goodwill of an organisation.

### ***Sub-Programme 4: Enterprise Risk Management***

The purpose of this sub-programme is to manage strategic and operational risks, insurance of assets including employees to ensure business continuity. This sub-programme is also responsible for fraud management refer Annexure D and E. A tip-offs anonymous hotline which is managed by an independent service provider has been implemented. The monthly hotline reports are monitored and investigation will be conducted on reported cases.

The development of the strategic risks register 2018/19 is the culmination of an extensive exercise by EXCO, Board and Shareholders to re-assess all current and new risks identified. Majority of the risks compared to the previous year have not changed. Refer to Annexure **D**:

The risk mitigation and action plans agreed with the Executives will be monitored quarterly and be reported to EXCO and Board for approval

### ***Sub-Programme 5: Internal Audit***

The purpose of internal audit is to provide assurance by assessing the adequacy of internal controls and compliance through checking the processes and recommending improvements of the internal control, risk management and compliance with policies and procedures.

### ***Sub-Programme 6: Environment Management***

In the process of executing construction projects, the environment will be affected. The intention of this programme is to ensure minimum disruption on the natural environment or at least the restoration of the work environment to its original state. This supports the goal of sustainable development and ensures compliance to environmental laws and standards.



## FIVE YEAR PROGRAMME PERFORMANCE PLAN

### Programme 1: Strategy Management

#### Sub-programme 1: Strategy and Monitoring

Objective	KPI	Baseline 2017/18	Annual Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Effective Strategic planning	<b>Approved Corporate Plan submitted to Shareholders timeously at end of February each year</b>	Corporate Plan	Approved corporate plan and annual performance plan by end of February each year	Approved corporate plan and annual performance plan by end of February each year	Approved corporate plan and annual performance plan by end of February each year	Approved corporate plan and annual performance plan by end of February each year	Approved corporate plan and annual performance plan by end of February each year
Strategy Communication	<b># of employee sessions</b>	Ad Hoc	4 Quarterly Town Talks per annum				
Tracking performance information	<b># of Quality Quarterly Reports submitted to EXCO</b>	Quarterly Reporting	Monthly KPI tracking reporting to EXCO 30 days after end of reporting month	Monthly KPI tracking reporting to EXCO 30 days after end of reporting month	Monthly KPI tracking reporting to EXCO 30 days after end of reporting month	Monthly KPI tracking reporting to EXCO 30 days after end of reporting month	Monthly KPI tracking reporting to EXCO 30 days after end of reporting month
Timeous reporting on enterprise performance	<b>100% compliance to reporting cycle</b>	100% compliance	Quarterly Reporting 30 days after close of the reporting period to Shareholders and Parliament	Quarterly Reporting 30 days after close of the reporting period to Shareholders and Parliament	Quarterly Reporting 30 days after close of the reporting period to Shareholders and Parliament	Quarterly Reporting 30 days after close of the reporting period to Shareholders and Parliament	Quarterly Reporting 30 days after close of the reporting period to Shareholders and Parliament
			Integrated Annual Reporting to Shareholders and Parliament				



## Sub-programme 2 Process Development

Objective	KPI	Baseline 2017/18	Annual Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Drive Processes Excellence	# of End to End Processes implemented by end of 2022/23	Existing processes at level 3	2 of the # identified end to end processes <ul style="list-style-type: none"><li>• Sourcing network equipment to project execution (Network Planning, Design and Implementation (Build) processes)</li><li>• Specifications to sourcing</li></ul>	2 of the # identified end to end processes <ul style="list-style-type: none"><li>• Recruitment to retirement processes</li><li>• IT helpdesk management processes (ITIL)</li></ul>	2 of the # identified end to end processes <ul style="list-style-type: none"><li>• Order to Cash (Services Fulfilment Processes)</li><li>• Asset Management Life Cycle</li></ul>	3 of the # identified end to end processes <ul style="list-style-type: none"><li>• Incident and Fault Management Processes</li><li>• Purchase request to account payables</li><li>• End to end disaster recovery plan</li></ul>	3 of the # identified end to end processes <ul style="list-style-type: none"><li>• Revenue End to End processes</li><li>• Purchases request to account payables</li><li>• End to end disaster recovery plan</li></ul>
	100% review Enterprise operating model	Enterprise Operating Model	40% Model and approved level processes	60% Model and approved level processes.	80% Model and approved level processes.	100% Model and approved level processes.	100% Model and approved level processes
	100% alignment policies /standard for identified Business Processes	Enterprise-wide policy register	100% of end to end process aligned with applicable policy directives	100% of end to end process aligned with applicable policy directives	100% of end to end process aligned with applicable policy directives	100% of end to end process aligned with applicable policy directives	100% of end to end process aligned with applicable policy directives
Manage the Governance requirement	100% Updated Enterprise-wide Policy Register	Enterprise- wide Policy Register	Monthly and quarterly update to Policy owners and EXCO	Monthly and quarterly update to Policy owners and EXCO	Monthly and quarterly update to Policy owners and EXCO	Monthly and quarterly update to Policy owners and EXCO	Monthly and quarterly update to Policy owners and EXCO



### Sub-programme 3 Quality Management

Output	KPI	Baseline 2017/18	Divisional Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
ISO 9001 Certification	% readiness for ISO 9001 Certification	None	Do a preliminary internal audit check and document all audit findings	Close all internal audit findings and invite the SABS for an external audit check.	In liaison with the SABS close subsequent gaps including for all the regions and to conduct the final external audit.	ISO 9001 certification award.	Maintain the accreditation.

### Sub-programme 4 Information and Systems Management

Output	KPI	Baseline 2017/18	Divisional Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Data Management	Implementation of SharePoint as a central repository for storage of Company information	Less than 30% of business units using Sharepoint	Full assessment of Business Utilization of Sharepoint, Use base for target of 50% of business unit utilising SharePoint as central repository	70 of business unit utilising SharePoint as central repository	80% of business unit utilising SharePoint as central repository	100% of business unit utilising Sharepoint as central repository	100% of business unit utilising Sharepoint as central repository
Implement IT Enterprise Architecture	% of IT Enterprise Architecture implemented	Plan completed	Phase 1 of the project implemented	Phase 2 of the project implemented			



## Programme 2: Financial Capital

### Sub-programme 1: Market and Sell

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Financial Sustainability	Year on year Revenue increase annually	-3.7%	40.0%	8.4%	9.4%	8.0%	8.7%
	# of New Customers Acquired per year	11 New Customers	3	5	7	9	11
Internal Stakeholder Management	# of monthly SPRC Meetings	Monthly SPRC Meetings	Monthly SPRC Meetings	Monthly SPRC Meetings	Monthly SPRC Meetings	Monthly SPRC Meetings	Monthly SPRC Meetings
	#Minutes of internal customer meetings	Minutes of internal customer meetings	Minutes of internal customer meetings	Minutes of internal customer meetings	Minutes of internal customer meetings	Minutes of internal customer meetings	Minutes of internal customer meetings
Increase Business opportunity	# of revenue generating contracts signed with resellers per annum	1x contract signed with resellers	Minimum of 3 contracts with resellers	Minimum of 5 contracts with resellers	Minimum of 7 contracts with resellers	Minimum of 9 contracts with resellers	Minimum of 11 contracts with resellers

### Sub-programme 2 Cash Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Subordinate loans converted	Convert Shareholders' loans into equity	Shareholders' Loans shown as long term liability	Conversion of subordinated Shareholders' loans to Equity				



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Funding Raised	Appropriate funding sourced	R0 million	R200 million	R200 million	R200 million	R200 million	R200 million
Manage Assets Register	% asset verification bi-annually	50% verification bi-annually	50% verification bi-annually	50% verification bi-annually	50% verification bi-annually	50% verification bi-annually	50% verification bi-annually
Work in Progress	# Number of days to assets capitalisation	Within two months of completion of project					
Financial Records keeping	Monthly Management Accounts	By the 11 <sup>th</sup> working day of each month	By the 11 <sup>th</sup> working day of each month	By the 11 <sup>th</sup> working day of each month	By the 11 <sup>th</sup> working day of each month	By the 11 <sup>th</sup> working day of each month	By the 11 <sup>th</sup> working day of each month
Profitability	Maintain EBITDA as % of revenue	8.1%	22.9%	24.6%	26.4%	27.4%	29.2%
Optimised Total Cost (Excl Depreciation)	Maintain % increase below inflation	-2.9%	8.5%	6.2%	6.5%	6.5%	6.5%
Managed Working Capital	Current ratio	119%%	115%	33%	40%	71%	126%
Accounts Receivable	number of days per outstanding customer invoice	66 days	60 days				



## Programme 3: Network Infrastructure

### Sub-programme 1 Product Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Product Portfolio Management	Develop new products	NOC as a Service non existing	NOC added as a service with full pricing and associated metrics	Aim to have at least one customer running on BBI NOC services.	Develop further specialists for the NOC environment to allow full support.	Expand NOC as a service to include Maintenance options	A significant portion of revenue to be realised via the NOC
Product Development	Introduce Internet as a service	Approve the introduction of new products and services and ensure that they are in line with the company's Corporate Plan.	Internet as a service Proof of Concept to be run.	Advertise more routes and review effectiveness	Launch the Internet as a fully-fledged product.	Extended marketing and sales for Internet as a product	Remote peering product completed and supporting services added on.

### Sub-programme 2 Network Planning

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Updating the Masterplan.	Up to date and costed 10 year Masterplan.	Network Master Plan	Gather all project inputs from all stakeholders (sales, O&M, customers, NOC etc.)	Review the relevance of some of the projects in the Masterplan.	Prioritise the Masterplan projects subject to funding and customer requirements.	Get approval and sign-off for the Masterplan	Review relevance of all key projects identified for a new phase.



### Sub-programme 3 Supply Chain Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Reduce Contracting Cost	% Decrease on contracted expenses	10% of the Tendered amount	10% of the Tendered amount	10% of the Tendered amount	10% of the Tendered amount	10% of the Tendered amount	10% of the Tendered amount
Decrease turnaround time and increase efficiency	Optimise Demand Plan through framework agreement	7 for Quotations 90 for Tenders	7 for Quotations				

### Sub-programme 4 Network Build

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Implement SA Connect	# of Government Sites connected to Broadband Infracore network for SA Connect Phase 1	MSA signed with DTSPS & SITA. Schedules submitted	Complete 166 site connections	Complete the 14 PoPs and 999km fibre route upgrades	Complete the rest of 54 site connections	Finalise planning for Phase of SA Connect phase 2	Implementation of the Phase 2 starts
Network Upgrade	Upgrade the Core Network (to increase capacity and reduce concatenation inefficiencies)	13 Network Nodes Running on HiT7100	Expand on the now existing Mtera core network. Increase network capacity on key routes on the Golden Triangle.	Increase the network capacity on secondary portions of the network on the core using the 100G transponders.	Increase network capacity for the rest of the provinces.	Review network capabilities against network Masterplan.	Implement gap closure for the rest of the network



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Migration from SDH to IP	Increase the number of IP PoP Nodes nationwide	IP existing only on the Golden Triangle	Implement the IP network roll out.	IP network should be existing in an additional 2 more provincial capitals.	The IP network should be existing in an additional 2 more provincial capitals.	IP Network in all provincial capitals.	Roll out IP network where there is demand
Network Redundancy	Prioritise the strengthening of SADC regional links (Botswana, Namibia and Zimbabwe Secondary Routes.)	Single Points of Failure for all SADC links	Completion of the detailed scope of work and approval by all the relevant committees.	Roll out and complete the Botswana route redundancy	Roll out and complete the Zimbabwe route redundancy	Roll out and complete the Namibia route redundancy	Roll out and complete the rest of the SADC route redundancy build
Project Implementation – DCN Project	Improve service restoration times by implementing the DCN project	Restoration times have been exceeding 8 hours before.	Complete the basic DCN project by end of the 2017/18 financial year for Golden Triangle.	Expand the DCN to other provincial capitals	Design and review the functionality of the ASON layer	Implement the ASON project.	Review and design for upgrade all Environmental Alarm Systems (EAS).
Laingsburg to Sutherland alternative route	Build the Laingsburg route as originally planned	Route identified as critical for operations	Planning and implementation of the project	Completion of the project before end of 2018	Planning of the redundant link for the Laingsburg route	Construction of the redundant link	Project review and closure

### Sub-programme 5 Operate and Maintain Network

Output	KPI	Baseline 2017/18	Divisional Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Network Performance Rebates	Network performance rebates paid as percentage of gross revenue annually	Rebates ≤ 0.3%	Rebates ≤ 0.20%	Rebates ≤0.20%	Rebates ≤0.20%	Rebates ≤0.20%	Rebates ≤0.20%



Output	KPI	Baseline 2017/18	Divisional Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Network Mean Down Time	Actual Time to Restore Core Network Faults (MTTR)	8 hours	7.5 hours	7.5 hours	7.5 hours	7 hours	7 hours
Safeguard Physical Assets	Review the physical state of all the BBI assets and PoPs from a security standpoint	20 PoPs reviewed and assessed and high level plans developed to address gaps	50 PoPs reviewed and assessed and high level plans developed to address gaps	80 PoPs reviewed and assessed and high level plans developed to address gaps	110 PoPs reviewed and assessed and high level plans developed to address gaps	156 PoPs reviewed and assessed and high level plans developed to address gaps	Review effectiveness of entire process

### Sub-programme 6 Telecoms Asset Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Safeguard Physical Assets	Review the physical state of all the BBI assets and PoPs from a security standpoint	20 PoPs reviewed and assessed and high level plans developed to address gaps	50 PoPs reviewed and assessed and high level plans developed to address gaps	80 PoPs reviewed and assessed and high level plans developed to address gaps	110 PoPs reviewed and assessed and high level plans developed to address gaps	156 PoPs reviewed and assessed and high level plans developed to address gaps	Review effectiveness of entire process



## Programme 4: Stakeholder Management

### Sub-programme 1 Shareholder and Parliament Engagement

Objective	KPI	Baseline 2016/17	Divisional Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Open Communication between the Board and Shareholders	<b>Submission of Accurate information to the shareholders timeously</b>	Submitted accurate information to the shareholders timeously	Submission of Accurate information to the shareholders timeously as and when required	Submission of Accurate information to the shareholders timeously as and when required	Submission of Accurate information to the shareholders timeously as and when required	Submission of Accurate information to the shareholders timeously as and when required	Submission of Accurate information to the shareholders timeously as and when required
Oversight on the company affairs	<b>Convene quarterly meetings to review strategy and assess implementation</b>	5 - Number of meeting held	4 meetings per annum for each of the board subcommittees and the main board	4 meetings per annum for each of the board subcommittees and the main board	4 meetings per annum for each of the board subcommittees and the main board	4 meetings per annum for each of the board subcommittees and the main board	4 meetings per annum for each of the board subcommittees and the main board
Reporting to the Shareholders	<b>Accurate and timeous submission of quality reports to shareholder and parliament</b>	Quarterly Reports, Annual Reports, or any other relevant report or	Timeous reporting a prescribed by relevant statutes and guidelines, the PFMA and the Portfolio committee quarterly calendar	Timeous reporting a prescribed by relevant statutes and guidelines, the PFMA and the Portfolio committee quarterly calendar	Timeous reporting a prescribed by relevant statutes and guidelines, the PFMA and the Portfolio committee quarterly calendar	Timeous reporting a prescribed by relevant statutes and guidelines, the PFMA and the Portfolio committee quarterly calendar	Timeous reporting a prescribed by relevant statutes and guidelines, the PFMA and the Portfolio committee quarterly calendar



### Sub-programme 2 Brand and Events Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Brand awareness	# of External Events to Promote the brand	1x International Event 3x National Events	3x International Events 3x National Events	1x International Event 3x National Events	1x International Event 3x National Events	1x International Event 3x National Events	1x International Event 3x National Events
	# of Internal Events to Promote the brand	2x Internal events	2x Internal events	2x Internal events	2x Internal events	2x Internal events	2x Internal events
Products and Services	# of promotional materials developed to promote products and services	Internal and external advertising	Develop a brochure and corporate profile	Digital advertising for products and services and electronic brochures	Digital advertising for products and services and electronic brochures	Digital advertising for products and services and electronic brochures	Digital advertising for products and services and electronic brochures
Brand Identify style guide	Review the Corporate Identity Manual annually	Brand identify style guide	Review the brand identify style guide	Monitor the adherence of company identity	Update the brand identity style guide	Monitor the adherence of the brand identity manual	Monitor the adherence of the brand identity manual

### Sub-programme 3 Employee Relations Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Stakeholder relations improvement	Active employee engagement structures for participative management	80%	Min 70% compliance with terms of reference for relations with CWU, SETA and DoL	Form collaborations with SOC's for HR information sharing and resources exchange	Signed MOU's for collaborative efforts with key industry players	Maintenance of relationships	Review of collaboration agreements



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Improved transparency with employee management practices	Management / labour relationship enhancement	1 course with Union pa	1 HR fundamentals course for Line and organised labour	Training of Employee representatives on line management roles for transparency	Training of Employee representatives on line management roles for informed participation	Training of Employee representatives on line management roles for informed participation	Continuous development
Human Resources Policy review and implementation	Compliance verified HR policy legislative alignment	30% review as at Nov 2016	Review 40% of remaining 2013 policies and implement all 2017 approved	Review rest of 2013 policies	Intensify empowerment of line management for ownership of HR	Align HR policies to national and global trends	Continuous review of policies and procedures

#### Sub-programme 4 Enterprise Development

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Drive Socio-Economic Transformation	% Allocation of BBBEE budget discretionary spend	114%	70%	70%	70%	70%	70%
	% spend on black owned entities	54%	40% spend of BOE				
	% spend on Youth Owned entities	11%	5% spend of 40% spend on BOE				
	% spend on Women Owned entities	37%	10% spend of 40% spend on BOE				



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
	% spend on People with Disabilities owned entities	R267K	1% spend of 40% spend on BOE				
	Number of indirect jobs created	65	100	110	120	130	140

### Sub-programme 5 Corporate Communication

Objective	KPI	Baseline	Annual Performance Targets				
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve internal communication	% improvement of Intranet Usage	New service Provider appointed	10% increased usage	25% increased usage	50% increased usage	100% increased usage	Sustain 100% usage
Improved external communication	# of well attended media briefings	None	Bi-annual Media Engagement sessions and facilitated tours	Bi-annual issuing of media bites	Monthly placement of information on the website	Sustained usage of new media platforms for information sharing	Hosting of media discussion panels with relevant stakeholders to sustain brand growth levels
	# of media articles per annum	1 online advertorial	Bi-annual generated media articles	Bi-annual media engagements	Bi-annual media engagements	Sustained usage of new media platforms	Increased stakeholder related media statements
Website Management	% Increased of Web traffic	Unmonitored Web traffic	10% increased web traffic	25% increased web traffic	75% increased web traffic	100% increased web traffic	Sustain 100% increased web traffic



Objective	KPI	Baseline	Annual Performance Targets				
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Social Media	# of potential customers engaged per annum	1 Social media platform created	Develop social media protocols & create platforms	Develop social media strategy integrated with advertising campaigns	Build online communities	Creative use of social media platforms	Fusion of social and online media platforms

### Sub-programme 6 Corporate Social Responsibility

Objective	KPI	Baseline	Annual Performance Targets				
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Drive Socio-Economic Transformation	# of Schools provided with broadband connectivity	Cyber security installed at Seshigo High School	1 School adopted in underserved area	Research to identify the province and the school	Identify partners to provide sponsorship	Acquire Telematics long distance platform	Train teachers on the use of Telematics
	#corporate social events in communities	1 Staff volunteerism event	2 staff volunteerism events	2 staff volunteerism events	2 staff volunteerism events	2 staff volunteerism events	2 staff volunteerism events
	Maintenance of ICT infrastructure as sponsored to Seshigo High School	Telematics equipment, tablets, interactive whiteboards and cyber-security	Remote management of cyber-security	Repairs and maintenance of Telematics equipment, tablets, interactive whiteboards and cyber-security	Repairs and maintenance of Telematics equipment, tablets, interactive whiteboards and cyber-security	Repairs and maintenance of Telematics equipment, tablets, interactive whiteboards and cyber-security	Repairs and maintenance of Telematics equipment, tablets, interactive whiteboards and cyber-security



## Programme 5: Human Capital

### Sub-programme 1 Organisational Capacity Building

Objective	KPI	Baseline	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
Aligned organisational structure	Adequate capacity and optimum cost benefit	67%	Fill 50% vacant Management level positions	Activate all 70% of non-core areas to enhance support for	Formalisation of technical and psychometric assessment for improved candidate evaluation	Enhanced system support for efficient talent acquisition to link with SD, EE and Succession pipeline	Long-term strategy to maintain an optimum organisational structure
Intake of Interns with required skills set for capacity building	Programme implementation in accordance with curricula framework and standards	Nil	80% success rate for the completion of the 24 months internship programme	Integrate Internship programme for EE targets,	70% to complete curriculum programme to obtain qualifications.	90% success rate for completion of internship and being employable	Programme in alliance with other collaborating SOC/E's

### Sub-programme 2 Talent Attraction and Retention

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Ability to compete for scarce skills on the market	Approved market benchmarked remuneration structure	2014 Benchmark	Implementation of the revised salary structure	Integrate the remaining adjustments to 2019/20 annual salary adjustments	Implement adjustments based on the outcome of the differentials	Continuous review of internal pay parity	Market benchmark for competitive remuneration rates
Reward and recognition programmes phased approach	Revisit socialisation of the programme and ensure readiness for execution	CEOs intern breakfasts and exceptional performer recognition	Awareness sessions for empowerment for implementation of	Maintain regular activity and review based on	Enhance implementation of programme	Review relevant policy and programmes	Socialise improved programmes



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
			non-cash components	recommended timeframes	and cash incentives	and obtain approval	across the organisation

### Sub-programme 3 Human Resources Development

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Employee competence enhancement strategies	Training spend as a % of total salary bill on prioritised training needs	1%	Minimum 1% expenditure of the salary bill for competence enhancement	Plan for Migrating towards e-Learning programmes for basic soft-skills programmes	Plan for Migrating towards e-Learning programmes for other interventions	Introduction of analytics to measure ROI	Effective knowledge management strategies
Career management framework	Approved career pathing framework for core areas	Framework & Policy	50% implementation in core areas and develop tools for execution	80% Completion of career pathing framework in core areas	Develop and implement 50% career pathing framework and support function	Complete implementation and automation of model	Implementation of for shortcomings and address challenges and risks
Succession planning	Implementation for critical level and strategic positions	1 protégé per senior technical position	Verify 80% of job families and analyse existing potential and readiness	Structure Succession plan frameworks at senior management levels and above	Succession readiness at management and supervisory level	Succession planning pipeline review and maintenance system development	Ensure stable succession pipeline



### Sub-programme 4 Employee Performance Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Integrated Performance management framework	Line management owned Poor Performance Management process	92%	Build internal management capacity for implementation of Poor Performance Management process	Enhance systems for the implementation of PPM	Review applicable policies and procedures	Evaluation of the integrated Performance Management Model	Enhancement of components of the model
	Improved quality of setting of standards and measures of output	NIL	Evaluation of sample contracts to determine need for management retraining	Review of divisional samples on submission to ensure alignment	Review of divisional samples on submission to ensure alignment	Review of divisional samples on submission to ensure alignment	Review of divisional samples on submission to ensure alignment

### Sub-programme 5 Safety and Health

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
LTIFR – Keeping it below 0.60 threshold	To ensure that all possible injuries to employees and business affiliates are minimised through effective implementation and management of control measures	Monitor and manage lost time (injury) incidents across the company.	Lost time injury frequency rate to be below 0.60 threshold.	Train and review employees on key safety requirements	Lost time injury frequency rate to be below 0.40 threshold.	Run workshops for the regions to keep them up to date on the latest safety trends.	Lost time injury frequency rate to be below 0.20 threshold.



## Programme 6: Governance

### Sub-Programme 1 Company Secretariat

Output	Measure/Indicator	Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
Ensure adherence to governance standards	Approval of minutes of the board within six months of the meeting	2/4 Board meetings	Draft Minutes circulated to board within 14 days of a meeting and final approved at next meeting scheduled meeting	Draft Minutes circulated to board within 14 days of a meeting and final approved at next meeting scheduled meeting	Draft Minutes circulated to board within 14 days of a meeting and final approved at next meeting scheduled meeting	Draft Minutes circulated to board within 14 days of a meeting and final approved at next meeting scheduled meeting	Draft Minutes circulated to board within 14 days of a meeting and final approved at next meeting scheduled meeting
	<b>Quarterly report of committee Chairs to the main board</b>	4/4 - as per the Scheduled Board meetings	Committee feedback reports to be tabled at main board meeting quarterly	Committee feedback reports to be tabled at main board meeting quarterly	Committee feedback reports to be tabled at main board meeting quarterly	Committee feedback reports to be tabled at main board meeting quarterly	Committee feedback reports to be tabled at main board meeting quarterly
Effective management of the Board, EXCO and Sub-Committee meetings	<b>Approval of minutes of Exco within a month of the meeting</b>	20/34 minutes approved	Minutes circulated with 4 days and approved within a month	Minutes circulated with 4 days and approved within a months	Minutes circulated with 4 days and approved within a months	Minutes circulated with 4 days and approved within a months	Minutes circulated with 4 days and approved within a months
	<b>Updated Resolution register of the Board, EXCO and Sub-Committees</b>	Statutory Resolutions registers are accurate and approved within the stipulated time frames	Statutory Resolutions registers are accurate and approved within the stipulated time frames.	Statutory Resolutions registers are accurate and approved within the stipulated time frames.	Statutory Resolutions registers are accurate and approved within the stipulated time frames.	Statutory Resolutions registers are accurate and approved within the stipulated time frames.	Statutory Resolutions registers are accurate and approved within the stipulated time frames.
Timeous preparation of the annual report	<b>Quality Annual Report produced timeously</b>	Draft integrated Annual Report	Annual Report submitted 31 May of each year	Annual Report submitted 31 May of each year	Annual Report submitted 31 May of each year	Annual Report submitted 31 May of each year	Annual Report submitted 31 May of each year



Output	Measure/Indicator	Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
		submitted on 31 May 2017					
Governance Policies and Procedures	<b>Reviewed and approved Governance Policies and Procedures</b>		Governance Policies and Procedures reviewed, updated and approved by Quarter 2	Governance Policies and Procedures reviewed	Governance Policies and Procedures reviewed	Governance Policies and Procedures reviewed, updated and approved by Quarter 2	Governance Policies and Procedures reviewed



### Sub-Programme 2 Legal and Regulatory

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Timeous submission of Compliance Reports to the Regulator	ECNS Licence Compliance	Bi-annual submissions to ICASA in April and Sept.	Bi-annual submissions to ICASA in April and Sept.	Bi-annual submissions to ICASA in April and Sept.	Bi-annual submissions to ICASA in April and Sept.	Bi-annual submissions to ICASA in April and Sept.	Bi-annual submissions to ICASA in April and Sept.
Monitor compliance to ECNS licence terms and conditions	Internal Licence Compliance	Quarterly Compliance Submission from Network Engineering					
Timeous and accurate payment of Annual Licence Fee and USAF Contribution	ECNS Licence Compliance	Annual payment to ICASA in Sept.					

### Sub-Programme 3 Compliance

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Maintain level of Companywide Compliance	% of Implemented Compliance Plan in three years	80% implementation of the approved compliance plan for 2017/2018.	90% implementation of approved compliance Audit for 2018/2019	95% implementation of approved compliance Plan for 2019/2020	100% implementation of approved compliance Plan for 2020/2021	100% implementation of approved compliance plan for 2021/2022	100% implementation of approved compliance plan for 2022/2023



## Sub-Programme 4 Enterprise Risk Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Effective management of strategic risks	Management of Corporate strategic risks register	Top 10 (Ten) strategic risks approved EXCO and Board.	Top 10 (Ten) strategic risks approved by EXCO and Board on Quarter 4	Top 10 (Ten) strategic risks approved EXCO and Board on Quarter 4	Top 10 (Ten) strategic risks approved EXCO and Board on Quarter 4	Top 10 (Ten) strategic risks approved EXCO and Board on Quarter 4	Top 10 (Ten) strategic risks approved EXCO and Board on Quarter 4
	Quarterly strategic risk register with mitigations plans for 4 quarters.	Strategic risk registers with reviewed mitigations plans approved by board.	Quarterly strategic risk registers with reviewed mitigations plans approved by board.	Quarterly strategic risk registers with reviewed mitigations plans approved by board.	Quarterly strategic risk registers reviewed with mitigations plans approved by board.	Quarterly strategic risk registers reviewed with mitigations plans approved by board,	Quarterly strategic risk registers reviewed with mitigations plans approved by board,
Effective management of operational risks	# of operational risks with reviewed mitigated per quarter.	Ten (10) operational (Departmental) risk registers with mitigations plans approved by EXCO.	Fourteen (14) operational risk registers with mitigations plans approved by EXCO.	Fourteen (14) operational risk registers with mitigations plans approved by EXCO.	Fourteen (14) operational risk registers with mitigations plans approved by EXCO.	Fourteen (14) operational risk registers with mitigations plans approved by EXCO.	Fourteen (14) operational risk registers with mitigations plans approved by EXCO.
Mitigated Fraud risk	# of fraud intervention per annum	2 fraud awareness and workshop	2 fraud awareness and workshop	2 fraud awareness and workshop	2 fraud awareness and workshop	2 fraud awareness and workshop	2 fraud awareness and workshop.
Adequate insurance cover	Annual appointment of the Insurance cover	Appointment of insurance cover by 1st January 2018	Review the appointed insurance cover by 1st January 2018/19	Review the appointed insurance cover by 1st January 2019/20	Appointment of new insurance cover by 1st January 2020/21	Review the appointed insurance cover by 1st January 2021/22	Review the appointed insurance cover by 1st January 2022/23
Integrated and Effective Business	# disaster Recovery plans place	Approved Business continuity Policy	Approved Business continuity Policy	Embed the approved Business continuity Policy	Review the approved 2 DRP in place	Review the approved 2 DRP in place.	Review the approved Business continuity Policy.



Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Continuity Management		and 2 draft DRP in place. <ul style="list-style-type: none"> <li>▪ IT</li> <li>▪ Operations</li> </ul>	and 2 DRP in place <ul style="list-style-type: none"> <li>▪ Finance</li> <li>▪ HR</li> </ul>	and 4 DRP in place <ul style="list-style-type: none"> <li>▪ IT</li> <li>▪ Operations</li> <li>▪ Finance</li> <li>▪ HR</li> </ul>	<ul style="list-style-type: none"> <li>▪ IT</li> <li>▪ Operations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finance</li> <li>▪ HR</li> </ul>	

### Sub-Programme 5 Internal Audit

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
Effective Internal Controls	% Implementation of three (3) year Internal Audit Plan	90% implementation of the approved Internal Audit Plan for 2016/17.	98% implementation of the approved Internal Audit Plan for 2018/19.	99% implementation of the approved Internal Audit Plan for 2019/20.	100% implementation of the approved Internal Audit Plan for 2020/21.	100% implementation of the approved Internal Audit Plan for 2021/22.	100% implementation of the approved Internal Audit Plan for 2022/23.
	# of internal controls reviewed	Auditor General Dashboard	Quarterly AG Dashboard reports	Quarterly AG Dashboard reports	Quarterly AG Dashboard reports	Quarterly AG Dashboard reports	Quarterly AG Dashboard reports
Clean audit	Manage number of repeat external audit findings	One (1) repeat external audit findings 2016/17	One (1) repeat external audit findings 2017/18	One (1) repeat external audit findings 2018/19	0 repeat external audit findings 2019/20	0 repeat external audit findings 2020/21.	0 repeat external audit findings 2021/22.



## Sub-Programme 6 Environment Management

Objective	KPI	Baseline 2017/18	Annual Performance Targets				
			2018/19	2019/20	2020/21	2021/22	2022/23
To comply with legal and other applicable environmental laws and to be seen as an environmental conscious organisation recognised globally	Implementation of ISO14001	Start with internal system review	Check the gaps and key requirements for accreditation	System implemented organisationally	System required Procedures drafted and approved	Proceed with first submission	Final accreditation completed.
To comply with legal and other applicable Occupational Health and Safety laws and to be seen as a safety conscious organisation, recognised nationally.	Maintenance of OSHAS18001	NOSA certification	Maintain system certification	Review system compliancy	Address the gaps raised form the review.	Re-certify or apply for ISO 45000	Get ISO 45 000 (international) accreditation



## PART D CAPITAL PROJECTS OVERVIEW

For the planned projects, only capex required for critical refurbishment and maintenance projects has been prioritised. These projects have been identified as the critical projects that need to be implemented with regard to technology evolution and software upgrades as well as addressing key weaknesses identified in the network. One of the key projects that will be prioritised is SA Connect. Phase 1 of which will run over 3 years.

### 9.2 Proposed Capital Projects

The following list shows the categories of projects which are prioritised over the next five years:

1. SA Connect;
2. Technology Evolution;
3. Software Upgrades and Maintenance;
4. Critical Route AdLash Refurbishment; and
5. Customer Specific Projects.

The projects tabled below are part of the plan to expand, refurbish and maintain the telecommunication connectivity infrastructure. The connectivity infrastructure will be implemented on the network nationally and in specific provinces as required based on specific requirements and key demand.

Any capital expenditure for these projects will depend on priority, business case justification and availability of capital. In addition, plans have been made for the implementation of customer projects as well as internal efficiency improvement projects.

#### SA Connect Phase 1

Broadband Infracore has planned for the roll out of the full scope of the SA Connect project in accordance with the mandate given by the DTSP. This scope will remain relevant for the required roll out of 6 135 sites, pending availability of funds.

No	Year	Project Name (SA Connect)	Category	Estimated Project Cost R'000
1	TBD	IP Core	SA Connect	68 000
2	TBD	ASON	SA Connect	45 000
3	TBD	Site Establishment	SA Connect	1 804
4	TBD	Transmission Equipment Core	SA Connect	11 643
5	TBD	Fibre Construction Core (942km O/H + 57km U/G)	SA Connect	13 851
6	TBD	Pre-Engineering	SA Connect	23 468
7	TBD	Operational Capital Requirements	SA Connect	8 630
8	TBD	Contingency	SA Connect	13 526
		<b>Subtotal</b>		<b>185 921</b>

Table 6: First year roll out for SA Connect project

The table below shows the second year of SA Connect Phase 1 roll out with the associated costs.



No	Year	Project Name (SA Connect)	Category	Estimated Project Cost R'000
1	TBD	Site Establishment	SA Connect	27 118
2	TBD	Transmission Equipment Core	SA Connect	139 714
3	TBD	Fibre Construction Core (942km O/H + 57km U/G)	SA Connect	208 229
4	TBD	Pre-Engineering	SA Connect	2 068
5	TBD	NOC	SA Connect	40 000
6	TBD	Operational Capital Requirements	SA Connect	2 844
7	TBD	Contingency	SA Connect	29 398
		<b>Subtotal</b>		<b>449 371</b>

Table 7: Second year of SA Connect Phase 1 roll out with the associated costs

The table below shows the final phase of the SA Connect Phase 1 roll out costs

No	Year	Project Name (SA Connect)	Category	Estimated Project Cost R' 000
1	TBD	Transmission Equipment Core	SA Connect	11 643
2	TBD	Operational Capital Requirements	SA Connect	250
3	TBD	Contingency	SA Connect	951
		<b>Subtotal</b>		<b>12 725</b>

Table 8: Final phase of the SA Connect Phase 1 roll out costs

### SA Connect Phase 1A

The table below shows the high level roll out plan under the reduced budget plan from the DTPS. Rolling out a reduced number of sites still required upgrades on the core network. With the current budget allocation, 313 sites will be rolled out first, followed by 125 sites in the following financial year.

With Roll Over	2017/18	2018/19	2019/20	2020/21	Total
No. of new network services (facilities)	300	125		53	491

Table 9 SA Connect Schedule

### Internal Projects

The list of projects shown in the table below are internally focused to improve operational efficiency within the organisation. These range from repairing the NOC screens, revamping or renewing obsolete servers to ISO certification requirements.

No	Year	Project Name (IT and Internal)	Main category	Estimated Project Cost
1	2019	ISO 9001 Certification	Operational Efficiency (Internal)	315



No	Year	Project Name (IT and Internal)	Main category	Estimated Project Cost
2	2019	IT Phase 2	Operational Efficiency (Internal)	1 500
3	2019	ISO 14001 Certification	Operational Efficiency (Internal)	600
		<b>Subtotal</b>		<b>2 415</b>

Table 10: List of Projects to improve operational efficiency

### 9.3 Fibre Network

The table below shows the breakdown of the NLD fibre network that constitutes the Broadband Infraco network.

Servitude Owner	Infraco Status	OPGW	ADSS	ADLASH	U/G	Total
<b>Eskom</b>	Owned	-	1 153	3 107	40	3 400
	Leased	488	-	33	-	521
	ROU	687	-	-	-	687
<b>TFR</b>	Owned	-	873	-	845	1 718
	Leased	-	5 479	-	-	5 479
<b>Customer 3</b>	Leased	-	479	32	-	529
<b>Other</b>	Owned	-	344	-	134	477
<b>DFA</b>	Leased	-	-	-	1 245	1 245
<b>Total</b>	<b>Owned</b>	-	2 370	3 107	1 018	6 495
<b>Total</b>	<b>Leased</b>	488	5 976	65	1 245	7 774
<b>Total</b>	<b>ROU</b>	687	-	-	-	687
<b>Total Fibre</b>		<b>1 175</b>	<b>89 346</b>	<b>3 172</b>	<b>2 263</b>	<b>14 955</b>
<b>% per Technology</b>		<b>8%</b>	<b>56%</b>	<b>21%</b>	<b>15%</b>	<b>100%</b>

Table 11 Fibre Optic Sheath kilometres

The table above indicates that there is 3 172km of obsolete AdLash fibre that needs to be replaced. The purpose of the projects listed below is to address some of this network weakness within a reasonable budget for the organisation. For long term planning, engagements are being held with Eskom to jointly plan how to replace the AdLash as part of a broader project for both organisations.

#### Essential Refurbishment Projects

The tables below show the list of projects that are network specific. These projects allow for essential refurbishment where the network is degraded. Broadband Infraco has 3 000km of fibre based on AdLash technology and projects for AdLash replacement and strategic infrastructure upgrade will only be implemented comprehensively once sustainable funding can be sourced for these projects. Meanwhile, priority is given to the areas of AdLash where the degradation is severe.



No	Year	Project Name (Essential Refurbishment)	Main category	Estimated Project Cost R'000
1	2019	LAINSBURG - refurbishment of SKA line	Essential Refurbishment	6 000
2	2019	BLOUPUTTS - Radio solution	Essential Refurbishment	3 500
3	2019	ROUTE 7 REDUNDANT LINKS (*estimate)	Essential Refurbishment	10 000
4	2019	Replace Adlash Helios-Juno, TFR Sishen Saldha-120km	Essential Refurbishment (Adlash)	7 000
		<b>Subtotal</b>		<b>26 500</b>

Table 12: Refurbishment projects

### Regional Redundancy Projects

The following projects are based on specific customer demands and would therefore be project funded. There is a request to have strong network resilience for all the links connecting the neighbours of South Africa. These projects will be implemented in a phased fashion based on the priority from customers.

The table below shows the planned projects to fulfil SADC link redundancy for phase 1 of the project:

No	Year	Project Name (SADC Redundancy Phase 1)	Main category	Estimated Project Cost R'000
1	2018	Namibia Protection Route - Upington to Nakop	Regional Redundancy	33 000
2	2018	Botswana Protection Route - Northam to Kopfontein	Regional Redundancy	45 000
3	2018	Zimbabwe Protection Route - Northam to Beitbridge	Regional Redundancy	299 000
		<b>Subtotal</b>		<b>377 000</b>

Table 13: Regional SPOF rectification phase 1

The table below shows the planned projects to fulfil SADC link redundancy for phase 2 of the regional SPOF rectification project:

No	Year	Project Name (SADC Redundancy Phase 2)	Main category	Estimated Project Cost R'000
1	2019	Lesotho Protection Route - Bethlehem to the Ficksburg	Regional Redundancy	31 000
2	2019	Mozambique Protection Route - Kaapmuiden to Komatipoort	Regional Redundancy	54 000
3	2019	Swaziland Protection Route - Komatipoort to Mananga	Regional Redundancy	30 000
		<b>Subtotal</b>		<b>115 000</b>

Table 14: Planned Projects to fulfil SADC

### Customer Centric Projects

The Table below shows the projects that needs to implement in accordance with customer demand.



No	Year	Project Name (Customer Specific)	Category	Estimated Project Cost R'000
1	2019	Customer 4 - 10Gbps	Customer Projects	6 000
2	2019	N2 Capacity Upgrade	Customer Projects	40 000
		<i>Subtotal</i>		<i>46 000</i>

Table 15: Customer project requirements

The rollout of the projects above is planned to take place if funding becomes available. Funding for the sales pipeline initiated projects will be sourced once the necessary agreements have been reached with the respective customers and service order forms have been signed. Amongst the funding options that will be explored are:

- Upfront cash payments from clients;
- Indefeasible right of use (IRU) to fund future upgrades;
- Co-Build initiatives; and
- Capacity route swapping in return for more capacity orders.



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## **PART E FINANCIAL PLAN**

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Broadband Infracore presents herewith a five year financial plan with a detailed twelve month operational budget.

The Company continued the momentum of sales to new and existing companies and reducing total costs over the last number of years. The focus and drive will remain on increasing revenue by both upselling to existing customers and selling capacity to new customers. The strategic thrust to focus on account plans per customer and the reprioritisation of customer opportunities is expected to yield positive results and ensure financial sustainability of the Company.

Management will continue to drive the reduction and optimisation of total costs in line with this financial plan and National Treasury instructions. This will result in measured costs increases in line with inflation.

The five year budget now also includes SA Connect as referred to in section 6. The impact of SA Connect on each aspect of the financial plan will be described in more detail under each section below.

### **Statement of Comprehensive Income**

The detailed Statement of Comprehensive Income below presents the operations of Broadband Infracore. Overall, the Company is projecting a positive EBITDA of R122.6 million (22.9%). This is as a direct result of the implementation of the revised sales strategy and the continuous focus on cost optimisation by management.

The Company is still forecasting to make a loss during the 2018/19 financial year, albeit a reduced loss. The profitability is forecasted to improve in the following years.

It should be noted that the impact of SA Connect on the profitability in the 2018/19 financial year is approximately a loss of R10 million.

More detail on the key financial drivers, being Revenue, Cost of Sales and Operational Costs are considered below.

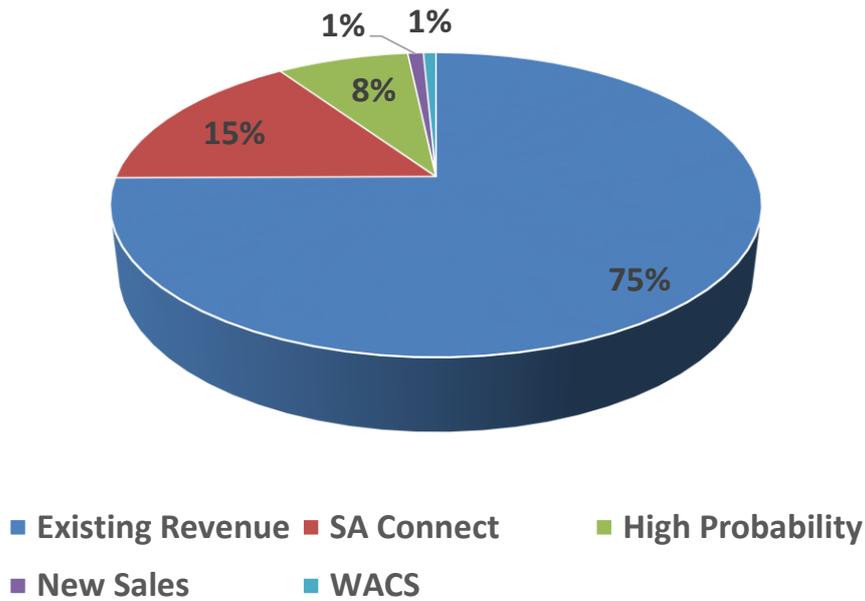


	Mar-17 Year end Audited R'000	Mar-18 Year end Projection R'000	Mar-19 Year end Budget R'000	Mar-20 Year end Budget R'000	Mar-21 Year end Budget R'000	Mar-22 Year end Budget R'000	Mar-23 Year end Budget R'000
<b>Continuing operations</b>							
<b>Total revenue</b>	<b>397,184</b>	<b>382,521</b>	<b>535,656</b>	<b>580,677</b>	<b>635,234</b>	<b>686,106</b>	<b>745,475</b>
Anchor Customers	277,695	250,548	254,211	252,713	260,491	277,840	296,893
SA Connect	-	-	83,837	86,724	97,218	97,218	97,218
National Revenue	56,969	71,876	131,254	164,268	194,396	221,269	254,402
WACS	62,520	60,097	66,355	76,971	83,129	89,779	96,962
<i>Year on Year Growth</i>	<i>68.0%</i>	<i>-3.7%</i>	<i>40.0%</i>	<i>8.4%</i>	<i>9.4%</i>	<i>8.0%</i>	<i>8.7%</i>
<b>Cost of Sales excluding depreciation</b>	<b>222,241</b>	<b>184,280</b>	<b>224,607</b>	<b>239,245</b>	<b>257,601</b>	<b>273,158</b>	<b>289,805</b>
<b>Cost of Sales</b>	<b>372,939</b>	<b>318,716</b>	<b>398,840</b>	<b>419,487</b>	<b>420,011</b>	<b>419,894</b>	<b>422,766</b>
<i>Year on Year Growth</i>	<i>-14.4%</i>	<i>-17.1%</i>	<i>21.9%</i>	<i>6.5%</i>	<i>7.7%</i>	<i>6.0%</i>	<i>6.1%</i>
Managed service contract	13,008	13,399	17,463	18,685	19,993	21,393	22,890
Access Network Provider Costs	0	0	30,486	31,536	35,352	35,352	35,352
Fibre maintenance costs	74,641	83,162	95,590	102,281	109,441	117,102	125,299
Fibre lease costs - excluding SITA	48,532	53,366	57,924	61,979	66,317	70,959	75,926
Fibre lease costs - SITA	67,450	16,164	0	0	0	0	0
Co location costs	18,610	18,188	23,144	24,765	26,498	28,353	30,338
Depreciation, amortisation, impairment and write-offs	150,698	134,437	174,233	180,242	162,410	146,736	132,961
<b>Gross Profit</b>	<b>24,245</b>	<b>63,804</b>	<b>136,816</b>	<b>161,189</b>	<b>215,223</b>	<b>266,212</b>	<b>322,709</b>
<i>Gross Profit</i>	<i>6.1%</i>	<i>16.7%</i>	<i>25.5%</i>	<i>27.8%</i>	<i>33.9%</i>	<i>38.8%</i>	<i>43.3%</i>
Other income	1,092	946	750	788	<b>826.88</b>	868	912
<i>Year on Year Growth</i>	<i>-12.3%</i>	<i>17.8%</i>	<i>11.5%</i>	<i>5.1%</i>	<i>5.4%</i>	<i>6.9%</i>	<i>5.5%</i>
<b>Operating expenses</b>	<b>153,801</b>	<b>181,222</b>	<b>202,101</b>	<b>212,319</b>	<b>223,826</b>	<b>239,375</b>	<b>252,497</b>
Employee expenses	100,094	110,490	119,879	126,768	135,049	146,446	155,973
Marketing	459	1,133	2,303	2,418	2,539	2,666	2,799
Travel expenses	2,580	1,617	3,955	3,743	3,538	4,088	3,901
Administrative expenses	23,121	27,778	32,905	34,551	36,278	38,092	39,997
Consulting fees	747	1,137	2,056	2,159	2,267	2,381	2,500
Legal fees	-1,052	1,411	840	882	926	972	1,021
Operating leases	7,313	7,289	7,479	7,853	8,245	8,658	9,090
Repairs and Maintenance	7,462	17,411	19,758	20,745	21,783	22,872	24,015
Depreciation, amortisation, impairment and write-offs	13,076	12,957	12,925	13,200	13,200	13,200	13,200
<b>Results from operating activities</b>	<b>(128,464)</b>	<b>(116,472)</b>	<b>(64,535)</b>	<b>(50,342)</b>	<b>(7,776)</b>	<b>27,705</b>	<b>71,124</b>
Finance income	6,029	<b>1,773</b>	-	-	-	-	-
Finance charges and fair value movements	(1,983)	<b>(838)</b>	(43,257)	(47,610)	<b>(39,200)</b>	(29,377)	(18,239)
Interest and facility fee	(2,032)	<b>(1,365)</b>	(43,257)	(47,610)	<b>(39,200)</b>	(29,289)	(18,239)
Foreign exchange and fair value gains/(losses)	49	<b>528</b>	-	-	-	(88)	-
Profit/(loss) before taxation	<b>(124,418)</b>	<b>(115,536)</b>	<b>(107,791)</b>	<b>(97,952)</b>	<b>(46,977)</b>	<b>(1,672)</b>	<b>52,885</b>
Taxation	3,041	-	-	-	-	-	-
<b>Profit/(loss) for the year</b>	<b>(127,459)</b>	<b>(115,536)</b>	<b>(107,791)</b>	<b>(97,952)</b>	<b>(46,977)</b>	<b>(1,672)</b>	<b>52,885</b>
<b>EBITDA</b>	<b>35,310</b>	<b>30,922</b>	<b>122,624</b>	<b>143,100</b>	<b>167,834</b>	<b>187,640</b>	<b>217,285</b>
<b>Employee Cost as % Revenue</b>	<b>25.2%</b>	<b>28.9%</b>	<b>22.4%</b>	<b>21.8%</b>	<b>21.3%</b>	<b>21.3%</b>	<b>20.9%</b>

#### i. Revenue

Revenue is expected to grow overall by 40.0% in 2018/19 including revenue of R83.8 million from SA Connect, ending the year on R535.7 million. The growth in revenue thereafter is 8.4% in 2019/20, 9.4% in 2020/21, 8.0% in 2021/22 and 8.7% in 2022/23 respectively.

The growth in national revenue from 2017/18 to 2018/19 of R59.4 million is made up of R21.4 million already contracted and R38.0 million high probability revenue from the existing pipeline.



Revenue totalling R401.0 million (75% of the total budget for 2018/19) is already contracted for.

SA Connect revenue amount to R83.8 million (15% of the total budget for 2018/19) and high probability revenue totalling R41.0 million (8% of the total budget for 2018/19) is included.

Figure 8: Revenue breakdown

New revenue of R5 million, or 1% of the total revenue budget for 2018/19, is included from the sales pipeline.

This new growth is expected from high probability opportunities that exist on the pipeline to new and existing customers. Key new appointments were made in the sales and marketing environment and a revised and focussed sales strategy implemented.

#### ii. Cost of Sales Drivers

- Cost of sales is expected to increase by 21.9% in 2018/19 to a value of R224.6 million before depreciation. Cost of sales will thereafter stabilise and increase by inflation (7.0%) per annum.
- The main saving in cost of sales are from the reduction of fibre lease costs as the last contracted links will come to an end during the 2018/19 year. The remaining items increase by inflation.
- The provisioning of SA Connect costs totalling R30.5 million is also now included in cost of sales.

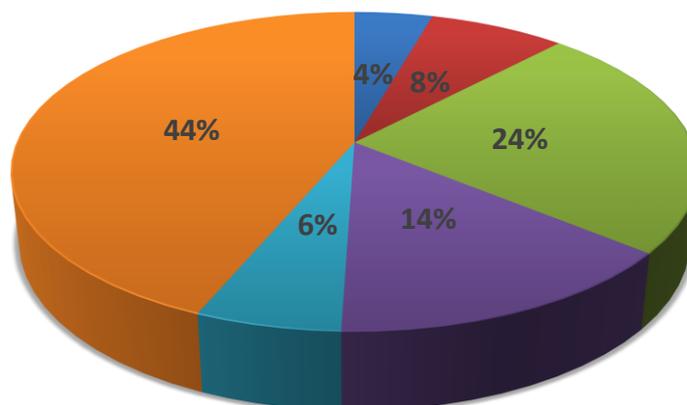


Figure 9: Cost of Sales Breakdown

- Specifically, cost of sales are represented by:
  - Fibre Lease costs constitutes 14.5% of Cost of Sales (2017/18 – 21.8%). Broadband Infraco augments its long distance fibre by leasing fibre, in order to connect to customers in the metro network. This allows the Company to provide services to clients where they would otherwise not have a presence.

The reduction in fibre lease costs is the result of the end of a three year fibre lease agreement to migrate services for an anchor customer. 2018/19 is the final year of this migration.
  - Fibre Maintenance constitutes 24.0% of Cost of Sales (2017/18 – 26.1%). This includes preventive maintenance and maintenance when fibre is leased.
  - Access Network Provider costs constitute 7.6% of cost of sales and is for the provisioning of last mile access to government facilities.
  - Managed Services Contracts constitute 4.4% of cost of sales (2017/18 – 4.2%).
  - Colocation constitutes 5.8% of cost of sales (2017/18 – 5.7%). Broadband Infraco leases physical space for transmission equipment to be able to provide the connectivity to various clients.
  - Revenue generating Depreciation constitutes 43.7% of cost of sales (2017/18 – 42.2%). This is the systematic allocation of the depreciable amount on an asset over its useful life.

iii. Operational Costs drivers

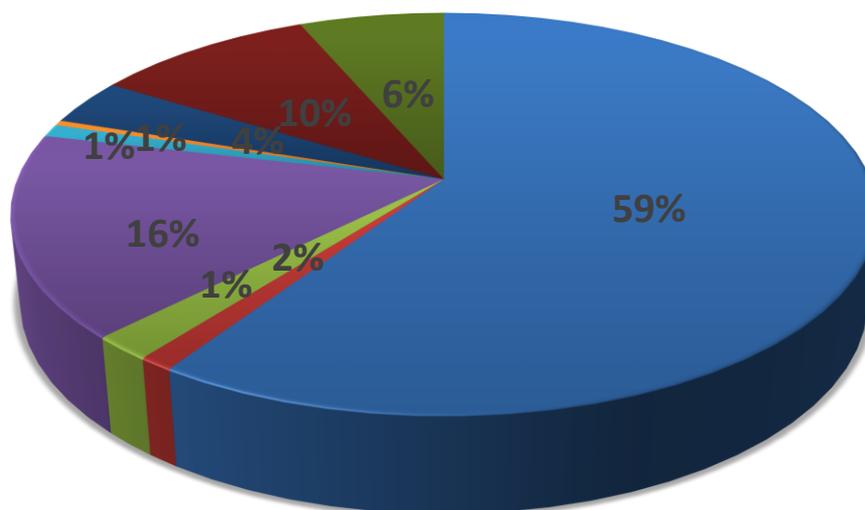


Figure 10: Operational Costs Breakdown

- Human Capital constitutes 22.4% of revenue (2017/18 – 28.9%) which is aligned to international best practice and 59.4% of total operational costs (2017/18 – 61.0%). Overall employee costs are increasing as provision is made in the budget to fill all the approved but vacant positions, 19 in total. These position will only be filled, as in the past, finances permitting and sustainability targets being met. Critical positions are however being filled as they arise. Provision is made, as was the case in the previous financial year, for a retention incentive to ensure critical skills are attracted and retained. Salary increases will be renegotiated with organised labour in line with the substantive agreements that exist.
- It is further notable that repairs and maintenance constitutes 9.8% of the total operational budget cost, a marginal increase from 2017/18 (9.6%) to the 2018/19 budget. This is to mitigate the companies risk and to ensure sustainable service delivery. The increase is mainly due to continued maintenance that is required on AdLash and repairs to ensure preventative maintenance being performed on the network.
- Marketing costs constitute 1.1% of the total operational budget cost for brand positioning, marketing material, CSI and attendance of events. This cost will however only be incurred once the business has normalised.
- Operational leases constitutes 3.7% of the total operational budget cost, which is mainly for head office and regional building rentals.
- Administration expenses, which is made up of all other administration expenses, (i.e. audit fees, computer expenses, electricity, insurance, health and safety, licences, travel and accommodation, etc.), constitutes 16.3% of total operational expenses (2017/18 - 15.3%). Management continues to manage these costs stringently.



## 9.4 Statement of Financial Position

	Year end Actual - Audited 31-Mar-17 Actual R'000	Year end Projection 31-Mar-18 Budget R'000	Year end Budget 31-Mar-19 Budget R'000	Year end Budget 31-Mar-20 Budget R'000	Year end Budget 31-Mar-21 Budget R'000	Year end Budget 31-Mar-22 Budget R'000	Year end Budget 31-Mar-23 Budget R'000
<b>Assets</b>							
<b>Non-current assets</b>	<b>1,269,704</b>	<b>1,292,862</b>	<b>1,398,142</b>	<b>1,216,765</b>	<b>1,053,666</b>	<b>903,841</b>	<b>767,968</b>
Property, plant and equipment	1,257,364	1,283,844	1,390,263	1,210,025	1,048,064	899,379	764,645
Deferred Expenses	12,340	9,018	7,879	6,740	5,601	4,462	3,323
<b>Current assets</b>	<b>125,442</b>	<b>84,702</b>	<b>36,085</b>	<b>24,082</b>	<b>36,464</b>	<b>68,992</b>	<b>147,974</b>
Inventories	0	0	0	0	0	0	0
Cash and cash equivalents	35,515	28,556	-32,193	(59,652)	(28,520)	29,417	112,052
Short term portion of deferred expense	1,139	1,139	1,139	1,139	1,139	1,139	1,139
Trade and other receivables	88,788	55,008	67,139	82,595	63,846	38,436	34,783
<b>Total assets</b>	<b>1,395,146</b>	<b>1,377,565</b>	<b>1,434,228</b>	<b>1,240,848</b>	<b>1,090,130</b>	<b>972,833</b>	<b>915,943</b>
<b>Equity and liabilities</b>							
<b>Equity attributable to owners of the parent</b>	<b>750,008</b>	<b>632,293</b>	<b>524,501</b>	<b>426,549</b>	<b>379,573</b>	<b>377,900</b>	<b>430,785</b>
Share capital	0	0	0	0	0	0	0
Shareholders' loan - DTPS	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130
Shareholders' loan - IDC	478,400	478,400	478,400	478,400	478,400	478,400	478,400
Retained earnings	(1,079,522)	(1,197,237)	(1,305,029)	(1,402,981)	(1,449,957)	(1,451,630)	(1,398,745)
<b>Non-current liabilities</b>	<b>506,763</b>	<b>598,092</b>	<b>767,424</b>	<b>656,104</b>	<b>547,443</b>	<b>429,347</b>	<b>300,332</b>
Interest-bearing debt	52,420	172,188	369,499	292,911	218,983	135,620	41,337
Deferred revenue	454,343	425,904	397,925	363,193	328,460	293,727	258,994
<b>Current liabilities</b>	<b>138,375</b>	<b>147,181</b>	<b>142,303</b>	<b>158,195</b>	<b>163,114</b>	<b>165,586</b>	<b>184,827</b>
Trade and other payables	77,372	79,386	75,186	92,088	93,843	95,894	114,793
Current portion of deferred revenue	58,145	63,589	63,589	63,589	63,589	63,589	63,589
South Africa Revenue Services - PAYE and VAT	2,859	4,205	3,528	2,518	5,682	6,103	6,445
<b>Total liabilities</b>	<b>645,138</b>	<b>745,273</b>	<b>909,727</b>	<b>814,299</b>	<b>710,557</b>	<b>594,933</b>	<b>485,159</b>
<b>Total equity and liabilities</b>	<b>1,395,146</b>	<b>1,377,565</b>	<b>1,434,228</b>	<b>1,240,848</b>	<b>1,090,130</b>	<b>972,833</b>	<b>915,943</b>



- Total capital spending on normal operations is budgeted at R175.3 million for the 2018/19 period.

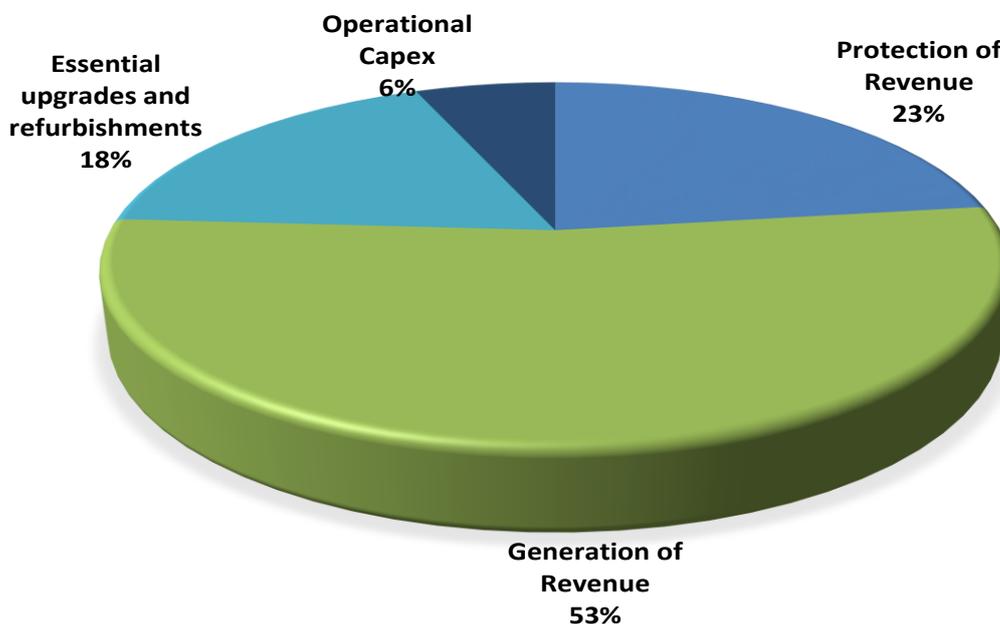


Figure 11: Capex Breakdown

- Of the R175.3 million, approximately R40.0 million (23% of total Capex budget) is required for Capex spend to protect revenue by increasing capacity on critical routes. R93.2 million (53% of total capex budget) will be utilised for revenue generation through WACS upgrade number 2 and specific client solutions. R31.5 million (18% of total capex budget) will be utilised for essential upgrades and refurbishments and R10.6 million for operational Capex to improve national operations.
- Capital spend on the SA Connect project is budgeted at R118.3 million for the 2018/19 period.
- This brings the total budgeted capital spend during 2018/19 to R293.6 million.
- Concluding the Capex spend during the 2018/19 financial year and including the forecasted spend in the 2017/18 financial year, this will bring the Net Book Value of Assets of the Company to R1.4 billion.
- Trade debtors are maintained at around R67 million, and collections are budgeted at 45 days.
- The deferred income liability is budgeted at R462 million at year end.
- It is envisaged, and budgeted for, that the Company will settle the interest on the loans with immediate effect on a month to month basis



## Statement of Cash Flow

	Year end Actual - Audited 31-Mar-17 R'000	Year end Projection 31-Mar-18 R'000	Year end Budget 31-Mar-19 R'000	Year end Budget 31-Mar-20 R'000	Year end Budget 31-Mar-21 R'000	Year end Budget 31-Mar-22 R'000	Year end Budget 31-Mar-23 R'000
<b>Cash flows from operations</b>	(101,110)	46,738	78,775	109,943	157,909	181,839	206,585
<b>Cash flows from operating activities</b>	4,046	408	(43,257)	(47,610)	(39,200)	(29,289)	(18,239)
Finance income received	6,029	1,773	-	-	-	-	-
Finance charges paid	(1,983)	(1,365)	(43,257)	(47,610)	(39,200)	(29,289)	(18,239)
Taxation paid	-	-	-	-	-	-	-
<b>Cash (used in)/ generated from operations</b>	(97,065)	47,146	35,518	62,333	118,709	152,550	188,346
<b>Cash flows from investing activities</b>	(61,464)	(173,874)	(293,578)	(13,204)	(13,649)	(11,250)	(11,428)
Proceeds on disposal of property, plant and equipment and intangible assets	-	-	-	-	-	-	-
Additions to property, plant and equipment and intangible assets	(61,464)	(173,874)	(293,578)	(13,204)	(13,649)	(11,250)	(11,428)
Additions to other investments	-	-	-	-	-	-	-
<b>Cash flows from financing activities</b>	52,420	119,768	197,311	(76,588)	(73,928)	(83,363)	(94,283)
Shareholders' loan received	-	-	-	-	-	-	-
Loans (repaid) received	52,420	119,768	197,311	(76,588)	(73,928)	(83,363)	(94,283)
Increase in net financial assets	-	-	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	(106,108)	(6,960)	(60,749)	(27,459)	31,131	57,937	82,636
Net cash and cash equivalents at beginning of year	141,624	35,516	28,556	(32,193)	(59,652)	(28,520)	29,417
<b>Net cash and cash equivalents at end of year</b>	35,516	28,556	(32,193)	(59,652)	(28,520)	29,417	112,052

It is budgeted that Broadband Infraco will generate a positive cash flow from operations for the second year during 2018/19. Management continues to drive sales and optimise costs and thus ensuring a positive cash flow outlook and the Company's financial sustainability.

The statement of financial position, statement of comprehensive income and cash flow, which are herewith attached as **Annexure A**, highlight an improvement on all key financial metrics, namely revenue, gross profit, EBITDA and positive cash flow generated from operations. The growth in revenue is driven by key management interventions to improve selling of excess capacity and delivering key customer solutions. The concerted efforts to reduce cost of sales and contain operational expenses, coupled with improved revenue, see improved cash and loss positions.

### Dividend policy

Broadband Infraco does not have a Dividend Policy and all cash resources generated by the operations are utilised to maintain and invest in the current network infrastructure.

### Borrowing Plan

Broadband Infraco continues to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability. The Company's business model has transitioned from a single customer to one based on multiple customers, ranging from the private to the public sector. The Company's planned capital investment programme is supportive of long-term financial sustainability, with four (4) key priorities:

- Revenue protection projects;
- Revenue generating projects;
- Mandate and license obligations projects; and
- Essential asset upgrades and refurbishment projects.

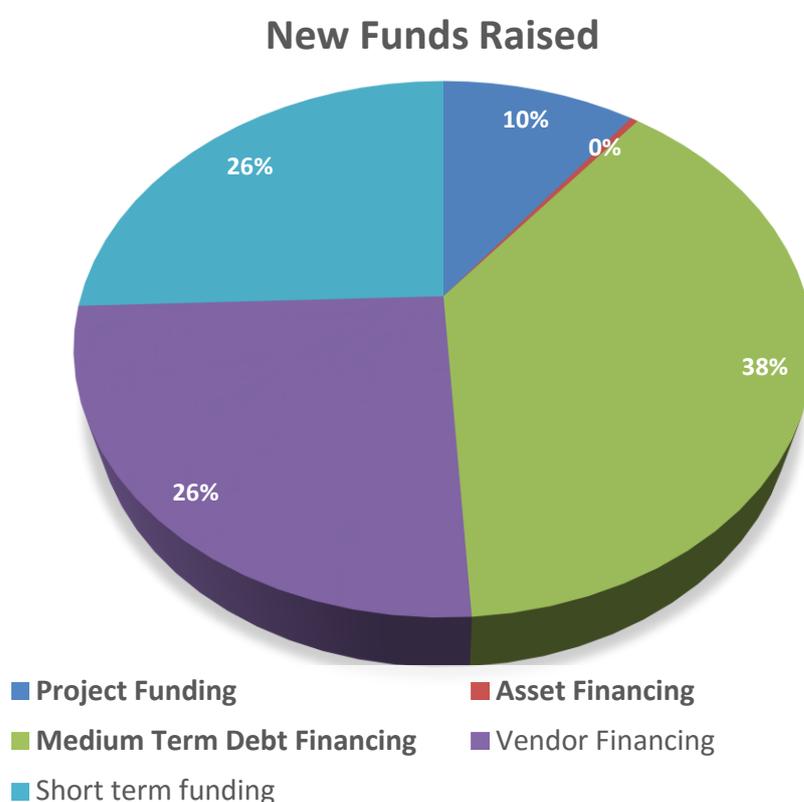
The funding strategy remains aimed at sourcing funding from various financial institutions, selective Vendor Financing alternatives and other providers of medium term debt financing. The financial



institutions are targeted as a source of short-term cash and liquidity provisioning facilities and to support the Company with long term debt capital. The medium term funders will also be expected to support the Company with long-term debt capital whereas Vendors will be sought to support medium and long term balancing of operational costs with revenue through the financing of technology enhancements.

### Funding Requirement

As described above, total capital spending is budgeted at R293.6 million for the 2018/19 period. Of this total capital spend, funding to the value of R390.8 million is budgeted to be raised during the 2018/19 period. These funds will only be used as and when required on a draw down basis to optimally manage the cash resources of the Company. Notably, the funding required is in excess of planned capital budget. This is a deliberate funding plan to ensure the sustainability of the Company by planning to have sufficient cash resources available at the end of the planning period, 2018/19, and funding the short term working capital needs specific for SA Connect and in March 2019 when the WACS upgrade 2 is payable.



The funding to be raised can be categorised into four main areas, i.e Medium Term Debt Financing which will constitute approximately 38% (R150 million) of the total funding required. Vendor financing will represent 26% (R99.3 million) of the total funding required. It is envisaged that Project Financing will make up 10% (R40 million) and short term funding approximately 26% (R100 million). Asset based financing is planned at less than 1% (R1.5 million).

Figure 12: New Funds Raised

### Funding Options

In determining the funding strategy for the corporate planning period, the Company considered a number of funding mechanisms and sources, ultimately deciding on the following four (4) options to support primarily the capital investment programme. These options are in line with the funding plan and options considered during the previous planning period:



- **Project-based structured financing**

Previously Broadband Infraco was not able to secure funding for client generated projects due to the lack of a track record. The Company is now able to demonstrate that they are able to win, plan and execute major projects successfully. These projects resulted in both significant revenue and cost savings. The Company is positive that they will be able to secure funding off the back of these case studies for future, customer specific requested projects where revenue will improve.

- **Financial Institutions facilities**

The Company has demonstrated its ability to manage cash optimally over the past two years. This was achieved through proactively and continuously applying cost optimisation strategies, engaging with suppliers to extend payment terms and appealing to customers to pay the Company as quickly as possible. This will have a positive effect on future engagements with financial institutions.

- **Vendor financing**

Many of the strategic suppliers of equipment to Broadband Infraco have indicated that they will be willing to consider longer term financing of technology and client enhancements, over the useful life of the equipment.

- **Asset financing**

Broadband Infraco is in the final stages of securing some asset based financing for certain IT equipment and printing facilities. This mechanism of funding will be explored further during the next financial year to fund stage 2 of the IT upgrades.

These options sought to secure funding for the Company either directly onto the Company's balance sheet or on an "off balance sheet" basis.

### **Implementation Requirement**

Industry norm relating to participation of public entities within the financial market space requires that Broadband Infraco take into consideration the following:

- Adherence to National Treasury Regulations relating to management of borrowings undertaken by SOC's;
- Application approval by Executive Authority to increase borrowing powers of Broadband Infraco in terms of significant and materiality framework and Section 66 of the PFMA.

Depending on the type of instruments to be sourced, there might be a need to look at the processes and systems within the company to ensure proper liability management and adherence to applicable risk management practices.



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## PART E SALES AND MARKETING PLAN

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The foundation of the sales strategy is driven by the account plans per customer which enables the team to focus and uphold Broadband Infraco's value of active stakeholder engagement. At the core of this is the ability to delight customers through service excellence which is a pillar for retaining and growing the existing customer base. Broadband Infraco strives to provide competitively priced services that are deployed cost effectively

Business development forms an integral part of the sales strategy as it encourages the engagements with potential and existing customers promoting products and services in different markets. The evolution of technology coupled with the high consumption of IP based services has resulted in customers requesting high bandwidth services. Broadband Infraco has responded to this by implementing next generation dense wavelength division multiplex (DWDM) technology that is capable of carrying 100Gbps within its core network. This would ensure that the Company responds to the customers with this technology, complemented by native IP based technology. Broadband Infraco has adopted the Open System Interconnection (OSI) model to define and name its products rather than use definition based on the technology. The Company services are in the first three layers which are the physical layer (layer 1), the data link layer (layer 2) and the network layer (layer 3).

Packet based services will enable Broadband Infraco to remain relevant and competitive. There has been a significant increase in the uptake of small bandwidth which now accounts for 30% of the total revenue. The ISPs would rather opt for smaller capacities on multiple routes than larger bandwidth capacities on a single route, and packet based technology enables this. This offers the ISPs the opportunity and flexibility to procure for their immediate needs and provides room for future capacity growth. The available IP based network is being extended outside the golden triangle to enable growth and flexibility of the uptake of packet based services. Therefore Broadband Infraco's approach on selling to small ISP's is increasing significantly.

The Company's network covers all nine provinces, major cities and towns of South Africa and also extends to the borders of South Africa's neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe, to provide the required interconnectivity.

In order for the Company to sell the products effectively, the market is segmented geographically, based on the types of customers.

### **Geographic Value Proposition**

Broadband Infraco acknowledges that the demand for connectivity services in the country is not homogenous. With this in mind the product portfolio can also be segmented based on geography.

The national connectivity segment is further segmented into four categories:

**Segment 0:** High populous areas with high economic activity and spans between the provinces of Gauteng, Kwa Zulu Natal and Western Cape and accounts for just over 60% of the country's Gross Domestic Product. This area is highly competitive and has the highest bandwidth demand from all sectors of the industry. The market drives the price due to high demand and supply.

**Segment 1:** Secondary towns where there is moderate economic activity when compared to area 0, but it still warrants an investment in infrastructure and returns can be realised over time. A significant increase on data demand due to an increase on Tier 2 & Tier 3 connectivity in specific regions. Network quality and access speed are relatively low. Prices are much lower and are very price sensitive.



**Segment 2:** This presents a demand for broadband services but the costs to deploy in these areas are astronomical as there is a very minimal infrastructure base to start off with. The government initiative to implement broadband to all will result in an increase on infrastructure which will retrospectively address the increase in broadband update with a positive return on investment.

**Segment 3:** Segment 3 services are truly underserved and would require some funding and subsidy intervention base to ensure that the policy imperatives are fulfilled. Government initiatives that implement broadband will enable an increase in commercial demand and prospects for an appetitive for Internet Service Providers to do business in such areas

### **Customer Opportunity Prioritisation**

Broadband Infraco has redefined the customer segments as per identified opportunities. The Fibre to the home (FTTH) segment has been introduced and MNOs are divided into: the leaders segment (MNO1) and the market disruptors (MNO2); which warrant different strategies of engagement. A content provider segment has also been introduced as the services required by this segment are different from those of other identified segments. The matrix demonstrates the size of the opportunity and level of acquiring that opportunity. The matrix is reviewed annually based on market trends. The matrix below illustrates the different segments and the prioritisation on the markets targeted to increase revenue and market share.

### **SOC to SOC Collaboration**

Broadband Infraco upholds the principles of non-duplication, collaboration and cooperation between various ICT players especially other State owned companies. It supports the integration of government owned and funded ICT investment to drive fiscal prudence, cost efficiency and delivery of affordable ICT services to the citizens.

Broadband Infraco, with its national long distance network, is better positioned to promote projects of national interest as it provides core network services to the State IT agency which is the custodian of government information and security. With the legal framework in place for both Broadband Infraco and the State IT agency, as well as defined Memorandum of agreements with other State Owned Companies there is room for a multi-agency deployment of ICT services. This multi-agency cooperation would ensure that government owned ICT infrastructure owners collaborate and integrate their infrastructure in an effort to positively impact the cost to connect and to reach out to all citizens even in underserved areas.

The following SOCs are an important integral part of SOC Collaboration:

**SAPO** – The SAPO infrastructure, especially in the under serviced and under developed areas is possible colocation facilities for ICT infrastructure. Feasibility studies would be conducted to ensure that the facilities are appropriate for collocating telecommunications facilities.

**SENTECH** - The Sentech Satellite services would be relevant for broadband in the sparsely populated areas. Satellite also warrants itself as a quick way of deploying broadband services albeit very costly.

**USAASA** - Broadband Infraco will collaborate with USAASA and avail the points of presence in the underserved areas to suppliers subsidised by USAASA to roll out infrastructure in their respective areas.

**PRASA** - Broadband Infraco to collaborate with PRASA on its access network and avoid infrastructure duplication and reduce the cost to deliver services.



## **Go to Market Strategy**

In order to expand its access to the market, Broadband Infracore has defined a strategy for third parties to be agents of the company. This is an expansion of the existing Key Account Management Strategy.

### **Reseller/ Channel Partnership Model**

Broadband Infracore has put together a framework to collaborate with Resellers/Channel partners on a win-win basis. The objective is to maximise the value for channel partners and customers by motivating channel partners to explore the market and promote in tapped and untapped markets by Broadband Infracore.

### **Incentivise the Reseller and Channel Partners**

The incentive program for external partners has been approved in an effort to stimulate sales, revenue and to extended resources and footprint.



## LIST OF ACRONYMS

<b>AGM</b>	Annual General Meeting
<b>AI</b>	Artificial Intelligence
<b>APP</b>	Annual Performance Plan
<b>B-BBEE</b>	Broad Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment
<b>BGE</b>	Build, Grow, Expand
<b>BI</b>	Business Intelligence
<b>BOE</b>	Black Owned Entities
<b>CSI</b>	Corporate Social Investment
<b>DBSA</b>	Development Bank of South Africa
<b>DCN</b>	Digital Communications Network
<b>DLS</b>	Digital Line Section
<b>DOC</b>	Department of Communications
<b>DPE</b>	Department of Public Enterprises
<b>DSL</b>	Department of Science and Technology
<b>DST</b>	Department of Science and Technology
<b>DTPS</b>	Department of Telecommunication and Postal Services
<b>DWDM</b>	Dense Wavelength Division Multiplexing
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortisation
<b>ECNS</b>	Communications Network Services
<b>ERP</b>	Enterprise Resource Planning
<b>EXCO</b>	Executive Management Committee
<b>FTTB</b>	Fibre-to-the-business
<b>FTTH</b>	Fibre-to-the-home
<b>FTTX</b>	Fibre-to-the-x
<b>GBPS</b>	Gigabits Per Seconds
<b>ICASA</b>	Independent Communications Authority of South Africa
<b>ICT</b>	Information Communication Technology



## LIST OF ACRONYMS

<b>IDC</b>	Industrial Development Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IoT</b>	Internet of Things
<b>IP</b>	Internet Protocol
<b>IP</b>	Internet Protocol
<b>IRU</b>	Indefeasible Right of Use
<b>ISP</b>	Internet Service Provider
<b>ITU</b>	International Telecommunication Union
<b>IXP</b>	Internet eXchange Point
<b>KPA</b>	Key Performance Area
<b>KPI</b>	Key Performance Indicator
<b>LTE</b>	Long Term Evolution
<b>MICT</b>	Media, Information and Communication Technologies
<b>MMO</b>	Major Mobile Operators
<b>MNO</b>	Mobile Network Operators
<b>MOU</b>	Memorandum of Understanding
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NBN</b>	National Broadband Network
<b>NDP</b>	National Development Plan
<b>NLD</b>	National Long Distance
<b>NOC</b>	Network Operations Centre
<b>NPV</b>	Net Present Value
<b>NT</b>	National Treasury
<b>OEM</b>	Original Equipment Manufacturer
<b>OSI</b>	Open System Interconnection
<b>OTN</b>	Optical Transport Network
<b>PFMA</b>	Public Finance Management Act
<b>PIM</b>	Performance Information Management



## LIST OF ACRONYMS

<b>POPs</b>	Points-of-Presence
<b>POW</b>	Plan of Work
<b>PPE</b>	Property, Plant and Equipment
<b>RSA</b>	Republic of South Africa
<b>SADC</b>	Southern African Development Community
<b>SANReN</b>	South African National Research Network
<b>SCM</b>	Supply Chain Management
<b>SDH</b>	Synchronous Digital Hierarchy
<b>SETA</b>	Skills Education Training Authorities
<b>SHEQ</b>	Safety, Health, Environment and Quality.
<b>SIP</b>	Strategic Infrastructure Project
<b>SITA</b>	State Information Technology Agency
<b>SMME</b>	Small, Medium and Micro-sized Enterprises
<b>SOC</b>	State Owned Company
<b>SOE</b>	State Owned Enterprise
<b>SOOG</b>	Strategic Outcomes Oriented Goals
<b>SPOF</b>	Single Point of Failure
<b>STM</b>	Synchronous Transport Module
<b>TAT</b>	Turn-Around-Time
<b>TFR</b>	Transnet Freight Rail
<b>TNMS</b>	Transmission Network Management Services
<b>VRTS</b>	Virtual Reality Telecommunication Systems
<b>WACC</b>	Weighted Average Cost of Capital
<b>WACS</b>	West Africa Cable System
<b>ZAR</b>	South African Rand