

Corporate Plan

2021

2021/22 to 2023/24



Vision

To become the leading, credible voice and face of the nation and the continent.

Mission

A high-performing, financially sustainable, digitised national public broadcaster that provides compelling informative, educational and entertaining content via all platforms.

Values

TRUST:

To always demonstrate honesty and consistent dependability in our interactions in and outside the organisation.

RESPECT:

To respect the public mandate we are entrusted with, and conduct ourselves respectfully in all our engagements internally and externally.

INTEGRITY:

To always conduct ourselves ethically and in the interest of the organisation, in the decisions we make in executing our responsibilities.

QUALITY:

To aspire to, and provide the highest standard of quality in the work we produce and experiences we exchange.

Sources used in compiling Corporate Plan

PWC Entertainment and Media Outlook (2019 – 2023)

Global Media Outlook 2019 – 2023

SABC Turnaround Plan

National Treasury 2020 Medium Term Budget Policy Statement

GLOSSARY OF TERMS

BRC	Broadcast Research Council
CAGR	Compound Average Growth Rate
CDN	Content Delivery Network
DAF	Delegation of Authority Framework
DCDT	Department of Communications and Digital Technologies
DOH	Department of Health
DSTV	Digital Satellite Television
DTH	Direct-To-Home
DTI	Department of Trade and Industry
DTPS	Department of Telecommunications and Postal Services
DTT	Digital Terrestrial Television
EBAF	Enterprise Broadcast Architecture Framework
ECA	Electronics Communications Act
EPG	Electronic Programme Guide
EU	European Union
FCC	Final Control Centre
FET	Further Education and Training
FM	Frequency Modulation
FPB	Film and Publication Board
GIS	Geographic Information Systems
GDP	Gross Domestic Product
ICASA	Independent Communications Authority of South Africa
ICT	Information Communications and Technology
IP	Internet Protocol
ITA	Invitation to Apply
ITU	International Telecommunication Union
LTCP	Long Term Capex Plan
MAM	Media Asset Management
MOI	Memorandum of Incorporation
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
OOH	Out-Of-Home
OTT	Over-The-Top
PBS	Public Broadcasting Services
PCS	Public Commercial Service
PFMA	Public Finance Management Act No. 1 of 1999
PPPPFA	Preferential Procurement Policy Framework
PWC	Price Waterhouse Coopers
SA	South Africa
SABC	South African Broadcasting Corporation SOC Limited
SETA	Sector Education Training Authority
SMME	Small Medium Micro Enterprise
STB	Set Top Box
TAMS	Television Audience Measurement Survey
TTA	Target Technologies and Architectures
TVWS	TV White Space
VOD	Video on Demand



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"The children of any nation are its future. A country, a movement, a person that does not value its youth and children does not deserve its future."

- OR Tambo

Foreword by the **Chairperson**

Public broadcasting services still have a huge and important role to play in society. South African society is scarred by extreme income and social inequalities, high rates of unemployment and an economic meltdown exacerbated by the Covid-19 pandemic.

We have seen massive pressure on the education system as remote learning cast an unforgiving spotlight on the digital divide. Artists and the independent content production sector have suffered greatly, with productions delayed, cancelled and many content businesses went under. The disturbing proliferation of fake news and misinformation via global social media networks has also undermined trust in public institutions and fueled division through hate speech, racism and xenophobia, across the globe.

Notwithstanding these serious challenges during the pandemic, the SABC demonstrated emphatically that there is a critical need for a sustainable public broadcasting service which supports our citizens and constitutional democracy. The SABC was able to step up during the pandemic and launched an Education Channel, helped to get television productions going again and provided free-to-air access for critical health and public interest briefings on our national television and radio platforms. Therefore, it is vital for South Africa to reimagine the role of the public broadcasting service, and all its audio and audiovisual content services in the context of major societal challenges and technological developments.

The SABC's strategy and Turnaround Plan is based on the accepted principle that the sustainability of the public broadcaster - through the financing of public mandate programming - is vital to our constitutional democracy.

With 18 months left of this Board's term of office it is important to highlight again the three distinct phases in restoring the SABC to long-term sustainability, namely:

- The Stabilising Phase;
- The Sustaining Phase; and
- The Growth Phase.

During the Stabilising Phase, between 2017-2019 the Board and management dealt with legacy governance failures, filled vacancies in the top executive team, re-set relationships with key stakeholders, renegotiated contracts and developed a lasting Treasury-approved turnaround plan that included a R3.2bn financial injection, and proposals for fundamental legislative and regulatory reforms.

The SABC is now completing the second phase of developing long term sustainability, namely the Sustaining Phase. During this critical phase, between 2019 to date, the Board approved a new Target Operating Model, complete with a new organisational structure, and began a very difficult but unfortunately necessary section 189 process, which led to retrenchments, redundancies and voluntary retirements. This process really tested the organisation at all levels, and was a really trying, emotional time for the employees directly impacted.

But addressing SABC's bloated cost structure was and continues to be a necessary condition for creating a sustainable public broadcaster. This includes dealing with SABC's second biggest cost driver after salaries – that is the prohibitively high cost of Sentech's signal distribution services. Sentech currently has a de facto monopoly over key distribution and transmission platforms that the SABC depends on.

While the SABC remains committed to DTT, the current DTT signal distribution cost is unsustainable. As more and more households migrate to DTH platforms, the cost per viewer of the DTT network becomes increasingly expensive on a per viewer basis. The SABC supports the principle of technology neutrality and continues to implement both DTT and DTH whilst at the same time trying to drive down the costs of DTT through negotiation and regulatory intervention.

A key aspect of this Sustaining Phase was taking the decisions to enable the SABC to catch up and leap frog on the technology side, after years of underinvestment. Without a proper investment in the right digital infrastructure, a media, content and entertainment company cannot survive, whether public or private.

Therefore last year, the SABC Board approved an Over-the-Top (OTT) streaming strategy with the short term goal that the SABC will leverage online and mobile platforms to allow customers to access all SABC content and services anywhere, anytime and on any device. This has progressed and a RFP will be issued in 2021 with a view to launching the SABC's own streaming platform before the end of the 2021 calendar year. This OTT platform is one of the missing pieces of our distribution architecture and it is critical that the SABC is able to control its own destiny in this regard.

The SABC still operates in an extremely restrictive, anti-competitive and outdated regulatory environment, which directly impacts on the public broadcaster's sustainability. As such the Board approved comprehensive proposals on the SABC's future funding model, including a device-independent public broadcasting levy; funding the unfunded mandate and dealing with the prejudicial impact on the SABC of regulations on Must Carry and Sports Broadcasting, in particular. As a first order effect, these prejudicial regulations have had a materially negative impact on the SABC's finances. A second order effect is that the SABC's freely-provided channels and programming have been used by competitors to build part of their subscription bases.

The last piece of the Sustaining Phase is the investment in new and exciting content that will bear fruit in the next 12-18 months, given the commissioning and production turnaround times. The SABC is committed to streamlining these commissioning procedures to be able to compete with other broadcasters for top content, without breaching any Treasury guidelines and PFMA stipulations.

The Growth Phase – the third phase in our journey – should be our focus over the last 18 months of this Board's term which ends in October 2022. As we put the final pieces into place for the Sustainability of the SABC, board and management can start focus and planning for growth.

This is already evidenced by highly improved advertising sell out percentages across platforms, in particular ad sell out on SABC1 and SABC2 in primetime for the first time in over 5 years. The signing of carriage agreements with Telkom and other operators indicates the growth potential for commercial partnerships.

The launch of our OTT streaming platform will allow the SABC to exploit new revenues and provide even greater universal access to our content.

The Board is also confident that the investment in new content will not only ensure audience retention but help the SABC grow audiences, across platforms like DTT, DTH and over the internet.

The SABC remains committed to expediting the digital migration to DTT and DTH to free up valuable spectrum for mobile broadband and will endeavour to achieve realistic timelines in this regard, dependent on a critical mass of our audiences having access to digital broadcasting device (STB or IDtv) to be able to access the public broadcaster's content after Analogue Switch Off.

A key part of ensuring long term growth will be to guarantee that the SABC's unfunded mandate is covered. Rather than requesting an annual sum from National Treasury for public mandate programming, the SABC has proposed that the relevant governmental departments should allocate and ring-fence a line-item in their budgets for the relevant public service content. Such funding shall be provided for programming relevant to the national development mandate of a particular department, without compromising SABC's editorial independence. These departments would include Departments of Health; Basic Education; Higher Education and Training; Sports, Arts and Culture, GCIS and the DCDT.

Despite the absence of sufficient funding for the public mandate, the SABC is still committed to breaking even and turning the organisation around. However, it will become more difficult to properly meet the public mandate in all respects without additional funding, over and above the public broadcasting household levy.

I would like to thank the SABC staff, management and my fellow board members for their continued commitment to the important work of turning around the SABC into a self-sustaining model public broadcaster that we all can be proud of.

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Mr Bongumusa Makhathini
Chairperson of the SABC Board



Foreword by the GCEO

““It always seems
impossible
until it's done.”

- Nelson Mandela

The final tranche of the bailout from National Treasury was received in time to start the 2020/21 financial year with the much-needed funds to enable the implementation of the SABC's Turnaround Plan. The implementation of the turnaround plan was however impeded by the unexpected COVID-19 pandemic and associated lockdown. The most severely impacted areas of our business were the loss in advertising revenue and the delay in local content acquisition.

As at the end of December 2020, 54% of the key actions contained in the SABC's Turnaround Plan were completed or in place. At an overall level, we have consistently performed ahead of the expected timelines as captured in the plan. We will endeavour to maintain this momentum and ensure that all key actions of the turnaround plan are completed or in place by the end of this financial year.

The strategic plans captured in this FY2022-2024 Corporate Plan focus on the approved SABC's Turnaround Plan and seek to achieve the goals as set out in the SABC Strategic Roadmap. The strategic intents remain as outlined in the previous Corporate Plan, but the focus will be on leveraging and embedding the new target operating model and supporting organisational structures to expedite delivery:

- Video Entertainment – intensify our efforts to achieve audience growth through the acquisition and broadcasting of new compelling content;
- Radio – increase audience growth through synergies from clustering radio stations and integrating the various radio stations strategies;
- Human Resources – drive the implementation of the culture revitalisation programme and performance management system to embed the new target operating model and the new organisational structures. Reducing the cost of employee compensation will also be a focus area;
- Technology – expedite the SABC's journey towards digitisation and new online ways of working. Enabling the Analogue Switch-off (ASO) Programme and the reduction in signal distribution costs will be a significant focus area;
- Revenue – continue to drive continuous revenue growth through deployment of new revenue generation business models. This includes new outsourcing business models to increase TV licences collection; and
- Legislation and regulations – continue to work closely with the Shareholder Representative and Regulators to expedite legislative and regulatory reform to enable the SABC's financial sustainability.
- Governance – continue to improve the internal control environment, and target an improved audit outcome. The focus on consequence management will be maintained.

We have commenced the work to realise our shared goal of an agile and modern SABC that is able to fulfil its mandate in a self-sustaining way. I am confident that we have the necessary support from the SABC Board, the right strategies, capable and committed management and employees to achieve the successful turnaround of the SABC.

It remains an honour to lead a group of dedicated and competent colleagues who, despite the challenges, remain committed to ensuring that we always strive to fulfil our public mandate obligations. We are well on our way to achieving our goal of becoming the leading credible voice and face of the nation and the continent. We will ensure that the SABC is a financially sustainable organisation that continues to fulfil its public mandate of informing, educating and entertaining millions of South Africans.


 Mr Madoda Mxakwe
 Group Chief Executive Officer

Official

Sign-Off

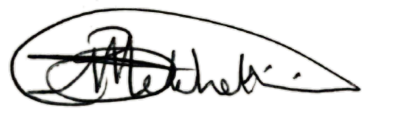
It is hereby certified that this Corporate Plan:

- Was developed by the management of the SABC.
- Takes into account all relevant policies, legislation and other mandates applicable to the SABC.
- Accurately reflects the strategic outcome oriented goals and objectives the SABC will achieve over the period 2021/22 to 2023/24


 Mr Madoda Mxakwe
 Group Chief Executive Officer
 Date

.....
 Ms Yolande Van Biljon
 Chief Financial Officer
 Date

.....
 Mr Ian Plaatjes
 Chief Operating Officer
 Date


 Mr Bongumusa Makhathini
 Chairperson: SABC Board
 Date



Part A

Company Purpose and Strategic Overview



Overview

As South Africa's national public broadcaster, the SABC exists to bring South African citizens a broader understanding and appreciation of themselves within both the South African and world contexts.

Through its expansive and varied programming, the SABC unrelentingly endeavours to always reflect South African attitudes, opinions, ideas, values and artistic creativity and talent; it offers a plurality of views and a variety of news, information and analysis from a South African point of view whilst at the same time advancing the national and public interest.

Our citizens and residents turn to the SABC to help them connect to the broader South African experience on the platform, and in the language, of their choice.

Fulfilling this extensive mandate, given the SABC's current funding model, comes with considerable challenges. Increased competition for viewers and listeners results in intense financial pressure on the broadcaster's business model.

Concerns about media concentration and the need to enhance diversity of editorial content are becoming increasingly important. Equally important is the ever-growing phenomenon of 'fake news'. In this context, the role of the Corporation in being a credible source of a wide range of voices and perspectives for South African's is critical.

Over the duration of this Corporate Plan, the SABC will continue in its efforts to re-shape itself to respond to these challenges. The Corporation seeks to fundamentally transform its programming, operations and management, in an effort to fulfil its mission and realise its vision.

Vision

To become the leading, credible voice and face of the nation and the continent.

Mission

To be a high-performing, financially sustainable, digitised national public broadcaster that provides compelling informative, educational and entertaining content via all platforms.

Corporate Values

- **RESPECT:** Respect will be our currency in our engagements internally and externally.
- **TRUST:** We will cultivate an environment of trust with each other.
- **INTEGRITY:** We will always do what is right.
- **QUALITY:** The quality of our work will be of the highest standard.

Legislative and Other Mandates

SABC Mandate

The mandate of the South African Broadcasting Corporation SOC Limited (SABC) as a public broadcaster is defined in legislation as well as in regulations, policies, codes of conduct and licensing conditions. The foundational statutes are the following:

- The Constitution of the Republic of South Africa, No. 108 of 1996;
- The Broadcasting Act No. 4 of 1999, as amended;
- The Independent Communications Authority of South Africa Act No. 13 of 2002, as amended;
- The Electronic Communications Act No. 36 of 2005, as amended.

SABC Charter

The Broadcasting Act prescribes the following objectives for the SABC:

- a) Making its services available throughout South Africa;
- b) Providing sound and television broadcasting services, whether by analogue or digital means, and providing sound and TV programmes of information, education and entertainment funded by advertising, subscription, sponsorship, licence fees or any other means of finance;
- c) Acquiring, from time to time, a licence or licences for such period and subject to such regulations, provisions and licensing conditions as may be prescribed;
- d) Providing, in its public broadcasting services, radio and television programming that informs, educates and entertains;
- e) Being responsive to audience needs, including the needs of the deaf and the blind and accounting on how to meet those needs;
- f) Providing other services, whether or not broadcasting or programme supply services, such services being ancillary services;
- g) Providing television and radio programmes and any other material to be transmitted or distributed by the common carrier for free-to-air reception by the public, subject to Section 33 of this Act;
- h) Providing to other bodies by such means and methods as may be convenient, services, programmes and material to be transmitted or distributed by such bodies and to receive from such other bodies services, programmes and material to be transmitted by stations of the Corporation for reception as above;
- i) Commissioning, compiling, preparing, editing, making, printing, publishing, issuing, circulating and distributing,

with or without charge, such books, magazines, periodicals, journals, printed matter, records, cassettes, compact disks, video tapes, audio-visual and interactive material, whether analogue or digital and whether on media now known or hereafter invented, as may be conducive to any of the objects of the Corporation;

- j) Establishing and maintaining libraries and archives containing material relevant to the objects of the Corporation and making available to the public such libraries and archives with or without charge;
- k) Organising, presenting, producing, providing or subsidising concerts, shows, variety performances, revues, musical and other productions and performances and other entertainment, whether live or recorded, in connection with the broadcasting and programme supply services of the Corporation or for any purpose incidental thereto;
- l) Collecting news and information in any part of the world and in any manner that may be thought fit and establishing and subscribing to news agencies;
- m) Carrying out research and development work in relation to any technology relevant to the objects of the Corporation and acquiring by operation of law, registration, purchase, assignment, licence or otherwise copyright and designs, trademarks, trade names and any other intellectual, industrial and commercial property rights;
- n) Nurturing South African talent and training people in production skills and carrying out research and development for the benefit of audiences;
- o) Developing, producing, manufacturing, purchasing, acquiring, using, displaying, selling, renting or disposing of sound recordings and films and materials and apparatus for use in connection with such sound recordings and films;
- p) Developing and extending the SABC's services beyond the borders of South Africa.

In executing its mandate, the SABC is also guided by:

- The *Public Finance Management Act (PFMA), No 1 of 1999, as amended*;
- The *Companies Act, No 71 of 2008*;
- The *King IV Code of Corporate Governance for South Africa™ (King IV)*;
- *South African National Treasury Regulations*; and
- The SABC's *Delegation of Authority Framework (DAF)*.

In addition to the legislative and regulatory requirements, the SABC Board is charged with control and direction of the affairs of the Corporation, as defined by the company's *Memorandum of Incorporation (MOI)* as amended from time to time and codified in the shareholder compact, incorporating a materiality framework. This ensures that the Corporation complies with the statutory and public policy prescripts.

Planned Policy and Regulatory Initiatives

The SABC has been involved in various on-going policy and regulatory processes that are intended to culminate in new legislation which will have implications on the SABC's revenue generation and business operations in 2021 and future years.

Local Content Regulations published by ICASA

The local content quotas for television services currently require 50% of annual independently produced programs budget should be spent on previously marginalized local African languages (namely Sepedi, XiTsonga, Setswana, TshiVenda, SiSwati, isiZulu, isiXhosa, IsiNdebele and Sesotho) and/or content sourced from regions outside Johannesburg, Cape Town and Durban. Possible steep penalties are applicable in the event of non-compliance (fines up to R5mil). While this current regulation is more agreeable compared to the previous iteration, the SABC will continue to monitor the content production environment and engage ICASA in the event of adverse changes that would make it particularly difficult or onerous for the SABC to fulfil this requirement.

ICASA licencing process for International Mobile Telecommunications (IMT)

The SABC has been operating its analogue and digital television services in the band 694 – 854MHz among other Very High Frequency (VHF) and Ultra High Frequency (UHF) bands. ICASA wants new licencees to occupy some of the SABC frequencies prior the finalisation of the digital migration process and this will cause harmful interference on the SABC services. The SABC submitted written representations to ICASA in January 2020. ICASA issued the ITA in October 2020 for the high demand spectrum. As at 28 December 2020, ICASA had received 6 applications. The Regulator anticipates conducting an auction for licensing high demand spectrum by 31 March 2021. However, Telkom, eMedia, and MTN are challenging the ICASA licensing process.

Review of Must Carry Regulations

This is an obligation for Pay TV services to carry SABC channels free of charge in line with the regulations. This obligation disregards the value of SABC channels and gives Pay TV services undue leverage of growing their services through SABC content. The SABC Board has engaged ICASA on the must carry challenges and as a result ICASA has agreed to the review of these regulations. ICASA has conducted the Regulatory Impact Assessment on the Regulations and also issued a Discussion Document for public comment, to which the SABC lodged a written submission on 31 March 2020. The DCDT published the AAVCS Draft White Paper in October 2020 for public comment. The AAVCS Draft White Paper has proposed the removal of must carry obligations and the SABC will support this removal in order for the Corporation to derive maximum return from the exploitation of its content.

Review of Sports Broadcasting Rights Regulations

The SABC has an obligation to broadcast listed sports events in line with the regulations. The SABC has engaged ICASA regarding challenges posed by the regulations. ICASA instituted a review of the regulations. The SABC submitted written and oral representations to ICASA. ICASA has since published Draft Amendment Regulations for public comment. The SABC responded to ICASA on these draft amended regulations in December 2020, and will continue to engage as the process unfolds.

Ban on Alcohol Advertising

The Department of Trade, Industry and Competition (DTIC) published the draft national liquor policy and the National Liquor Amendment Bill which propose advertising restrictions on both TV and Radio between 06:00-22:00 and the removal of content that glamorises liquor on the broadcasting platform. The legislation development process is underway and thereafter the DTIC will issue regulations for public comment. The SABC will participate in the regulation development process. The SABC stands to lose over R800m should the advertising restrictions be implemented. The Corporation is currently awaiting the publication of the amended Act and Draft Regulations for public comment.

Unhealthy Foods advertising regulations

The Department of Health (DoH) published the Unhealthy Foods Advertising Draft Regulations. They prohibit advertising of unhealthy foods on TV or Radio from 6am to 9pm. The financial impact on the SABC will be several hundred million of Rands should the regulations be implemented in their current form. The SABC has since submitted its written representation to DoH and awaits the publication of final regulations.

Subscription broadcasting services regulations

A review of the current subscription broadcasting services regulatory framework in order to remove barriers to entry in the Pay TV market and to assess the state of competition in this sector is currently underway. The regulation development process is almost completed and so far the SABC has submitted oral and written representations to ICASA on the subject matter. The last written representation submitted to ICASA was on the draft Findings Document. The SABC participated in public hearings in January 2021. ICASA anticipates publishing the final findings document and final draft regulations by the end of March 2021.

Digital Terrestrial Television – Broadcasting Digital Migration

The "use it or lose it" principle implies that unused radio frequencies will be forfeited. Furthermore, the prescribed DTH 16% / DTT 84% split for digital migration deprives the SABC of the optimisation of the DTH transmission benefits. The SABC will continue to engage ICASA and DCDT on the negative implications of these regulations. The AAVCS Draft White Paper called for input with respect to the broadcasting digital migration process. The SABC will advance the principle of platform neutrality for digital migration for all licencees.

Review of Advertising Sponsorships and Infomercials Regulations

ICASA has begun with review process and broadcasters have been requested to comment on areas that require change. Given the changes to the broadcasting landscape, ICASA needs to know if the review of regulations is necessary. The SABC revenue generation opportunities may be compromised if the SABC does not participate in the review process. Thus, the SABC will participate in the review process once the draft regulations are published for public comment.

Audio and Audiovisual Policy

The 1998 Broadcasting Policy has been under review for some time. However, the review process has been delayed. The SABC, together with other broadcasters, has been involved in the shaping of the Audio and Audiovisual Content Services (AAVCS)-Draft White Paper. The DCDT has published the AAVCS Draft White Paper for public comment. The Draft White Paper addresses policy imperatives applicable to the current broadcasting environment and the disruptors in the digital and online spheres. In February 2021, the SABC made a comprehensive submission in response to the contents of the draft white paper, and will participate in future engagements on the matters included.

Broadcasting Amendment Bill

It is anticipated that proposed amendments to the Bill will be published for public comment after the completion of the AAVCS White Paper process. The SABC's position regarding the current provisions related to cross-subsidisation, collection of TV licence fees and the funding model will be advanced. The SABC will participate in the public consultation process as it unfolds.

FPB Online Content Regulation/Policy

All online content must be classified in line with the Film and Publication Board (FPB) regulations or be subjected to a self-regulatory system recognised by the FPB. The SABC has submitted its written and oral representations to Parliament on the FPB Amendment Bill and it further submitted its written representations to the FPB with regards to the FPB Online Content Draft Regulations. So far the FPB Amendment Bill has been enacted into law; whilst the Final FPB Online Content Regulations are yet to be finalised.

Copyright Amendment Bill

The legislation development process is underway. Parliament had approved the Bill for the President's approval but the President returned it to Parliament for review. The DTIC is working on the Copyright Amendment Bill and Performers' Protection Amendment Bill. The Corporation is awaiting the publication of the Bills for further public comment.

ICASA digital licensing framework

The SABC has recommended that the current, analogue-based licensing model should be amended. The SABC can deliver its services much more effectively if the licensing model is aligned to the digital, multichannel environment. ICASA will soon embark on the inquiry into the DTT broadcasting licensing framework and as such the SABC will engage ICASA during the inquiry process.

Basic Conditions of Employment Act no.75 of 1995

On 11 December 2019, Department of Employment and Labour (DEL) published a notice of its intention to amend the Basic Conditions of Employment Act (BCEA), with a view to deem persons in the films and TV industry as employees for the purposes of some parts of the BCEA and Labour Relations Act. The net effect of the amendment may push up the cost per minute rate by content providers. The DEL is considering alternative measures of protecting the interests of artists within the TV and Films industry as proposed by production houses and organisations.

Draft Code for Persons with Disabilities

The Draft Code seeks to drive universal access of broadcasting services for Persons with Disabilities. The Draft Code prescribes minimum requirements or quotas for subtitling, audio captioning, audio description and closed captioning, which are incremental over a period of 3 years, for each tier of broadcasting. Penalties for contraventions will result in a fine not exceeding R5m or 10% of licensee's annual turnover for everyday of contravention and the Code will come into effect 18 months after publication. The SABC submitted its written representation to ICASA in January 2018. In 2019 ICASA conducted workshops on the matter and later requested the SABC to submit information regarding the cost of audience assistance services. ICASA published the revised Draft Regulations in July 2020 and the SABC submitted its written representation on 14 August 2020. The Corporation is currently awaiting either public hearings or the final regulations from ICASA.

Situational Analysis

The SABC, like every other public broadcaster, is facing a world in transition and has to devise and implement a set of strategic responses to the challenges facing the delivery of public service broadcasting.

It has never been easier to consume what you want, when you want, where you want. Changes in technology mean content can be consumed anywhere, anytime, on any device. The last ten years have seen a huge boom in new devices that allow people to consume content almost anywhere. There has been a push for cheaper and faster broadband and data plans, in order to make it more affordable and easier to stream content. New online streaming services also allow audiences to make the most of new technologies.

According to the PWC's Global Entertainment and Media Outlook (2019 – 2023) report, consumers are using an expanding array of connected devices to organise, curate and discover their own unique worlds of media. In response, companies are designing their offerings to revolve around personal preferences, using data and usage patterns to pitch their products not to audiences of billions, but separately at billions of individuals.

The increasingly tailored world has major implications for broadcasters and media entities across every segment. Whether the subject is business and revenue models, emerging technologies, or regulations and legislation, companies must keep on top of current and future developments – and be sufficiently agile, ready to respond pro-actively and at pace.

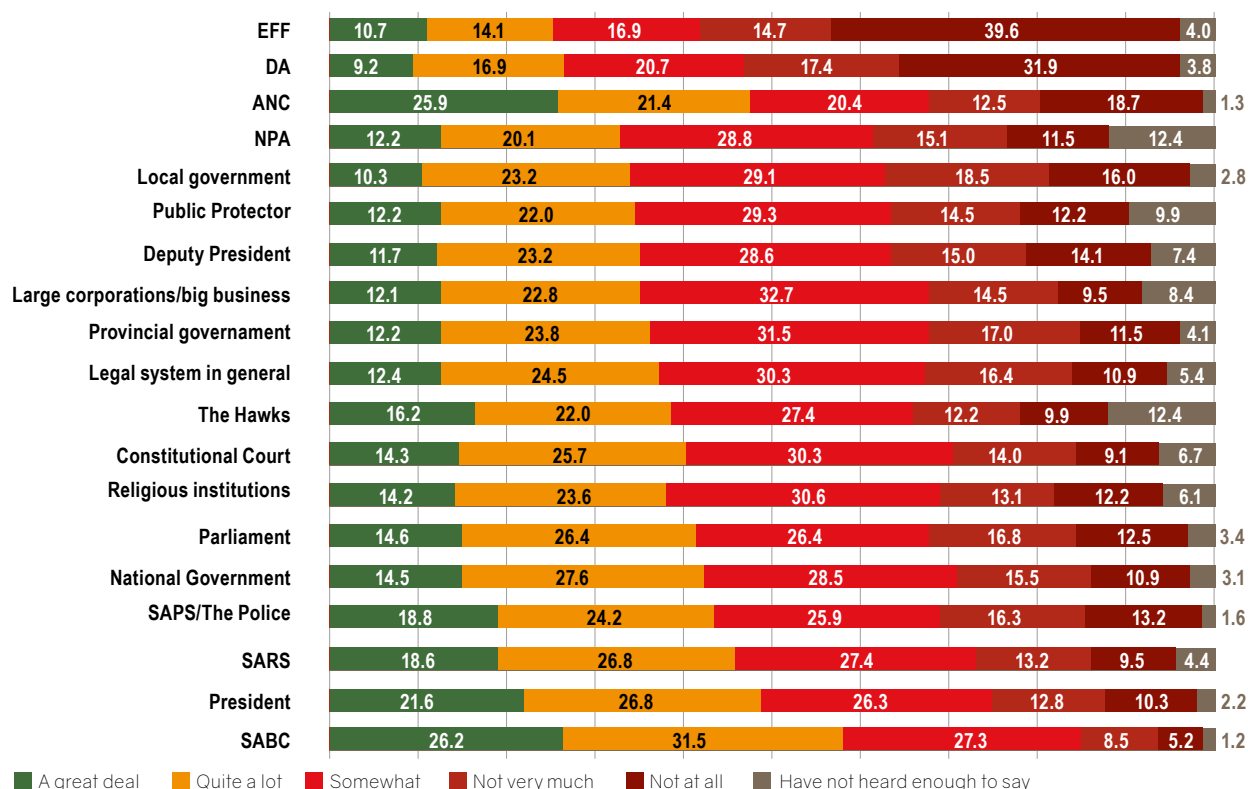
The Media Landscape

A key feature of the trying times produced by the global COVID-19 pandemic in the year 2020 was trust. Trust in the information shared by global organisations, trust in the wisdom of the decisions taken by our elected governments and trust in the media that reported these decisions and shared this information.

In their 2019 edition of the report on the South Africa Reconciliation Barometer Survey (p39), the Institute for Justice and Reconciliation had this to say about the SABC:

'In 2019, as in 2017 [and 2015], the SABC features as the institution that South Africans have the most confidence in. The integrity of the public broadcaster thus continues to be an indispensable part of political life in South Africa, also given that television and radio are the most trusted sources of political information and news.'

GRAPH: Reported Confidence in institutions, SARB 2019™



Source: SAReconciliation Barometer 2019, Sample 2,400

It is significant that the institution tasked with reporting both the implementation of government's COVID-19 measures and the public's compliance with them enters this tumultuous year of the pandemic with confidence levels among the public that are in excess of dominant civic and statutory bodies.

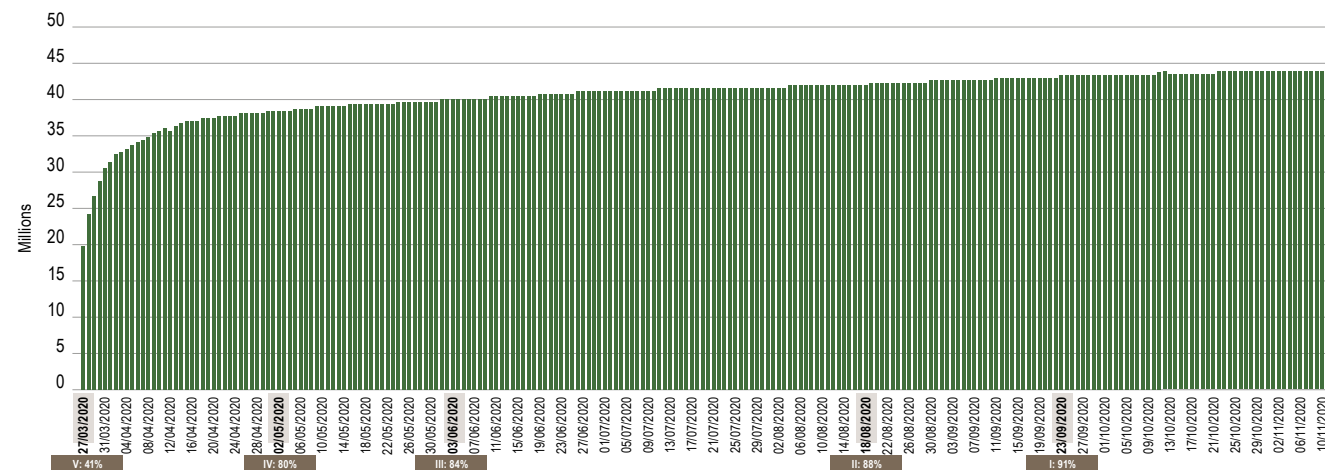
The lockdown measures introduced by government to curb the spread of the virus soon prompted evaluations of this trust and confidence in the public broadcaster. Researchers scrambled for new ways to collect data following the suspension of traditional

face-to-face data collection methods as a result of lockdown restrictions. Computer aided telephone interviews (CATI) became an obvious alternative, but samples could not always claim full representation of the population. In the meantime, the 'passive' collection of television viewing data (through TAMS) continued among South Africa's television households and some confirmation of the public's trust in the SABC was possible to establish.

Television: News and Video Entertainment

On day one of Level 5 of the lockdown on 27 March 2020, the SABC reached 41% of all South Africans with access to a television set in their households. That grew rapidly over the coming days so that by 1 May 2020 when lockdown was amended to Level 4, the public broadcaster was reaching 80% of television households in the country.

GRAPH: Cumulative Reach of SABC TV: Lockdown 2020 All individuals Age 4+

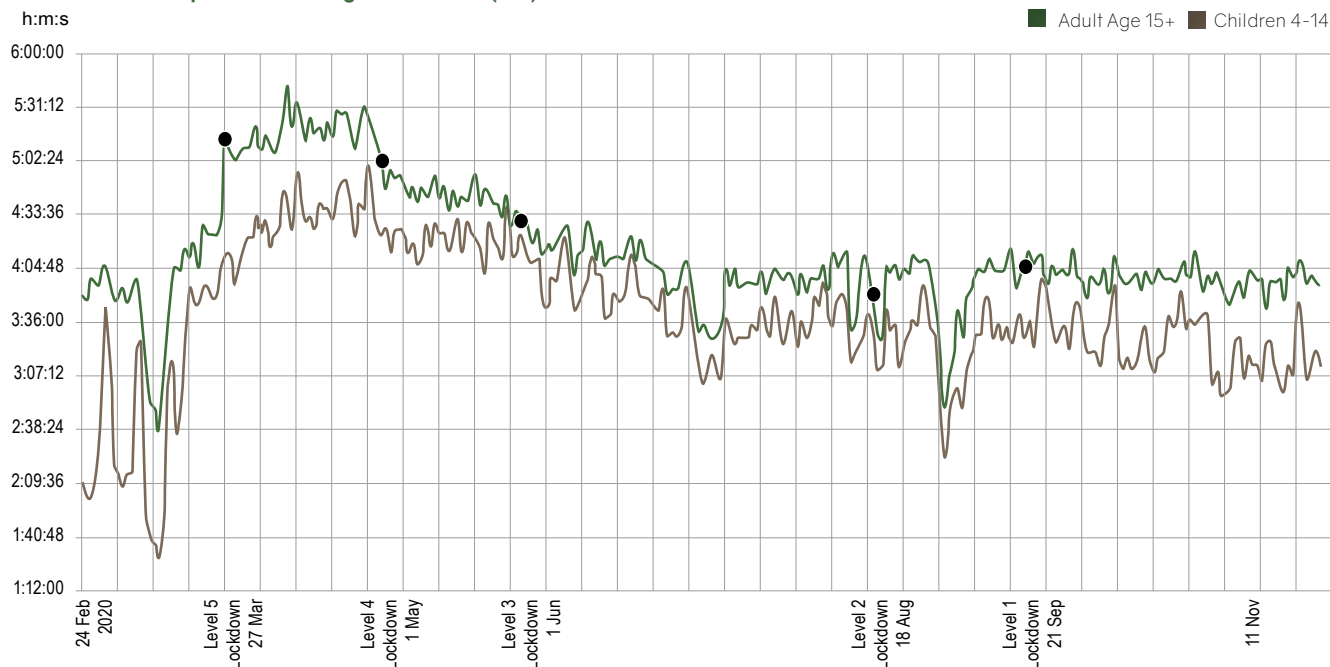


Source: BRC TAMS Cumed Coverage, Sample 10,485

By the last date shown in November 2020, the SABC was reaching 93% of all South Africans (aged 4 plus) with access to television.

A key metric for evaluating the impact of lockdown on the different media was the time South Africans spent with each medium. The time spent with SABC television ranged between 25% and 35% of all time spent with television through the lockdown stages.

GRAPH: Time Spent Watching TV in 2020 (SA)



Source: BRC TAMS Average Time Spent Viewed, Sample 10,485

It was pleasing to note that children welcomed the Easter holidays by abandoning television altogether in March when schools closed early. They did however join the adults in almost equal amounts of time spent with the television between late May and August when Level 2 adjustments were made to the State of Disaster declaration. The effect of Stage 4 load-shedding by Eskom had a clearly visible impact in early September when the lights literally went out for lengthy periods of time.

The SABC made various contributions to alleviating lockdown pressures by providing appropriate entertainment at a time when curfews became a feature of life under lockdown conditions. One of the more outstanding was the broadcast of the movie Contagion on SABC3 in April 2020. The screening became something of a national event, attracting ratings amounting to 1.3m people watching the entire movie at once. This was over 5 times the audience the channel normally attracts in that regular movie slot.

WOZA Matric Slots on SABC3	Age 15-19
08:00-10:00 Mon-Fri Summary	AR VIEWERS
AVE before WOZA Matric (Apr-Aug 2020)	8,396
AVE since WOZA Matric started (since 1 Sep 2020)	5,471
%of S3 audience lost/gained	-35
08:00-10:00 Saturday Summary	
AVE before WOZA Matric (Apr-Aug 2020)	8,171
AVE since WOZA Matric started (since 1 Sep 2020)	3,808
%of S3 audience lost/gained	-53
08:00-10:00 Sunday Summary	
AVE before WOZA Matric (Apr-Aug 2020)	7,962
AVE since WOZA Matric started (since 1 Sep 2020)	4,709
%of S3 audience lost/gained	-41
08:00-10:00 Mon-Fri Summary	
AVE before WOZA Matric (Apr-Aug 2020)	18,546
AVE since WOZA Matric started (since 1 Sep 2020)	6,851
%of S3 audience lost/gained	-63
08:00-10:00 Saturday Summary	
AVE before WOZA Matric (Apr-Aug 2020)	19,287
AVE since WOZA Matric started (since 1 Sep 2020)	7,459
%of S3 audience lost/gained	-61
08:00-10:00 Sunday Summary	
AVE before WOZA Matric (Apr-Aug 2020)	18,011
AVE since WOZA Matric started (since 1 Sep 2020)	6,616
%of S3 audience lost/gained	-63

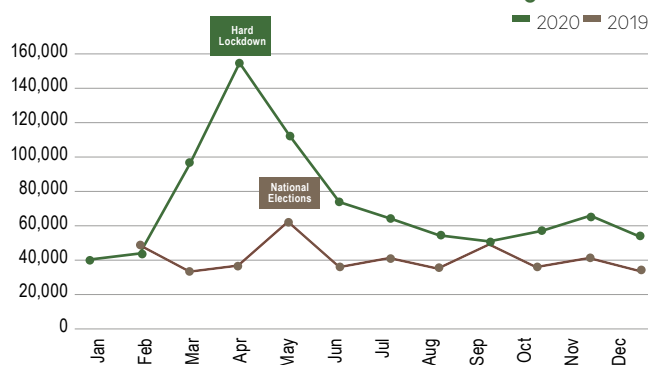
Source: BRC TAMS AR000s over periods as shown, Sample 8,108

The channel was also tasked with broadcasting content for 2020's high school students sitting for the Department of Education's (DBE) matric examinations. While it was important for all young people aged 15-19 to have access to the content, it did not translate into actual viewing and the channel lost more viewers than it gained in all the slots that hosted the content.

The channel lost over half its normal audiences aged 15-19 in all the slots where Woza Matric was scheduled. This performance serves to demonstrate the significant costs the public broadcaster has to absorb in its efforts to fulfil some crucial aspects of its public mandate.

The public broadcaster was at its most effective, however, in the provision of news and current affairs, presented with the tagline: *Independent and Impartial*.

GRAPH: SABC News Channel AR 000s among Adults 15+



Source: BRC TAMS National Market AR000s, Sample 8,108

SABC News – on DStv and DTT – more than doubled its audiences month-on-month from February to April 2020 at the height of uncertainty about the virus and the attendant lockdown provisions. By June 2020, audiences had settled into levels almost double those of a year ago. The State President's address of 21 April and simulcast on SABC2 for example, attracted 285% more viewers than a normal broadcast (1.3m vs 5m) in that time slot.

The SABC News channel's audience levels remained consistently above previous year levels except for September's

load-shedding effects. The digital channel emerged from the first and second waves of the COVID-19 pandemic with larger audiences than 2019 when it hosted the 6th national elections in May. This is also confirmed by data coming from global news organisations which all report increased listening, viewing and reading since the pandemic began

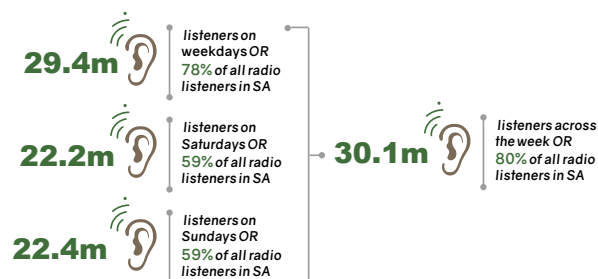
The impact of these national broadcasts on the prime time schedules of SABC2 was however, negative in the long-term as normal programming was regularly disrupted and along with it, viewing habits. This left the channel with a 7.5% share of adult viewing during prime time nationally in December 2020, down from the 9.4% the channel was enjoying by close of the fiscal ending March 2020. A single news channel, universally accessible and provided free to air, preferably digitally is the only intervention that can save the schedules (and audiences) of the full spectrum public service channels. On a similar note, a channel dedicated entirely to education content would protect SABC3's daytime share of audiences which shrunk during the pandemic from 4.3% at the end of the last fiscal to 2.3% in December 20.

Audio/Radio

As the State of Disaster was being announced in March 2020, the final radio data collection instruments were being collected in-field in readiness for the release of the RAMS (Radio Audience Measurement Survey) ending March 2020. Because this is a face-to-face methodology, regulations prohibited any resumption of fieldwork. The Broadcast Research Council of SA (BRC) chose to invoke force majeure on the contractors and begin the search for pandemic-proof data collection methodologies. This search should result in the next report on radio listening being released in June 2021.

In the meantime, the final report of RAMS – collected just before the lockdown – revealed the following.

GRAPH: SABC Radio Reaches



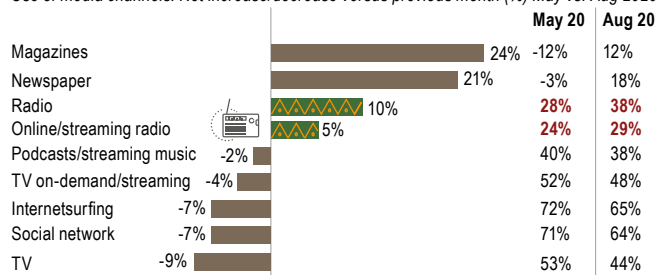
Source: BRC RAMS Apr 2019 – Mar 2020, Sample 15+ 30K

While validated audience data was not available throughout the lockdown, some research organisations conducted online and telephone surveys about general audio consumption behaviours. Following is the result of Kantar's two waves of an online survey administered to 4000 South Africans in May and August 2020.

Broadcast and streamed audio were the only media to have extended the initial increase in usage over the two survey waves.

GRAPH: Audio Habits

Use of media channels: Net increase/decrease versus previous month (%) May vs. Aug 2020



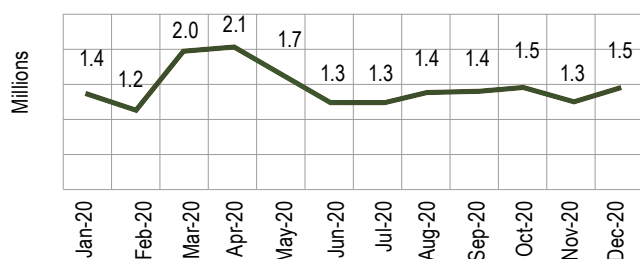
Source: Kantar Barometer, April and August 2019 Sample=5,000

This suggests positive prospects for the medium in the future, and judging from all the growth in the digital touchpoints the medium so effortlessly generates, this future is already here. SABC Radio's social media followers on facebook and twitter grew by 1m to 11m from April to December 2020. Over the same period, YouTube views of SABC Radio's video content grew from 36m to 41m while streaming sessions grew from 841,000 in April to 1.2m in December. The performance of the SABC's audio properties (and indeed video entertainment and news content) on these third party platforms supports the organisation's plans to launch their own digital platforms that promote engagement with audiences while also providing consumers with an additional opportunity to consume content outside of live programming.

Online

The SABC's online activity is driven by the largest website published by the public broadcaster, www.sabcnews.com which is responsible for 63% of the publisher's unique browsers.

GRAPH: SABC Publisher Unique Browsers



Source: Narrative, Jan-Dec 2020 Publisher Unique Browsers

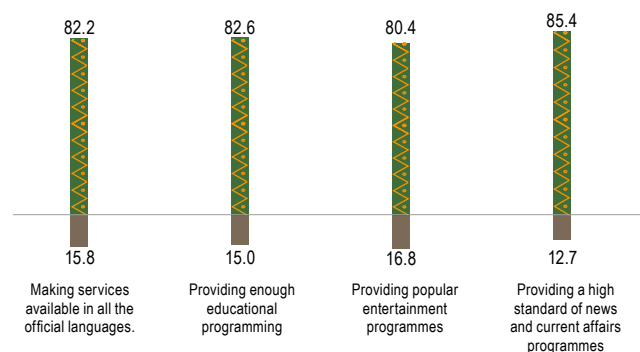
Like the SABC News channel, the sign-in pattern of SABC's online audience mimics that of the news platform. After growing to over 2m browsers at the height of the lockdown in April and May, the online platform's audiences settled at levels higher than before the lockdown.

Public Value and the Future

As the following chart shows, many South Africans believe that the SABC is doing well in fulfilling a number of public value mandates. Over 80% believe the SABC is doing well in each of the following:

- Making services available in all the official languages
- Providing enough educational programming
- Providing popular entertainment programmes
- Providing a high standard of news and current affairs programming

GRAPH: SABC fulfilling the Public Value Mandate



Source: Future Fact 2019, Sample Urban 18+ of 3,007

As long as there are some South Africans (under 17%) who believe the SABC does not do well in the creation of this public

value, the public broadcaster remains under urgent obligation to accelerate its mandate to inform, educate and entertain. This corporate plan outlines the organisation's response.

Economic Environment

After a 7.2% year-on-year contraction for 2020, predictions for recovery are 3.3% in 2021, and an average of 1.9% in 2022 and 2023. Planned government borrowings for 2021/22 are expected to reach 80% of GDP and accelerate to 87% of GDP by 2023/24 and 89% of GDP by 2025/26. As this picture unfolds, lower credit ratings are likely to follow. SA's credit ratings are likely to fall into the single B grades this year, with movement towards C-grade categories likely – a reflection of concerns about a rapidly increasing risk of default.

Despite the rebound during the third quarter of the year, a return to pre-pandemic levels is certain to take time, due in large part to the level of uncertainty over the pandemic's trajectory. With South Africa firmly in the grip of a second wave, characterised by a more virulent strain of the COVID-19 virus, the road to economic recovery will be extremely bumpy.

Sub-Saharan Africa is contending with an unprecedented health and economic crisis that has undone years of development gains. For South Africa, the hope generated from the seeming positive response to the national response during the first wave has all but disappeared in the face of the second wave. Subsequent waves of the pandemic in developed countries are sure indicators of the significant challenges that lie ahead for South Africa and for the rest of the sub-continent. Infection rates are set to increase rapidly, and few countries have health systems that will be able to cope.

The already high economic and social costs experienced thus far due to various national responses to the pandemic look set to get even higher. Countries are now cautiously starting to reopen their economies and are looking for policies to restart growth. With the imposition of lockdowns, regional activity dropped sharply during the second quarter of 2020, but with a loosening of containment measures, higher commodity prices, and easing financial conditions, there have been some tentative signs of a recovery in the second half of the year.

Overall, the region is estimated to have contracted by 2.6 percent in 2020. The largest impact of the crisis on growth was on tourism-dependent economies, while commodity exporting countries were also hit hard.

Looking ahead, regional growth is forecast at 3.2 percent in 2021. This is a smaller expansion than expected in much of the rest of the world, partly reflecting sub-Saharan Africa's relatively limited policy space within which to sustain a fiscal expansion.

Key drivers of next year's growth will include an improvement in exports and commodity prices as the world economy recovers, along with a recovery in both private consumption and investment. The current outlook is subject to greater-than-usual uncertainty and hinges on both the persistence of the COVID-19 shock, the availability of external financial support, and the availability of an effective, affordable, and trusted vaccine. Other risks include political instability or the return of climate-related shocks, such as floods or droughts.

Other Macro-Environmental Factors

The SABC also expects the following macro-environmental factors to impact on its operations in 2021/22 and beyond. The Corporation will continue to monitor and manage these developments in order to effectively implement its strategy.

Political

Local Government elections are scheduled to take place on October 27th 2021. These will be elections to elect councils for all district, metropolitan and local municipalities in each of the country's nine provinces.

The 2021 elections are set to be conducted in a challenging environment characterised by ongoing efforts to manage the coronavirus pandemic, as well as the continued perilous state of public and personal finances.

The public broadcaster plays a critical role during election periods to ensure that citizens are educated and informed, and that coverage takes place in a fair, balanced and transparent manner. For the SABC, it is going to mean the fulfilment of this crucial public broadcasting mandate with primarily own-generated funding. The funding pressures being experienced by the State are expected to result in little to no additional funding for elections coverage. The Corporation will have to do its best to stretch its already strained resources to provide optimal election coverage.

Social

The public broadcaster plays a critical role in contributing to Nation Building and Social Cohesion as per Outcome 14 in the National Development Plan. The SABC's public service mandate makes provision for the broadcasting of events of national interest (including Sporting events). Women, Youth and People with Disabilities also receive attention when it comes to the commissioning and broadcasting of programmes, and like all responsible corporate citizens, the SABC always endeavours to meet its Broad-based Black Economic Empowerment obligations. The scourges of gender-based violence, femicide and violence against children will continue to receive attention from the Corporation. The SABC is also the only broadcaster that provides radio programming to listeners in all official languages. The expansion of the above services, which the organisation will always pursue, must always be considered against the SABC's financial position.

Competition

New entrants to the media sector and strategic partnerships will continue to compete for audiences and advertising revenue.

- Video and audio streaming and podcast technology make it easier for content providers to reach audiences directly in a cost effective manner;
- Entry barriers are high for new broadcasters but relatively low for additional stations. As a result, new licencees focus on the most commercially valuable audiences, in the process impacting the SABC's margins;
- Non-linear and OTT broadcast technology make it easier for content providers to reach audiences in a cost effective manner in a largely unregulated environment while generating revenue in the process;
- South Africa's pay TV broadcasters enjoy limited regulation which does create monopolies in the market place particularly around sporting events, local content offerings without mandate requirements, pricing of bouquets and control of revenue through the fragmentation of advertising revenue;
- The SABC faces continuous competition for the best content and talent. The increasing number of licenced radio and television channels has increased the cost of keeping talent, driven up the cost of local production and the acquisition of content rights, particularly sports rights. Celebrities and key personalities are also increasingly channel hopping between radio and television stations which in turn places strain on audience and revenue planning.

Legal

The SABC is involved in various on-going policy and regulatory processes that are intended to culminate in new legislation which will have implications on the SABC's revenue generation and business operations in future years.

The above is discussed on pages 11 and 12 of this Corporate Plan.

Organisational Environment

The SABC is governed by a Board of Directors appointed by the President of South Africa on the advice of the National Assembly. The SABC Board, which currently comprises eleven (11) non-executive Directors and three (3) Executive Directors, oversees the work of the SABC Executive, led by the CEO, COO and CFO and a number of Board Committees.

Composition of the Board of Directors

The non-executive directors of the Board are:

- Mr Bongumusa Makhathini (Chairperson)
- Ms Mamodupi Mohlala-Mulaudzi (Deputy Chairperson)
- Prof Sathasivan Cooper
- Adv Benjamin Motshedi Lekalakala
- Mr David Maimela
- Mr Michael Markovitz
- Mr Dinkwanyane Mohuba
- Ms Mary Papayya
- Ms Jasmina Patel
- Mr Jack Phalane
- Dr Marcia Socikwa

Executive Directors are:

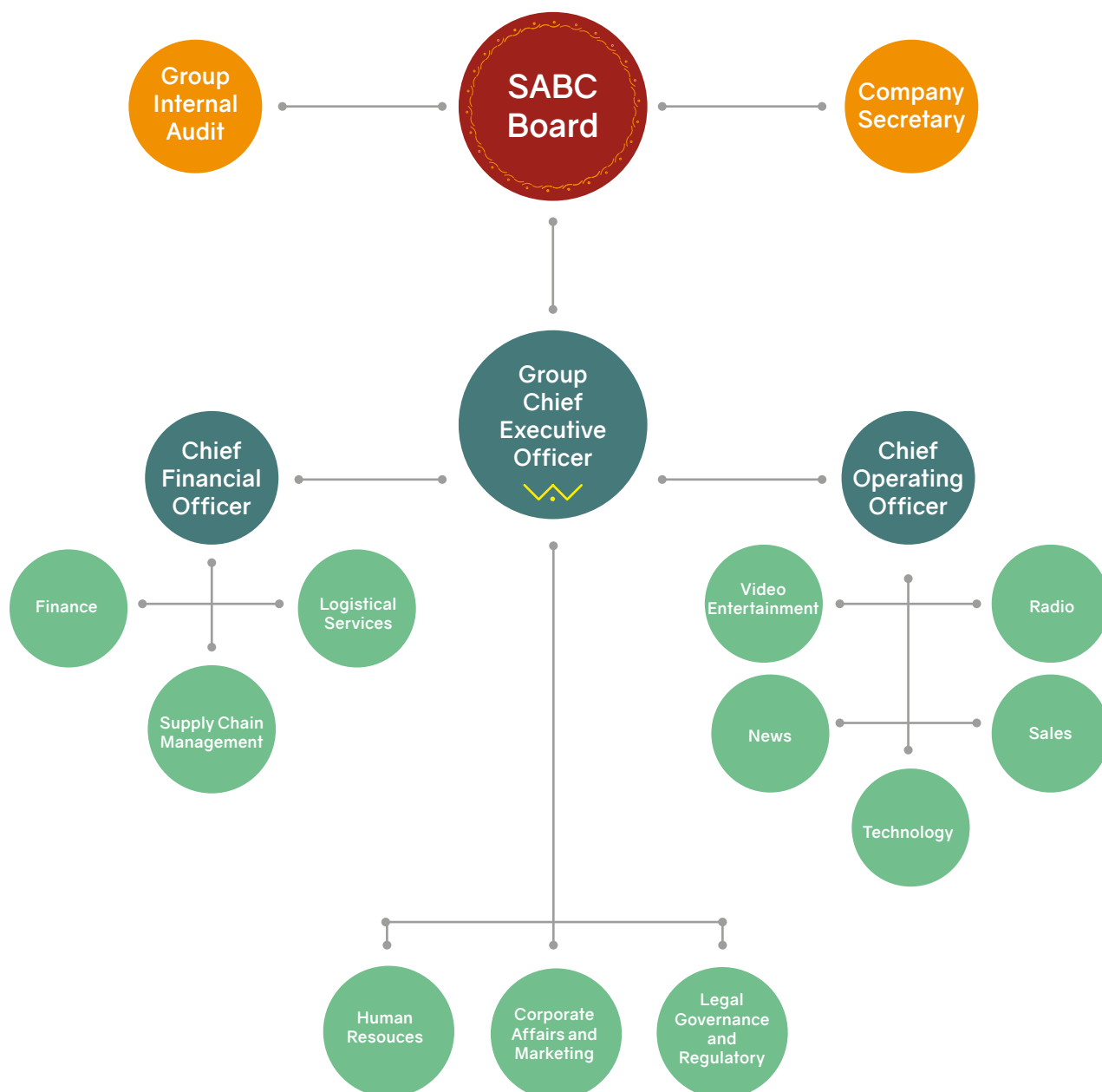
- Mr Madoda Mxakwe (Group Chief Executive Officer)
- Ms Yolande van Biljon (Chief Financial Officer)
- Mr Ian Plaatjes (Chief Operating Officer)

The Committees of the Board

The following are Committees of the Board:

- Audit and Risk;
- Digital Technology;
- Governance and Nominations;
- Human Resources and Remuneration;
- News and Current Affairs;
- Public Broadcasting Services and Public Commercial Services;
- Social and Ethics;
- Finance, Investment and Procurement.

Organisational Structure





The SABC's bouquet of services includes 18 Radio Stations, five Television Channels as well as a digital media offering. A 19th Radio Station, *Channel Africa*, is managed by the SABC on behalf of the *Department of Communications and Digital Technologies*.

SABC Radio Stations

To many who have limited access to information technology and other more advanced media platforms, radio remains a critical source of information, current affairs and entertainment. SABC Radio commands a healthy 73.2% share of all adult radio listening in South Africa. This translates to 29m adults who choose SABC radio stations as their source of news and information every week. The SABC's radio stations continue to serve this large section of the South African population and the PBS radio stations remain a vital platform to deliver the Corporations' public service mandate. SABC Radio stations are also available via live streaming from their respective websites, social media spaces as well as on the DStv audio bouquet. Podcasting also remains a very popular choice with listeners wanting to access and listen to catch up episodes of their favourite radio shows. Radio stations include:

[Source: BRC RAM Apr 2019 to Mar 2020]



Ikwekwezi FM is a home which provides relevant information that caters for the needs and tastes of the isiNdebele speaking community. It is acknowledged by its listeners as their primary source of news and information.



Average weekly audience: 1 090 000 adults (15+)



Lesedi FM caters for the Sesotho speaking communities. It is a needs-driven participatory radio station that provides programming that touches on issues which have a direct bearing on the development of its listeners.



Average weekly audience: 3 346 000 adults (15+)



Ligwalagwala FM seeks to reflect a more urban and aspirational lifestyle. It prides itself on being an upbeat radio station that speaks to young, motivated, upwardly mobile black siSwati speaking people.



Average weekly audience: 1 090 000 adults (15+)



Lotus FM's target market is the South African Indian community. The station caters for an audience both young and old, and broadcasts mainly in English and languages of Indian origin. Lotus FM offers an engaging mix of information, education and entertainment driven programmes which serve to reflect the strong value system of our dynamic audience whilst promoting a proudly South African radio brand within the context of Total Citizens Empowerment.



Average weekly audience: 185 000 adults (15+)



Motsweding FM's core philosophy is the personal empowerment and development of its listeners. It is an aspirational station that embodies the ambitions of being worldly and cosmopolitan. It broadcasts from Mafikeng in Setswana and its listeners depend on the station as their source of education and entertainment. Motsweding FM has massive spillover listenership in Botswana.



Average weekly audience: 2 755 000 adults (15+)



Munghana Lonene FM broadcasts in xiTsonga and supports the aspirations of its listeners whilst ensuring contemporary norms and values. The station places much emphasis on listener participation, and actively seeks expert opinion, commentary and advice on various topical issues.



Average weekly audience: 1 208 000 adults (15+)



Phalaphala FM programming philosophy is underpinned by a desire to inspire its listeners, especially women and emerging entrepreneurs. Listeners are given a platform to share knowledge and expertise across a range of subjects and issues. The station broadcasts from Polokwane in Tshivenda.



Average weekly audience: 804 000 adults (15+)



Radio 2000 is a facility national radio station that broadcasts mainly in English. It reflects and unites South Africa's diverse cultures with the intent of strengthening democracy and nation building through lifestyle programming, ball-by-ball sports commentary and events of national importance. Radio 2000 provides content that is high quality and engages audiences in healthy discussions and debates on a wide range of subjects, empowering and uplifting the citizens of South Africa.



Average weekly audience: 751 000 adults (15+)



RSG is a contemporary radio station that represents the modern all-inclusive Afrikaans audience. RSG provides for a progressive, forward thinking, loyal and strong family orientated audience that is proudly Afrikaans in South Africa.



Average weekly audience: 1 329 000 adults (15+)



SAfm aims to deliver credible and up-to-the-minute news and talk, alongside relevant, informed analysis of current affairs. In accordance with its Public Broadcasting Service mandate, SAfm also explores broader themes and subjects relevant to its target market and delivers the information in a manner that benefits all South Africans. The station targets discerning, mature and sophisticated listeners nationally. The focus is primarily on decision makers seeking insightful and enabling information to keep themselves informed.



Average weekly audience: 192 000 adults (15+)



Thobela FM dedicates its programming to promoting personal growth of its listeners, the modernisation of culture and enhancing economic development within their communities. The station broadcasts in Northern Sotho (Sepedi).



Average weekly audience: 2 925 000 adults (15+)



Tru FM views youth and youthfulness as an opportunity and young people as a resource. It broadcasts in IsiXhosa and English and creates a platform for young people to express themselves. truFM empowers its listeners, the youth, to improve their quality of life as well as focusing on their self-development.



Average weekly audience: 187 000 adults (15+)



Ukhozi FM is the nation's largest radio station. It focuses on edutainment and infotainment and it is guided by a philosophy that prioritises upliftment, personal growth and development. Broadcasting in IsiZulu, Ukhozi FM is a leading PBS station with audiences in excess of over 7m, which provides it with huge advertising appeal.



Average weekly audience: 7 607 000 adults (15+)



Umhlobo Wenene FM broadcasts in isiXhosa and seeks to serve its listeners with honour and integrity by continuously providing global entertainment, education and information that inspires a culture of personal growth and development.



Average weekly audience: 5 850 000 adults (15+)



XK FM targets the San people of Platfontein in the Northern Cape. This community, consists of the !Xu who make up 64% of listeners, and the Khwe, who fall into SEM 1-6 and make up the other 36%. The station currently plays a critical role in preserving some of the oldest indigenous languages and cultures in Africa.



Average weekly audience: 3 000 adults (15+)



5FM is a national youth radio station that transcends race and socio-economic background. The station offers its listeners only the most popular contemporary music and entertainment. With its significant social media presence, 5FM is no doubt a station of the future. Daring to walk on the wild side, the station inspires personal development while encouraging freedom of expression.



Average weekly audience: 607 000 adults (15+)



Good Hope FM encapsulates the fun, energy and funkiness of urban Cape Town. It entertains and actively engages Capetonians through music, relevant lifestyle news and events. It is well positioned to meet the lifestyle needs of its audience through showcasing events and public concerns.



Average weekly audience: 468 000 adults (15+)



METRO FM has a strong influence over youthful urban adults that embrace a pragmatic and successful lifestyle. It is the largest commercial station in South Africa with listenership in excess of 4m. Though primarily a music station, METRO FM also delivers credible and unbiased news reporting that keeps its listeners involved and informed.



Average weekly audience: 4 331 000 adults (15+)

SABC Television Channels

Television remains the medium of choice for most South Africans. The public broadcaster's five television channels attract, on average, 26.6m South African adults (15+) in a typical month.

[Source: BRC TAMS Reach and Frequency Analysis, All Adults Apr 2020-Jan 2021]



SABC1 is a full spectrum, 24-hour reactive, free-to-air channel that speaks to youthful South Africans between the ages of 16 to 30 years old, with an epicenter of 25 year olds. This audience is primarily black and mainly Nguni speaking. They live in South Africa's Urban, Peri-Urban and Townships areas. To reach them the channel represents the fibre of a young South African and is in tune with the latest trends, reflecting their interests. The channel is watched mostly in South Africa, with a compelling mix of strong local drama, reality and general entertainment.



Average monthly audience: 23.9m.



SABC2 is a full spectrum, 24-hour, reactive free-to-air channel, defined by a focus on the South African "family". It broadcasts primarily in Afrikaans and the Sotho language groups, including the minority languages. SABC2 is the place where people come together to celebrate shared values and experiences, re-live and reflect on our cultures. It is a mirror to our past and present realities. It is aimed at 30 - 49 year-olds, with an epicenter of 35 and the emphasis on family references any tight-knit group of individual, whether those ties are based on blood, affinity or co-residence. Customs and traditions are very important to this audience, but they remain committed to diversity, tolerance and building each other. SABC2 promotes social cohesion and nation building.



Average monthly audience: 22m.

Coverage via the terrestrial transmitter network covers 92.5% of the viewers, and the channel is also available via satellite on the DStv and Vivid DTH digital satellite platforms.



SABC3 is a full spectrum, 24-hour generalist, free-to-air channel showcasing the various shades of the South African millennial story, from reality to aspiration. SABC 3 is the fifth largest channel in South Africa - positioned to deliver programming that is chic, fresh, elegant, high production values, relatable, and highly entertaining. Its audience is the Progressive Millennials aged 25-39 (Epicentre at 30) and found in the SEM 6-8 groups. Predominantly located in urban areas and passionate about contemporary socio-economic and political issues, this set of audiences are constantly looking at ways of improving their lives and those of the rest of the country. SABC 3 has the smallest network footprint, with a coverage via the terrestrial transmitter network covering 82.1% of viewers mainly in metropolitan areas. The channel is also available via satellite on the DStv platform.



Average monthly audience: 17.4m.



SABC ENCORE was launched on DStv's channel 156 on 11 May 2015. The channel provided quality, memorable retro content for South African viewers. The channel had a strong focus on content from the 80s and 90s which appeals to the majority of South Africans between the ages of 37 and 70 years. The channels carriage agreement with DStv expired at the end of May 2020 and is currently being revised to be a more commercially attractive proposition offering the best of the best content sitting on the three SABC terrestrial channels.

The newly proposed channel is targeted to launch during 2021/2022.



SABC News Channel has been broadcasting on DStv Channel 404 since 1 August 2013, and on DTT since 2015. The channel offers continuous news coverage, updates and current affairs, keeping its audiences in South Africa and the continent informed on local and international developments. It is a seamless fusion of journalism, current affairs and magazine programming providing live coverage for up to 18 hours per day. The channel broadcasts in English and boasts a wide Pan African reach. In its eighth year, the channel is the second most viewed satellite news channel in South Africa. The channel carriage licence agreement expires in September 2023 and is subject to commercial negotiations between the SABC and Multichoice Africa.



Average monthly audience: 7.4m.

Digital Media

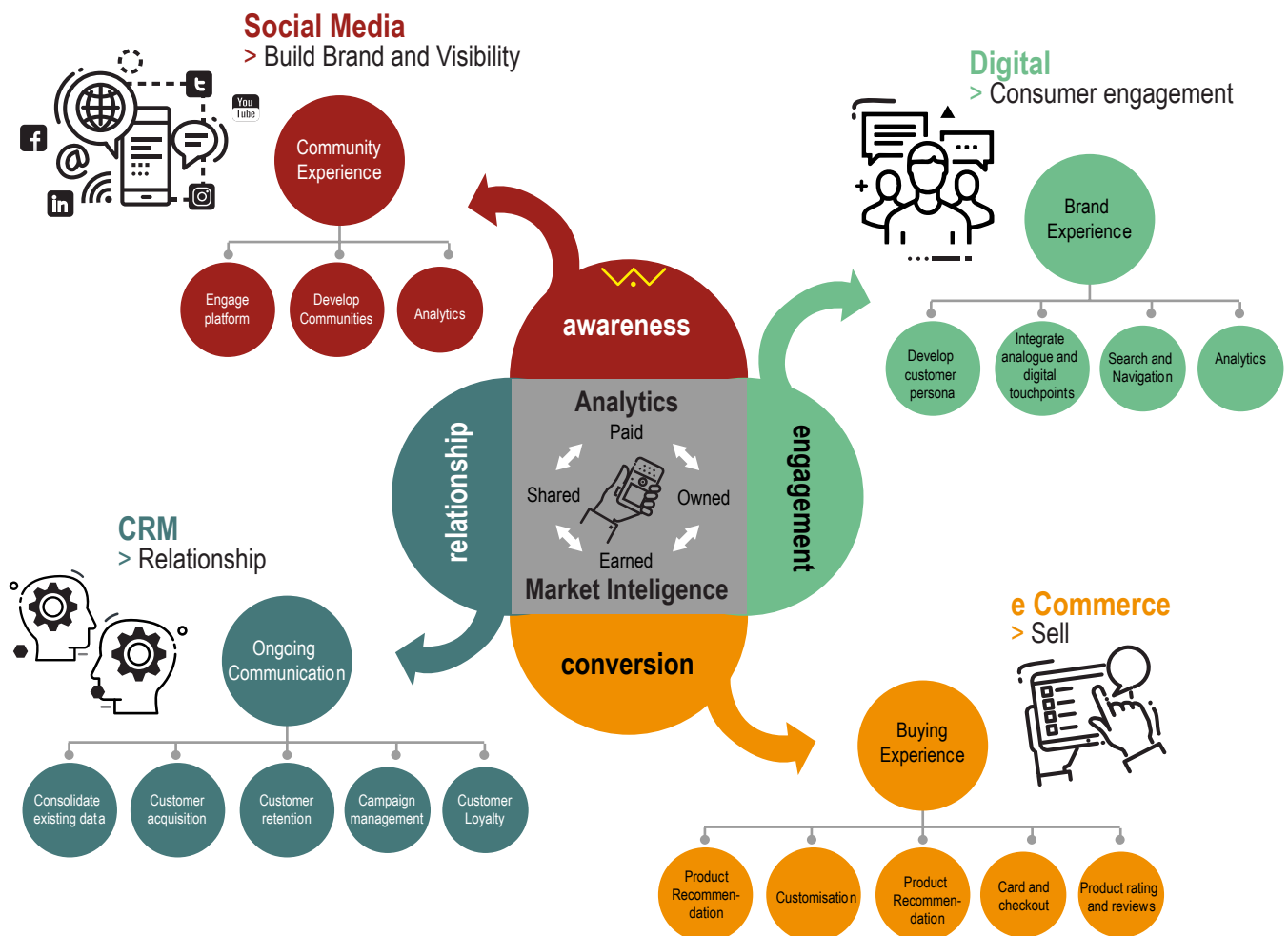
SABC is on a path to accelerate digital transformation within the organisation to better serve all stakeholders, as our public broadcaster's mandate and commercial imperatives dictate. The SABC aims to position itself as the leading voice and face of the nation and this will be achieved through the implementation of a people-centred digital marketing strategy. The key focus areas will be on agility and improved business processes for our 4C marketing stakeholders - colleagues, consumers, clients and collaborators.

The marketing theme will be geared towards re-imagining the SABC brand by uniting the diverse audiences who consume our multi-media SABC digital communication channels. Efforts will be made to integrate and optimise the existing SABC online and social media presence, which is currently fragmented across SABC-owned and 3rd party-owned (production house and other strategic partners) digital assets. This will aid in the realisation of market and revenue share objectives. As the leading African broadcaster, this will improve the SABC's digital rankings, improve search engine optimisation and media share of voice both locally and globally.

By understanding the overall user journey experience of all stakeholders and honing the current SABC customer experiences, the SABC will aim to improve its collective digital brand footprint, impact and return on investment.

A key threat to the SABC's digital transformation journey is possible delays in the AAVCS Draft White Paper process to comprehensively review the broadcasting policy and legislation. This is compounded by ICASA's simultaneous review of the Sports Broadcasting Regulations, Must Carry Regulations and Subscription Broadcasting Services Regulations.

This strategic focus relating to digital media is captured in the figure below:





Strategic

Planning Process

Since November 2019, the SABC has been diligently working to implement its approved turnaround plan. The SABC Turnaround Plan was the result of a collaborative effort involving the SABC, the Department of Communication and Digital Technologies, and the Government Technical Advisory Centre (GTAC).

The implementation of the 2021/22 Corporate Plan will commence at the mid-point of the 36-month implementation period of the Turnaround Plan. In developing this Corporate Plan, the SABC therefore took into account internal challenges, the immense transformation of the broadcasting landscape locally and globally, the changes and fluctuations in the economy, the plethora of new technologies, ongoing changes in audience behaviour, the increasingly complex competitive environment that it operates in, and the impact that the COVID-19 pandemic

has had on the operations of the Corporation, and the likely impact that it is likely to have for most of the 2021/22 financial year.

Since the turnaround plan, is aligned to the SABC Strategic Roadmap, the SABC has worked to drive alignment between the Divisional strategic and operational plans and the Turnaround Plan. As part of the strategic planning process for the development of this Corporate Plan, the orientation for the development of Divisional plans was therefore the SABC Turnaround Plan.

Budgets for the next three years were developed taking into account the Corporation's financial position in terms of revenue generation prospects, possible cost optimisation measures, and plans to achieve the objectives of the Turnaround Plan.



Part B

Delivery on Strategy





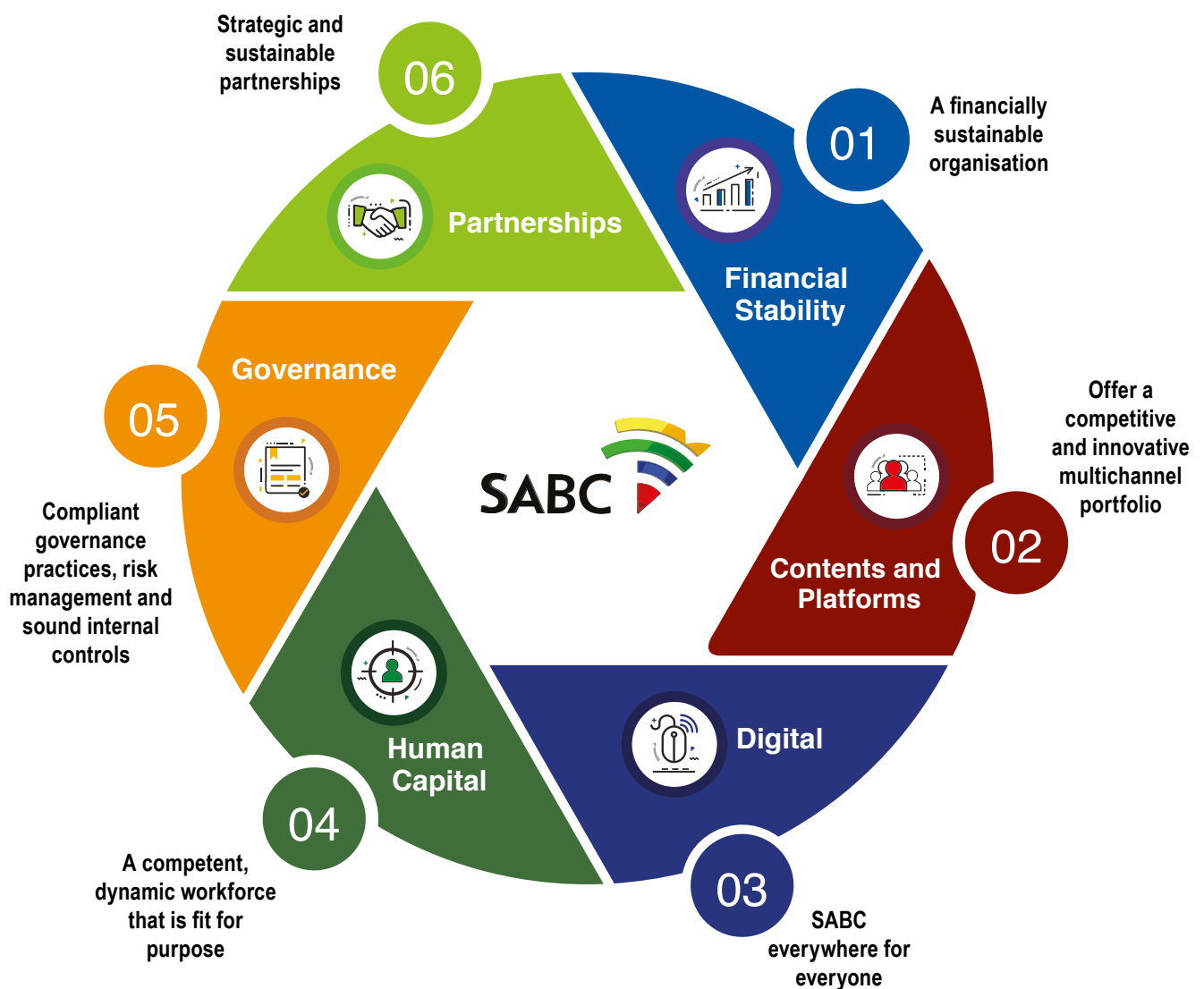
Strategy

FY2021/22 to 2023/24

The COVID-19 pandemic has had a devastating effect on global and national economic activity. For the SABC, the pandemic has served to make more urgent the implementation of the Turnaround Plan.

What must be done to turnaround the SABC has not changed on account of the pandemic. Rather, the urgency of the required change has been greatly enhanced.

The SABC's Turnaround Plan is detailed under the 6 pillars of the SABC's Strategic Roadmap:



Pillars and Goals

The strategies contained in this Corporate Plan are aimed at taking the SABC closer to the realisation of the turnaround as contained in the SABC Turnaround Plan, and envisioned in the SABC Strategic Roadmap.

While the COVID-19 pandemic has significantly adversely affected the pace and results of the efforts of the Corporation in implementing its Turnaround Plan, the commitment remains to endeavour to still implement all the Turnaround Plan key actions that the Corporation has control over within the initially intended 36-month period.

Below, the strategic pillars of the SABC, complete with the corresponding main thrusts of the Turnaround Plan, are outlined. Also included is an indication of those key actions that are complete or in place, and those for which implementation is still in progress (● indicates 'complete/in place' and ● indicates 'In progress')

Financial Sustainability

Goal 1: A Financially Sustainable Organisation



Increase commercial revenue;

Enhance television licence fee collection;

Control cash management;

Leverage asset portfolio; and

Pursue policy and regulatory changes to ensure SABC sustainability

Financial Sustainability – Turnaround Plan Implementation Progress	
Increase Commercial Revenue	●
Increase TV Licence Fee Collection	●
Leverage Asset Portfolio	●
Control Cash Management	●
Pursue Policy and Regulatory Changes	●

With solid commercial revenue generation strategies in place, the next year will focus on execution. The last fiscal saw encouraging results in terms of the efforts to improve the generation of commercial revenue.

Efforts will continue to leverage the SABC's asset portfolio through the disposal of non-core assets, all the while watching the markets in an effort to maximise potential return realisation.

With regard to TV licence collection, the focus will be on both operational enablement and on policy support.

Engagements with policymakers and regulators will continue in terms of expediting policy and regulatory reforms that will enable the SABC's financial sustainability.

Content and Platforms

Goal 2: A Competitive and Innovative Multi-channel Portfolio.



Know the audience

Obtain compelling content

Monetise local content

Content and Platforms – Turnaround Plan Implementation Progress	
Appoint Research Panel	●
Conduct Research to Inform Programming	●
Develop a 2-year rolling Content Investment Plan	●
Develop Flexible and PFMA-compliant Content Acquisition Processes.	●
Access Existing Incentives from Organs of State Targeting Film and Television Productions	●
Monetise Local Content	●

The primary strategic focus for the Corporation under this pillar will be on growing and securing audiences across all our platforms, and extracting more returns from our content investments through licensing and carriage deals. Particular focus will be placed on growing our digital presence.

Work will also continue to rebuild a solid SABC sport offering for the millions of sport fans across South Africa.

A number of the building blocks necessary for the realisation of the intended benefits from this pillar are in place. Accelerated implementation of these key actions will be the focus for the next fiscal.

The research panel will, commencing this fiscal, be utilised to inform programming and content across all our platforms.

Digital

Goal 3: Content Everywhere for Everyone



Broadcast and transmission initiatives;

Digital migration initiatives;

OTT and Multi-Channel Environment

Digital – Turnaround Plan Implementation Progress	
Conduct transmitter audit	●
Develop radio frequency network plan	●
Implement digitisation and digitalisation projects	●

The primary focus areas for the next fiscal, and the medium term, in terms of this pillar, are the reduction in transmission costs, the enabling of a strong digital presence for the SABC, and the implementation of technologies that will aid the revenue generation efforts of the Corporation. This will be achieved by way of a three-pronged approach that will simultaneously drive digitalisation, digitisation and digital transformation. A technologically-enabled SABC will be more agile and better able respond to audience and client needs.

Human Resources

Goal 4: A Competent, Dynamic Workforce that is Fit for Purpose



Providing leading edge guidance on organisational structuring imperatives;

Elevating Talent Management interventions to ensure leadership bench-strength;

Inculcating a culture of superior performance across all business divisions;

Embedding organisational values and related behaviours to elevate the culture to a level of acceptance and alignment by all employees;

Continuously engaging with all stakeholders to ensure unity of purpose.

Human Capital – Turnaround Plan Implementation Progress	
Develop Vision for Modern Digital, Multi-channel SABC, that is Financially Sustainable	●
Develop Operating Model and Organisational Structure	●
Conduct Skills Audit	●
Implement New Organisational Structures	●
Implement Target Operating Model	●

The SABC has, in its Strategic Roadmap, outlined a vision for a modern, digital, multi-channel public broadcaster that is able to consistently fulfil its mandate without needing financial support from the public purse. The realisation of this vision is predicated upon the full implementation of the SABC Turnaround Plan.

The approved target operating model and organisational structures will be implemented, in concert with an appropriate change management programme. This is a key deliverable of the Turnaround Plan. The completion of the remaining key actions, and the continued realisation of benefits from 'in place' key actions, requires an organisation organised and structured accordingly.

Governance

Goal 5: Compliant Governance Practices, Risk Management and Sound Internal Controls



Leadership stability

Business Continuity Management

Enterprise-wide Risk Management

Compliance Management

Internal Control Environment

Governance – Turnaround Plan Implementation Progress	
Fill Critical Vacant Positions	●
Separate Financial Reporting Model for PBS and PCS	●
Streamline Supply Chain Management Processes	●
Address Audit Findings	●
Ensure Ongoing Consequence Management	●

With a stable Board in place, and a Group Executive Committee nearly filled with permanent appointees, the SABC is well primed to successfully deliver on its envisioned turnaround. The remaining critical positions will be filled during the fiscal.

The separate financial reporting that is now firmly in place will continue to enable better decision-making at all levels of the Corporation.

The system established to monitor the resolution of external audit findings has proven to be effective. The challenges experienced with the extension of this system to the monitoring of resolution of internal audit findings will be addressed during the coming fiscal.

With most of the legacy consequence management matters dealt with, the focus will fall on ensuring consistent application of consequence management across the organisation. The draft Guidelines on Consequence Management relating to irregular, fruitless and wasteful expenditure will be finalised during the fiscal and should aid in the application of consistent treatment of related transgressions.

Work on reviewing policies will continue to receive focus in order to ensure that the Corporation is, at all times, governed by up-to-date policies that are relevant to the operations and aspirations of the SABC. In addition, internal controls will receive ongoing assessment in order to drive a balance between their effectiveness, and their ability to hinder business agility. The best internal controls are those that, while ensuring effective risk management, do not hinder business operations and agility.

The SABC will also work to review and improve its business continuity readiness. The experience of the pandemic has provided invaluable lessons that will inform future plans.

Partnerships

Goal 6: Strategic and Sustainable Partnerships



Partnerships – Turnaround Plan Implementation Progress	
Actively Pursue Private Sector Participation Initiatives	●

In this era of digital convergence, the sustained turnaround of the SABC requires that it actively seeks out strategic partnerships to generate additional revenue or share costs. Efforts will continue to build on the successes achieved during the last fiscal.

Given the cash challenges likely in the short to medium term, partnerships of various forms will also be necessary to aid the SABC's operations and realisation of mandate obligations.

FY2021/22 to FY2023/24

Predetermined Objectives and FY 2020/21 Quarterly Targets

Outcome	Output	Output Indicator	Annual Targets						
			Audited Actual Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
FINANCIAL SUSTAINABILITY									
GOAL: A Financially Sustainable Organisation									
To be a preferred service provider to our clients, and a preferred client to our service providers	Revenue and expenditure managed in accordance with the approved budget	Annual net (profit)/loss before interest and tax (R'000)	R757 147	R443 768	R534m	R1 023 232	R622 022	(R145 641)	(R340 298)
	Working capital management maximised in response to the operating environment response to the operating environment	Average creditors' days	205	143	51	123	159	117	60
		Average debtors' days	39	53	38	85	45	51	56
	Approved Procurement Plan implemented according to the Divisional Plans	Percentage of Annual Procurement Plan completed	New Indicator			60%	70%	80%	85%
CONTENT AND PLATFORMS									
GOAL: Offer a Competitive and Innovative Multichannel Portfolio									
To be a Preferred Broadcaster within Our Communities through the Provision of Compelling Informative, Educational and Entertaining Content	Shares of screen ratings on Free-To-Air television channels protected	Performance Period Share of Television Screen Ratings (%)	New Indicator			SABC1: 27% SABC2: 12% SABC3: 5%	SABC1: 27% SABC2: 12% SABC3: 5%	SABC1: 27% SABC2: 14% SABC3: 6%	SABC1: 27% SABC2: 14% SABC3: 6%
	ICASA television licence conditions met	Percentage of local content broadcast on PBS television channels during performance period	SABC1: 73% SABC2: 71%	SABC1: 77,7% SABC2: 87,8%	SABC1: 68% SABC2: 76%	SABC1: 65% SABC2: 65	SABC1: 65% SABC2: 65%	SABC1: 65% SABC2: 65%	SABC1: 65% SABC2: 65%
		Percentage of local content broadcast on PCS television channel during performance period	SABC3: 52%	SABC3:62,5%	SABC3: 52%	SABC3: 45%	SABC3: 45%	SABC3: 45%	SABC3: 45%
		Broadcast of content in languages other than English on PBS Channels	New Indicator				SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%
		Broadcast of content in languages other than English on PCS Channels	New Indicator				SABC3: 10%	SABC3: 10%	SABC3: 10%
	Opportunities provided to new production houses	Percentage of local programmes sourced from new production houses	New Indicator				20%	20%	20%
	Compelling television content delivered	Number of SABC TV programs in the terrestrial top 20.	New Indicator				15	15	15
		Percentage of new programs broadcast within the year.	New Indicator				20%	20%	20%
	Promote the celebration of national days on an intercultural basis, fully inclusive of all South Africans	Number of national days covered on television	New Indicator				7	7	7
	Share of diary quarter-hours listened on SABC Radio stations protected	Share of diary quarter-hours listened (%)	New Indicator		PBS:65.3% PCS: 7%	PBS: 66% PCS: 7%	PBS: 67% PCS: 8%	PBS: 68% PCS: 9%	PBS: 69% PCS: 10%

Outcome	Output	Output Indicator	Annual Targets						
			Audited Actual Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24

CONTENT AND PLATFORMS

GOAL: Offer a Competitive and Innovative Multichannel Portfolio

To be a Preferred Broadcaster within Our Communities through the Provision of Compelling Informative, Educational and Entertaining Content	ICASA licence conditions met	Percentage of local music broadcast on PBS radio stations during performance period	N/A	75%	73%	70%	70%	70%	70%
		Percentage of local music broadcast on PCS radio stations and Lotus FM during performance period	N/A	39%	38%	35%	35%	35%	35%
		Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified genre quotas	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations
	Promote the celebration of national days on an intercultural basis, fully inclusive of all South Africans	Number of national days covered on Radio.	New Indicator				7	7	7
	Compelling sports content delivered	Number of live sports events broadcast on SABC terrestrial TV channels	New Indicator				250	175	100
		Number of live sports events broadcast on SABC terrestrial Radio stations	New Indicator				300	500	750
		Number of sports events broadcast on OTT Digital Platforms (Wireless and Mobile)	New Indicator				210	275	400
		Percentage of sports events broadcast in marginalised languages	New Indicator				25%	50%	90%
		Number of new sports rights acquired.	New Indicator				3	5	6
	Public news service mandate fulfilled	Number of dedicated African language news channels introduced on Digital platforms.	New Indicator				2	3	3
		Percentage of Marginalised languages with dedicated news channels on the digital platforms	New Indicator				45%	73%	100%
Number of annual news calendar events broadcast on free to air channels.		New Indicator				16	15	15	

DIGITAL

GOAL: SABC Everywhere for Everyone

To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content that is accessible on all platforms	DIGITALISATION: Digital workflows and infrastructure for SABC content implemented	Operational SABC Enterprise Digital Library	New Indicator	Business Requirements Specification document completed	Contracting completed with appointed service provider/s	Project complete	Maintenance and Support
		Number of additional sites with functional new Radio payout systems installations	New Indicator	8	6	Maintenance and Support	
		Digitise Scheduling and Advertising Processes	New Indicator	Business Case Approved	Service Provider appointed for the replacement of the Scheduling and Advertising Management System	Project Implementation	Project complete
		Capex projects implemented for TV News	New Indicator	Business Cases Approved Tenders Advertised Evaluation of Tender for News Branding and Graphic Playout System	Operational News Production System Operational Newsroom Computer System Operational News Branding and Graphic Playout System	Maintenance and Support	



Outcome	Output	Output Indicator	Annual Targets			Annual Targets			
			Audited Actual Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
DIGITAL									
GOAL: SABC Everywhere for Everyone									
To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content that is accessible on all platforms	DIGITISATION: Conversion/transition from analogue to digital	Number of hours of TV content digitised	New Indicator			Business Requirements Specification document completed	500hrs	70,000hrs	70,000hrs
		Percentage of analogue TV transmitters switched-off (in collaboration with SENTECH)	New Indicator	1 Analogue Transmitter Switched-Off (Senekal)	1%	100%	N/A	N/A	
		Digitisation of Radio facilities and infrastructure	New Indicator			• Completion of D3 and D1 Drama Studio upgrade in Auckland Park • Appointment of suppliers for KZN, Bloem, PE, North West, A1 (JHB) studio projects	• 7 Studio upgrade and infrastructure projects • 3 Radio Equipment and Facilities Projects	Continuation of 4 Radio Facilities and Infrastructure projects	Completion of 2 Radio Facilities and Infrastructure projects
		Operational Unified Collaboration and Video Conferencing system	New Indicator			Business Requirements Specification document completed.	Contracting Completed with appointed service provider/s	Project complete	Maintenance and Support
	DIGITAL TRANSFORMATION • Emerging Technologies • OTT Platforms • New Business Models	SABC Radio and TV stations websites and Apps development project milestones completed	New Indicator			Business Case Approved	Contract/s signed with Service Provider/s	Redevelopment of 23 websites and Apps completed	Maintenance and Support
		Operational SABC OTT Digital Platform – SABC++	New Indicator			Partner with Telkom - TelkomOne Partner with Vodacom	Website and App Streaming Pilot and Launch of Radio Web and App EcoSystem Launch SABC OTT Platform – SABC++	Maintenance and Support	Maintenance and Support
HUMAN RESOURCES									
GOAL: A Competent, Dynamic Workforce that is Fit for Purpose									
To be a preferred employer with employees who are our brand ambassadors	Performance management implemented	Percentage of employees with signed, reviewed and evaluated performance contracts	New Indicator		68%	100%	95%	95%	95%
	Workplace Skills Plan implemented	Percentage of Workplace Skills Plan implemented	1,3%	46%	10%	80%	75%	75%	75%
	Talent Management Implementation	Percentage of Organisational Talent bench strength reviewed and initiatives approved	New Indicator			100%	100%	100%	100%

Outcome	Output	Output Indicator	Annual Targets						
			Audited Actual Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
GOVERNANCE									
GOAL: Compliant governance practices, risk management and sound internal controls									
To be a preferred broadcaster within our communities while adhering to the prevailing policies, legislative and regulatory framework	Internal control environment strengthened	Percentage of previous financial years' Auditor-General findings resolved	49%	81%	61%	90%	90%	90%	90%
		Percentage of policies reviewed that are current in terms of the 2-year review cycle	New Indicator			50%	65%	75%	85%
	Turnaround Plan implemented	Percentage of key actions 'completed/in place'	New Indicator			54%	90%	100%	
PARTNERSHIPS									
GOAL: Strategic and Sustainable Partnerships									
To be the preferred brands for our audiences	SABC content distribution partnerships established	Number of television content generation partnership agreement/MOUs signed	New Indicator			5	7	11	14
	SABC content distribution partnerships established	Number of content distribution partnership agreements/MOUs signed	New Indicator			3	4	5	5
	SABC strategic relationship building projects implemented	Number of strategic relationship-building projects completed	New Indicator			4	4	5	7



Broadcasting behind the scenes.

Pre-Determined Objectives

Quarterly Targets

Outcome	Output	Output Indicator	Targets				
			Annual Targets 2021/22	Q1	Q2	Q3	Q4
FINANCIAL SUSTAINABILITY							
GOAL: A Financially Sustainable Organisation							
To be a preferred service provider to our clients, and a preferred client to service providers	Revenue and expenditure managed in accordance with the approved budget	Annual net (profit)/ loss before interest and tax (R'000)	R622 022	199 103	252 586	87 798	82 535
	Working capital management maximised in response to the operating environment	Average debtors' days	45	45	45	45	45
		Average creditors' days	159	80	130	120	159
	Approved Procurement Plan implemented according to the Divisional Plans	Percentage of Annual Procurement Plan completed	70%	15%	35%	55%	70%
CONTENT AND PLATFORMS							
GOAL: Offer a Competitive and Innovative Multichannel Portfolio							
To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content	Shares of screen ratings on Free-To-Air television channels protected	Performance Period Share of Television Screen Ratings (%)	SABC1: 27% SABC2: 12% SABC3: 5%	SABC1: 25% SABC2: 10% SABC3: 5%	SABC1: 25% SABC2: 10% SABC3: 5%	SABC1: 26% SABC2: 11% SABC3: 6%	SABC1: 27% SABC2: 12% SABC3: 6%
	Share of diary quarter-hours listened on SABC Radio stations protected	Share of diary quarter-hours listened (%)	PBS: 66% PCS: 7%	PBS: 65.7% PCS: 6.9%	PBS: 65.7% PCS: 6.9%	PBS: 66% PCS: 7%	PBS: 66% PCS: 7%
	ICASA licence conditions met	Percentage of local content broadcast on PBS television channels during performance period	SABC1: 65% SABC2: 65%	SABC 1: 65% SABC 2: 65%	SABC 1: 65% SABC 2: 65%	SABC1: 65% SABC2: 65%	SABC1: 65% SABC2: 65%
		Percentage of local content broadcast on PCS television channels during performance period	SABC3: 45%	SABC3: 45%	SABC3: 45%	SABC3: 45%	SABC3: 45%
		Broadcast of content in languages other than English on PBS Channels	SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%	SABC1: 75% SABC2: 75%
		Broadcast of content in languages other than English on PCS Channels	SABC 10%	SABC 10%	SABC 10%	SABC 10%	SABC 10%
	Opportunities provided to new production houses	Percentage of local programmes sourced from new production houses	20% 15	20% 15	20% 15	20% 15	20% 15
	Compelling television Content delivered	Number of SABC TV programs in the terrestrial top 20 Percentage of new programs broadcast within the year	20% 20%	20% 20%	20% 20%	20% 20%	20% 20%
	Promote the celebration of national days on an intercultural basis, fully inclusive of all South Africans	Number of national days covered on television	7	3	2	1	1
	Share of diary quarter-hours listened on SABC Radio stations Protected	Share of diary quarter-hours listened (%)	PBS: 67% PCS: 8%	PBS: 67% PCS: 8%	PBS: 67% PCS: 8%	PBS: 67% PCS: 8%	PBS: 67% PCS: 8%
	ICASA licence conditions met	Percentage of local music broadcast on PBS radio stations during performance period	70%	70%	70%	70%	70%
		Percentage of local music broadcast on PCS radio stations and Lotus FM during performance period	35%	35%	35%	35%	35%
		Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified genre quotas	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations
		Promote the celebration of national days on an intercultural basis, fully inclusive of all South Africans	Number of national days covered on radio	7	3	2	1

Outcome	Output	Output Indicator	Targets				
			Annual Targets	Q1	Q2	Q3	Q4
			2021/22				
CONTENT AND PLATFORMS							
GOAL: Offer a Competitive and Innovative Multichannel Portfolio							
To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content	Compelling sports content delivered	Number of live sports events broadcast on SABC terrestrial TV channels	250	50	100	50	50
		Number of live sports events broadcast on SABC terrestrial Radio channels	300	70	90	70	70
		Number of sports events broadcast on OTT digital platforms (Wireless and Mobile)	210	45	75	45	45
		Percentage of sports events broadcast in marginalized languages.	25%	10%	15%	20%	25%
		Number of new sports rights acquired.	3	2	-	1	-
	Public news service mandate fulfilled	Number of dedicated African language news channels introduced on Digital platforms.	2		Siswati		Sindebele
		Percentage of Marginalised languages with dedicated news channels on the digital platforms	45%		36%		45%
		Number of annual news calendar events broadcast on free to air channels.	16	2	3 + Elections	4	6
DIGITAL							
GOAL: SABC Everywhere for Everyone							
To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content that is accessible on all platforms	DIGITALISATION: Digital workflows and infrastructure for SABC content implemented	Operational SABC Enterprise Digital Library	Contracting Completed with appointed service provider/s	Completion of user requirement	Bid Specification and start of SCM process	SCM Contracting	Start of workflow implementation and Review with service provider
		Number of additional sites with functional new Radio playout systems installations	6	Completion of Durban, Polokwane and Bloemfontein site	Completion of Nelspruit site	Completion of Mafikeng and Port Elizabeth	Dalet data migration and clean-up
		Digitise Scheduling and Advertising Processes	Service Provider appointed for the Replacement of the Scheduling and Advertising Management System	Business Requirements Specification document completed.	SCM Process Advertise Tender	SCM Process Evaluation. Business Evaluation Committee completed.	SCM Process Approval and Contract Initiation
		Capex Projects implemented for TV News	Operational News Production System	To have completed the Evaluations and Appointed the successful bidder/s Placement of the Orders (SCM)	Shipment of Systems infrastructure delivery. Preparation of installation sites	Installations and setup of the Systems Training	Training and Commission

Outcome	Output	Output Indicator	Targets				
			Annual Targets	Q1	Q2	Q3	Q4
			2021/22				
DIGITAL							
GOAL: SABC Everywhere for Everyone							
To be a preferred broadcaster within our communities through the provision of compelling informative, educational and entertaining content that is accessible on all platforms	DIGITALISATION: Digital workflows and infrastructure for SABC content implemented	Capex Projects implemented for TV News	Operational Newsroom Computer System	To have completed the Evaluations and Appointed the successful bidder/s. Placement of the Orders (SCM).	Shipment of Systems infrastructure delivery. Preparation of installation sites.	Installations and setup of the Systems Training	Training and Commission
			Operational News Branding and Graphic Playout System	To have completed the Evaluations and Appointed the successful bidder/s. Placement of the Orders (SCM).	Shipment of Systems infrastructure delivery. Preparation of installation sites.	Installations and setup of the Systems Training	Training and Commission
	DIGITISATION: Conversion/transition from analogue to digital'	Number of hours of TV content digitised	500hrs	RFQ, Tender and Evaluations. Appointment/ Contracting of successful bidder. Placement or Order	Shipment of Systems infrastructure delivery. Preparation of installation sites	Installations and setup. Operationalize the project	500hrs of content digitised
		Percentage of analogue TV transmitters switched-off (in collaboration with SENTECH)	100%	15%	45%	60%	100%
		Digitisation of Critical TV Facilities (4 Capex Projects)	Business Cases Approval, RFQ Tender, Evaluations, Installations, Commission.	Approval of BC, Resolution of EXCO. Business Requirements Specification document completed.	Shipment of Systems infrastructure delivery. Preparation of installation sites NEWS ENG KITS Delivery. Training & Operationalize	Installations and setup. Training and Commissioning	Operationalize the projects
		Digitisation of Radio Facilities and Infrastructure	• 7 Studio upgrade and infrastructure projects 3 Radio Equipment and Facilities Projects	• Finalizing the appointment of suppliers Completion of the projects	• Contracting and commencement phase • Project Hand Over	•Project implementation phase around 10% •N/A	• Project implementation phase should be above 50% • N/A
		Operational Unified Collaboration and Video Conferencing system	Contracting Completed with appointed service provider/s	Business Case Approvals Completed.	SCM Process initiation. Business Requirements Specification document completed.	SCM Process Evaluation. Business Evaluation Committee completed.	• SCM Process Approval. • Approval and Contract Initiation.

Outcome	Output	Output Indicator	Targets				
			Annual Targets	Q1	Q2	Q3	Q4
			2021/22				
DIGITAL							
GOAL: SABC Everywhere for Everyone							
communities through the provision of compelling informative, educational and entertaining content that is accessible on all platforms	DIGITAL TRANSFORMATION <ul style="list-style-type: none">Emerging TechnologiesOTT PlatformsNew Business Models	SABC Radio & TV Stations websites and Apps development project milestones completed	Contract/s signed with Service Provider/s	SCM Bid Specification Beginning of RFP	Bid Evaluation and Contracting	Roll out of first Apps and Websites (Radio)	Continuation of Roll out to rest of eco-system
		Operational SABC OTT Digital Platform – SABC++	Website and App Streaming Pilot and Launch of Radio Web and App EcoSystem Launch SABC OTT Platform - SABC++	BSC and RFP process Approved Business Case SCM Bid Specification RFP and BEC	BEC and Contracting of Supplier Monitoring and further development Go Live	Roll out of Radio App and Web Ecosystem Monitoring and further development	Roll out of Radio App and Web Ecosystem Monitoring and further development
HUMAN RESOURCES							
GOAL: A competent, dynamic workforce that is fit for purpose							
To be a preferred service provider to our clients, and a preferred client to our service providers	Performance Management system implemented	Percentage of employees with signed, reviewed and evaluated performance contracts	95%	95%	95%	95%	95%
	Workplace Skills Plan implemented	Percentage of Workplace Skills Plan implemented	75%	25%	45%	65%	75%
	Talent Management Implementation	Percentage of Organisational Talent bench strength reviewed and initiatives approved	100%	0%	25%	75%	100%
GOVERNANCE							
GOAL: Compliant governance practices, risk management and sound internal controls							
To be a preferred broadcaster within our communities while adhering to the prevailing policies, legislative and regulatory framework	Internal control environment strengthened	Percentage of previous financial years' Auditor-General findings resolved	90%	30%	50%	70%	90%
		Percentage of policies reviewed that are current in terms of the 2-year review cycle	65%	50%	55%	60%	65%
	Turnaround Plan implemented	Percentage of key actions 'completed/in place'.	90%	60%	70%	80%	90%
PARTNERSHIPS							
GOAL: Strategic and sustainable partnerships							
To be the preferred brands for our audiences	Television content generation partnerships established	Number of television content generation partnership agreements/MOUs signed	7	0	2	3	2
	Television content distribution partnerships established	Number of content distribution partnership agreements/MOUs signed	4	0	0	1	3
	SABC strategic Relationship building projects implemented	Number of strategic relationship-building projects completed	4	1	1	1	1

Part C

Budget



Budget

FY2020/21 to 2022/23

Objective

The objective of financial planning and budgeting is to develop detailed plans to achieve the aims and objectives of the organisation, considering the environment in which it operates, as well as the organisational resources.

Effective financial planning and budgeting allows the SABC to:

- Focus on financial health and sustainability of the business;
- Make sound financial decisions;
- Create an environment that encourages compliance to internal controls and legislation;
- Drive key strategies and priorities for the next three years;
- Keep track of revenue, expenditure, cash flow, capital and investment requirements, as well as making accurate financial forecasts;
- Improve working capital management by ensuring that there are enough cash reserves to meet current financial obligations as they fall due,
- Assess, monitor, and prioritise liabilities,
- Focus on profitable opportunities, and
- Enable regular reassessment of SABC business practices.

Legislative Requirements

Section 52(a) of the Public Finance Management Act (PFMA) requires the accounting authority for a public entity listed in Schedule 2 to annually submit a projection of revenue, expenditure and borrowings for that financial year in the prescribed format to the Minister of Communication as well as National Treasury at least one month before the start of the financial year.

Paragraph 29.1.1 of the Treasury Regulations issued in terms of the PFMA requires that the corporate plan must include –

- a) strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder's compact;
- b) strategic and business initiatives as embodied in business function strategies;
- c) key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives;
- d) a risk management plan;
- e) a fraud prevention plan;
- f) a materiality/ significant framework, referred to in Treasury Regulation 28.3.1; and
- g) a financial plan addressing –
 - (i) projections of revenue, expenditure and borrowings;
 - (ii) asset and liability management;
 - (iii) cash flow projections;
 - (iv) capital expenditure programmes;
 - (v) dividend policies.

Executive Summary

- The budgeting process over the MTEF period aligns to the targeted completion of the SABC Turnaround Plan key action implementation. This allows management to make conclusions on the forecast's successes and achievements of the Turnaround Plan over the MTEF period. Importantly, this budget also highlights areas of the business where continued attention is required.
- Total revenues are expected to grow by 28%, 17% and 13% respectively for each of the years FY2022, FY2023 and FY2024. This growth is driven by advertising revenue. Management expects the advertising revenue growth trend noticed in the third and fourth quarter of FY2021 to continue, given that radio is expected to exceed FY2020 actuals and revised targets.
- TV licences will average R1.2bn over the MTEF period with R1.12bn budgeted for the FY2022. This is a budgeted growth rate of 29% in FY2022 and growth of 8% in the following year.
- Permanent employee costs are expected to decline by R317m to R2.06bn in FY2022. Employee costs are expected to account for 28% of total costs over the MTEF period instead of the forecast 40% in FY2021 or the 38% attained in FY2020. No budgeted salary increases over the MTEF period, except for expected medical aid contribution increases.
- Signal & distribution costs only budgeted to decrease by an average 4% annually. This is expected to achieve an annual fee reduction of only R80m by FY2024.
- Broadcast costs increase significantly by 50% in FY2022 to R508m due to increased royalties from budgeted revenue growth, R24m is budgeted for audience research and R35m for TV project services. There is a 60% growth in FY2024 in Broadcasts costs due to a R300m budget for content development and research for TV platforms. This is to help support and cement the improved content offerings as part of the TV turnaround programme.
- There has been a significant increase in marketing costs by 548% or R152m to support revitalisation and relaunching of both TV and Radio platforms. This should also support the growth in TV licence fee collection. Marketing costs average 5% of advertising revenue over the MTEF compared to the 1% incurred over the past three years.
- The SABC is budgeted to make a loss of R603m in FY2022 with forecast breakeven in FY2023 where operating results have been budgeted at a profit of R150m.

The SABC will settle the finance lease for motor vehicles during the MTEF period. The recapitalisation received was meant to finance the short term capex plan of the SABC in the immediate 12 months only. Though there is not currently major external financing that will be secured over the MTEF period, discussions in this regard have started with financial institutions.

The following pending transactions are at an advance stage, with board approval having been obtained. The asset disposals will assist with liquidity support. The disposal of the Sanlam shares is likely to be in the first quarter of FY2022 and the timing of the disposal of residential buildings is less certain. The anticipated transactions are: –

- Disposal of residential properties and farm
- Disposal of Sanlam shares



The SABC headoffice in Auckland Park.

Budget Assumptions

The hybrid (zero-based and incremental) budget methodology has been adopted in preparation of the 2020/21 financial year budget.

Indicators	Reference	Budget FY 2021/22	FY2022/23	Estimates FY2023/24
Commercial revenue				
Advertising revenue	SABC Guidance	21%	8%	16%
Programme Rights Exploitation		406%	69%	6%
Internet / Digital		30.2%	8.9%	11.3%
TV Licence	Historical trend	30%	1%	1%
Other revenue streams (CPIX)	NT Budget Review	5.4%	5.4%	4.4%
Employee cost				
Permanent employees (SC: 125 and below)	NT COE Guidelines	0%	0%	0%
Permanent employees (Management)		0%	0%	0%
Independent Contractors – Cost reduction		-10%	-5%	-5%
Content Investment (as a % of revenue)	SABC Guidance	25-30%	25-30%	25-30%
Signal distribution costs reduction		-7%	-7%	-5%
Other expenditure (CPIX)	NT Budget Review	5.4%	5.4%	4.4%

Budget Risks

- Revenue growth expected higher than the average growth rates achieved for the past five years, there is a risk the desired levels may not be achieved despite management's best efforts.
- The country is facing the second wave of COVID-19 with a likely third wave on the horizon. This poses additional instability and unpredictability in the SABC's operations.
- Turnaround on SABC3, Lotus FM, SAfm and Radio 2000 is still to be resolved and finalised.
- SENTECH negotiations are ongoing and potential cost reductions have not been factored into this budget.
- Limited growth and success in the digital advertising space.
- Constrained commercial viability for Sports on alternative distribution platforms (DTT channel & OTT streaming channel).

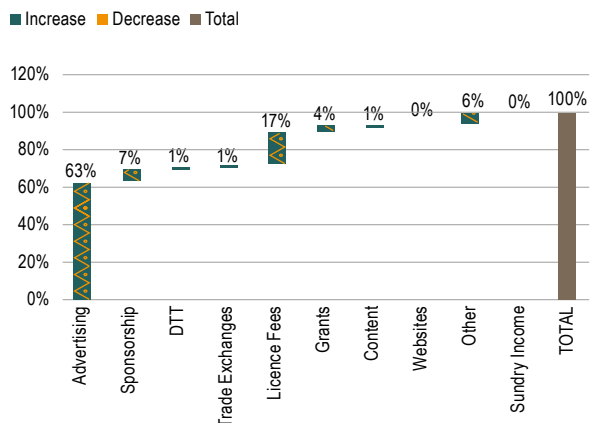
Income Statement

Financial Statement Item (R'000)

	Budget 2022	Budget 2023	Plan 2024
Advertising Revenue	(4 005 221)	(4 794 081)	(5 569 640)
Sponsorship Revenue	(442 082)	(467 790)	(491 114)
Over the Top Revenue	(50 000)	(150 000)	(200 000)
Trade Exchanges	(69 875)	(70 798)	(72 336)
Licence Fees	(1 118 318)	(1 207 783)	(1 268 172)
Government Grants	(233 661)	(250 026)	(273 671)
Revenue: Content and Commercial Exploitation	(64 297)	(68 554)	(72 458)
Revenue Websites	(15 168)	(16 503)	(18 335)
Other Revenue	(379 993)	(451 203)	(459 573)
Revenue	(6 378 616)	(7 476 736)	(8 425 299)
Other Income	(26 021)	(11 610)	(12 147)
Revenue and Other Income	(6 404 636)	(7 488 346)	(8 437 446)
Amortisation of Programme, Film and Sports Rights - Acquired	463 249	636 724	706 365
Amortisation of Programme, Film and Sports Rights, Originated	1 253 335	1 375 195	1 472 570
Amort. and Imp. Prog, Film and Sports Rights	1 716 584	2 011 919	2 178 935
Amortisation of Computer Software	10 957	10 599	11 148
Impairment of Computer Software	-	-	587
Impairment/(Reversal)Trade and Other Receivables	111 923	120 869	126 912
Broadcast Costs	507 418	549 557	880 994
Signal Distribution Costs	700 031	654 235	623 081
Linking Costs	52 968	65 059	66 247
Signal Distribution and Linking Costs	752 999	719 294	689 328
Permanent Employees	2 058 918	2 055 902	2 069 294
Non-Permanent Employees	453 482	444 911	455 722
Employee Compensation and Benefit Expenses	2 512 400	2 500 814	2 525 016
Depreciation Property, Plant and Equipment	152 262	170 096	206 889
Depreciation Right of Use Asset	9 029	3 688	1 586
Depreciation and Impairment	161 290	173 785	208 515
Marketing	180 548	185 027	298 156
Direct Licence Collection Costs	115 926	116 947	106 440
Consulting Fees - Auditors	27 958	29 467	31 059
Consulting Fees - Managerial	18 328	20 632	21 629
Consulting Fees - Project	28 877	-	-
Consulting Fees - Technical	40 714	47 239	49 637
Professional and Consulting Fees	115 877	97 338	102 324
(Gains) / Losses Clearing	-	-	-
Other Expenses - Operational	680 131	699 654	787 370
Impairment / (Reversal) Consumables	9	9	9
Other Expenses - Operational	680 140	699 663	787 379
Other Expenses - Personnel Cost	71 888	74 482	78 639
Other Expenses - Administrative	88 709	82 412	102 777
Expenses	7 026 658	7 342 706	8 097 148
Operating (Profit)/Loss Before Interest & Tax	622 022	(145 641)	(340 298)
Financial Income	(20 014)	(6 015)	(9 016)
Financial Expense	1 311	1 366	1 431
Net Financing (Income)/Loss	(18 703)	(4 649)	(7 585)
Income Tax Expense	-	-	-
SABC Financial Statement Version	603 319	(150 290)	(347 882)

Revenue

GRAPH: Revenue Composition



Even though advertising revenue is budgeted to grow, its proportion as a share of total revenue has declined from 67% in prior year to 63% in the budget period. Sponsorship revenue as a percentage of total revenue grows from 5% to 7%. The rest of the revenue streams remain relatively constant except for the introduction of the OTT deals. To achieve the budgeted advertising and sponsorship revenue growth, management will execute the following initiatives: -

- Improving on the trade exchange transactions
- Defend Classic revenue through proactive deals
- Strive to win back 25% of lapsed business by targeting competition deals
- Gain 10% more in New Business through increased value proposition
- Maximize sell-out rates - target of 75%
- Partner to grow OTT including Audio on Demand
- Expedite OTT implementation and SABC and 3rd Party OTT exploitation, digitisation in all areas of business and DTH alternatives.

The reintroduction of Debt Collection Agencies is expected to drive a 29% growth in TV licence fees. These initiatives would be supported by a strong marketing budget and increased content spend to grow audiences. The OTT deals though exciting are still at the infancy stage in a market that has not matured. Momentum is expected to pick up once the new deals demonstrate their value to the market.

The SABC depends mainly on commercial revenue to finance its operations. However, there is huge legislative pressure to fund News and Sports (specifically those of national interest) which are not profitable. This creates significant pressure on the SABC's cash flows in the long run.

Below is the approved government grant allocation for the FY2022 period. The total funding for the MTEF period budgeted is R645m, however this is subject to possible revision by the DCDT.

	Budget 2020/22
Channel Africa	55 130
Public Broadcaster	134 824
Programme Productions	15 761
Total grant allocation	205 715

Given the optimised operations under Channel Africa, the grant allocation for the radio platform is now sufficient to cover operating costs and provide a contribution towards covering for administrative overheads such as the cost of audit.

Taxation

The SABC has an estimated R630m assessed loss that will be used in the future against taxable profits. For the MTEF period, the taxation expense has therefore not been budgeted for.

Long Term

Capex Plan

Long Term Capex Plan - FY21/22 to FY24/25	2021/22 R000'S	2022/23 R000'S	2023/24 R000'S	2024/25 R000'S	2021-2026 R000'S
Approved Projects In Progress					
TV Broadcast Resources - Outside Broadcast	16 422	132 526	-	-	148 948
TV Broadcast Resources - Henley	120 233	146 335	-	-	266 568
Radio Broadcast Resources	72 717	55 506	-	-	128 222
Information Technology	67 145	149 280	9 000	6 000	231 425
Logistical Services	90 450	167 960	53 086	-	311 495
Corporate Affairs	31 256	70 063	14 000	5 000	120 318
Engineering Services And Technology Management	35 023	80 689	40 000	-	155 712
Other Divisions	3 159	-	-	-	3 159
Minor Capital	20 000	30 000	30 000	30 000	110 000
Total	456 405	832 357	146 086	41 000	1 475 848

The Capex Plan is not fully funded, and the projects will be prioritised based on the available funding. Half (50%) of the proposed LTCP for the next financial year has funding and the remainder will only be executed once funding is available. The allocation of funding will be to priority projects that are strategically aligned to the Turnaround Plan and operationally critical.

Balance Sheet

Financial Statement Item (R'000)	Mar-2022	Mar-2023	Mar-2024
Property, Plant and Equipment	1 551 948	1 678 164	1 619 689
Intangible Assets	46 025	45 426	34 278
Investment Properties	4 930	4 930	4 930
Right of Use Asset	20 318	13 318	10 318
Non-Current Employee Benefits	775 103	775 103	775 103
Non-Current Prepayments	62 832	50 266	40 213
Total non-current assets	2 461 157	2 567 207	2 484 531
Programme, Film and Sport Rights	755 067	883 428	954 103
Inventories	4 595	4 870	5 163
Trade and Other Receivables	789 613	1 053 221	1 297 966
Held to Maturity Investments	1 031 607	231 607	-
Current Prepayments	34 223	34 127	22 652
Restricted Cash	34	34	34
Cash and Cash Equivalents	200 000	250 000	280 000
Current assets	2 815 138	2 457 288	2 559 917
Assets	5 276 295	5 024 495	5 044 448
Share Capital	(1)	(1)	(1)
Share Premium	(3 200 000)	(3 200 000)	(3 200 000)
Retained Earnings	1 660 339	1 510 050	1 162 167
Equity	(1 539 662)	(1 689 951)	(2 037 834)
Perpetual Debt Instrument	(14 913)	(14 913)	(14 913)
Interest Bearing Loans and Borrowings	(1)	(28 000)	(334 476)
Non-Current Deferred Government Grant	(124 202)	(120 496)	(122 841)
Deferred Tax	128 534	128 534	128 534
Non-Current Employee Benefits	(1 220 021)	(1 223 467)	(1 226 893)
Other Non-Current Liabilities	(27 807)	(27 807)	(24 841)
Non-Current Liabilities	(1 258 411)	(1 286 149)	(1 595 430)
Trade and Other Payables	(1 894 427)	(1 498 835)	(879 865)
Current Employee Benefits	(59 426)	(46 355)	(49 943)
Taxation Payable	(69 064)	(68 808)	(68 820)
Current Interest-Bearing Loans and Borrowings	(4 500)	(7 000)	(7 000)
Current Deferred Government Grant	(145 117)	(116 093)	(92 875)
Provisions	(305 689)	(311 302)	(312 680)
Current Liabilities	(2 478 223)	(2 048 394)	(1 411 183)
Liabilities	(3 736 633)	(3 334 543)	(3 006 614)
SABC Financial Statement Version	(5 276 295)	(5 024 495)	(5 044 448)
RATIOS			
Debtors Days	45	51	56
Creditors days	157	117	60

It should be noted though that the Creditor Days will be subject to change as the financial realities the Corporation is confronted with evolves in coming months. Debtors' days will grow as the Corporation phases out the early settlement discount awarded to clients in favour of a more efficient debtor financing facility.



Description	Budget FY 21/22	Budget FY 21/23	Estimate FY 22/23
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	6 411 233	7 224 738	8 192 700
Cash paid to suppliers and employees	(6 279 481)	(7 592 854)	(8 328 114)
Cash utilised by operations	131 752	(368 115)	(135 414)
Interest and dividends received	20 014	6 015	9 016
Interest paid	(1 311)	(1 366)	(1 431)
Taxation	-	-	-
Net cash inflows / (outflows) from operation activities	150 455	(363 467)	(127 829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of assets	83 000	-	-
Acquisition of property, plant and equipment	(157 000)	(250 000)	(125 000)
Acquisition of computer software	(10 000)	(15 000)	(25 000)
Net cash inflows / (outflows) from investing activities	(84 000)	(265 000)	(150 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from government grants	209 715	216 082	218 636
Net instalment sale and finance lease repayment	(4 500)	30 500	(7 000)
Net cash inflows / (outflows) from financing activities	205 215	246 582	211 636
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	403 422	(750 000)	(201 607)
Cash and cash equivalents at the beginning of the year	828 219	1 231 641	481 641
Cash and cash equivalents at the end of the year	1 231 641	481 641	280 034

Borrowing Plan

Introduction

During the second half of the 2019/20 financial year, the SABC received bailout funds to the value of R3.2bn. The funds were earmarked to be spent on content, capital expenditure and Trade and Other Payable. Out of the original allocations, Trade and Other Payables has a remaining balance of R630m. Of this, R400m has been earmarked to fund content acquisition, and the remaining R230m has been earmarked to fund capital expenditure. The final allocation will be subject to the planned acquisitions fulfilling the requirements of the Funding and Investment Committee (FIC) though. The funding allocation may be reviewed by the FIC after giving due consideration to the rate of consumption and demand.

Spend Forecast and Borrowing Options

Of the R3.2bn, R400m was earmarked for capital expenditure. Of that only R26m has been spent thus far. The low rate of expenditure is primarily due to internal capacity constraints, made worse by challenges presented by the COVID-19 pandemic. While the internal capacity constraints are receiving urgent management attention, the anticipated rate of expenditure over the next fiscal is not expected to result in a need for the SABC to borrow funds. However, as the internal capacity constraints are eliminated, and the rate of implementation, and thus expenditure, rises, the following mechanisms will be further explored for funding of future expenditure:

a. Asset based finance (ABF)

The conversations around asset-based financing have been explored in the past, albeit without success. The steady increase in the financial health of the organisation has opened doors for further engagements to take place. When the time comes for the SABC to take on this facility, the Corporation will endeavour to structure its debt over a medium to long term rather than short term in order to match it with the useful economic life of the underlying assets.

b. Development Finance Institutions (DFIs)

Development Finance Institutions such as the Industrial Development Corporation (IDC) and the Development

Bank of South Africa (DBSA) afford organisations like the SABC the opportunity to partner with non-traditional banks at advantageous terms and pricing levels. SABC has resuscitated the conversation with DBSA, and will continue these engagements in the 2021/22 financial year. Early indications point towards an interest in funding infrastructure and technology projects with a minimum value of R1bn.

b. The Industrial Development Corporation (IDC).

The IDC is a self-financing DFI. Within the IDC there is a Media and Motion Pictures Business Unit whose primary objective is to develop, grow and invest in the media sector of the economy, focusing on projects intended to enhance the motion picture value chain.

The IDC is of the view that the South African motion picture industry is anticipated to become self-sustainable under conditions where there is strong local consumption of locally produced South African stories. The Media Business Unit funds the production of local feature films, television shows and documentaries at the beginning of the value chain and develops broadcasters (both television and radio) and cinemas to enhance the local distribution and the consumption of local productions. The IDC has traditionally funded projects with big production budgets in order to achieve a favourable ROI through the distribution of the film. This has not always been successful and the IDC is now looking to invest in low budget films in order to share the risk and reap the revenue with partners in the industry. The IDC sees the SABC as a key partner in this strategy and as such partnership opportunities will be further explored in this current fiscal.

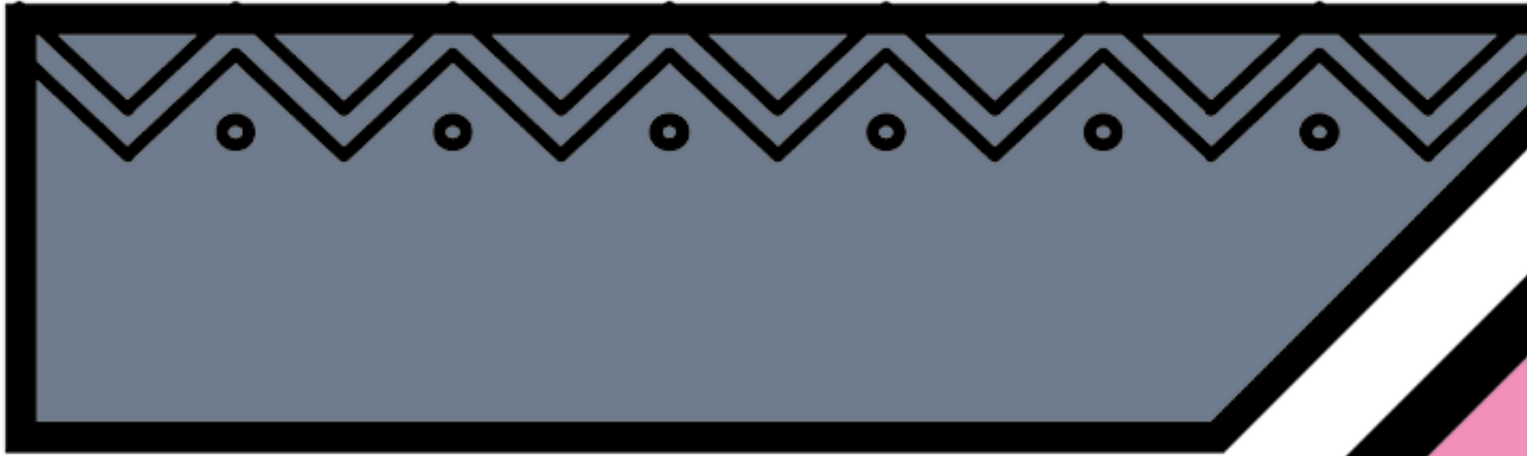
Conclusion

The SABC currently has over a R1bn that is still to be spent in the current and the next financial year. The high cost of funding in the current market necessitates that any borrowing must be sought when absolutely necessary and when spending of the borrowed funds is guaranteed. Going to the market in the next fiscal to borrow funds at high costs will therefore not be justifiable.

The Corporation will continue to engage with financial institutions and other funders in the market to ensure that when the need arises for borrowing, the relationships will have been established and maintained.



Capital Investment into our SABC News Studio's.





Annexure D

SABC Risk Management Framework, Policy and Strategy



SABC Risk Management Framework

Introduction

The South African Broadcasting Corporation (SABC) Limited (SABC) is committed to the optimal management of risk in order to achieve its vision, strategy and objectives and the protection of core values. The SABC Board is committed to ensuring that the Corporation's values are aligned to promote greater risk accountability and awareness by ensuring that risk is managed effectively through an on-going process of identifying, evaluating and treating. To assist with this requirement, the SABC Enterprise Risk Management Policy (ERMP), and Enterprise Risk Management Framework (ERMF) are aligned to the principles of the King IV Report on Corporate Governance for South Africa™ (King IV™), ISO31000 (2009), the Public Sector Risk Management Framework as published by National Treasury in 2010 including ISO 31 000 Risk Management Standards.

All Divisions, Provinces, Subsidiaries, processes and projects are subject to the requirements of the Risk Management Policy, Framework and Strategy. Effective implementation of risk management is imperative to SABC with reference to its risk profile. The realisation of the SABC strategy is dependent on the Corporation being able to take calculated risks in a manner that does not jeopardise the direct interests of stakeholders.

The sound management of risk enables the SABC to anticipate and respond to changes in its internal and external environment, as well as to make informed decisions under conditions of uncertainty.

An enterprise wide approach to risk management (ERM) is adopted by the SABC, which means that every strategic and operational risk across the Corporation as a whole is included in a structured and systematic process of risk management. Risk management is about structured and coordinated activities that direct and control the Corporation with regard to risks. All corporate strategic and operational risks are managed within a unitary framework that is aligned to SABC's corporate governance responsibilities.

The Ten (10) risk management principles as outlined in the ISO 31 000 Risk Management Standards must be embedded in the Corporation to ensure that the SABC's actions, responses and

approach to risk remain current and dynamic. To be effective, the Corporation should adhere to the following principles:

- Value creation and protection – risk management contributes to creating and protecting existing value for the Corporation towards the achievement of goals and objectives and improvement of business and people performance.
- Incorporate ERM as an integral part of all processes and systems – it is not a standalone activity but forms part of everyone's responsibility including strategic planning, business continuity, information technology, change management processes, etc.
- Part of decision-making and not as an afterthought – assist in making informed decisions and choices, prioritise actions and distinguish among alternative courses of action.
- Systematic, structured and timely – utilise a structured approach, which contributes to efficiency and reliable results.

- Explicit and address uncertainty – take account of uncertainty, the nature of uncertainty and how it can be addressed.
- Transparent and inclusive – Appropriate and cognisant of changing risk environment, ensuring it remains relevant and up to date.
- Interactive, dynamic and responsive to change – Continually identify and respond to change. Regular monitoring and review of risks where new and emerging risks are considered, while some change and others no longer exist due to a change in business strategy, goals and objectives.
- Reliable, accurate and correct information – risk management relies on the information provided and best available.
- Human and cultural factors – risk management takes into consideration human and cultural factors.
- Facilitate continual improvement in the Corporation – develop and implement framework and strategies to improve risk management maturity.

ERM is a set of components that provide the foundation and guidance that form the Risk Management design, implementation, monitoring, reviewing and process towards continually improving risk management throughout the Corporation. It speaks alongside business practices and system of internal control, which provides a sound basis for the management of all SABC risks at different levels and within different contexts. The application of Enterprisewide Risk Management across the Corporation should increase the probability of success, and respond adequately to negative uncertainties associated

Purpose

The Enterprise Risk Management Framework (ERMF) set the tone from the top and highlights that the management of risks is everyone's business and not limited in any respect. The framework provides a high-level structure of the SABC's risk management processes and procedures to assist in the implementing and embedding of risk management discipline in the Corporation.

The purpose of the ERMF is to describe the SABC's risk management philosophy, approach, monitoring, reporting and guide the implementation of the risk management principles in a uniform manner across the SABC. By doing this it will:

- Pave the way for undertaking an assessment of the risk management maturity that will contribute to the development of a "risk management implementation plan" that is based on the business strategy of the SABC, and will be a catalyst for implementing change management, growth and the way the Corporation will do business into the future.
- Provide ongoing guidance to advance the use of a more integrated, corporate and systematic approach to managing corporate wide risks.
- Contribute to building a risk-smart and/or risk intelligent workforce and environment that allows for innovation and responsible risk-taking while ensuring open and honest business precautions are taken to maintain shareholder trust, and attainment of business strategy and profits.

- Foster a business environment that matches a more creative and business-driven decision-making and business processes with solid risk management practices.
- Create an environment in which taking of risks and the consequences of doing so are handled within a mature framework of delegation, rewards and accountability.

Background

The SABC acknowledges the importance of embedding risk management and corporate governance principles within the Corporation and that risk is an intrinsic part of all activities undertaken by the SABC. The Corporation is exposed to a variety of risks that are unique and specific to the nature of the broadcasting business that may have a widespread impact on the Corporation as well as its stakeholders. As such, there needs to be a dynamic, structured and systematic approach to assist the Corporation in the management of these risks. Furthermore, the SABC has to comply with legislative mandates as stated below:

- Section 51(1)(a)(i) of the Public Finance Management Act No. 1 of 1999 (as amended by Act 29 of 1999), which prescribes that the Accounting Officer must ensure that the institution has, and maintains effective, efficient and transparent systems of financial and risk management.
- Treasury Regulation 27.2.1, which states that the Accounting Authority must ensure that a risk assessment is conducted regularly so as to identify emerging risks of the public entity. A risk management strategy, which must include a risk management plan, must be used to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks. The King IV Report on Corporate Governance for South Africa™ (King IV™), whilst not being legislation, nevertheless enjoys quasi-legal status and its recommendations have been accepted as best practice by the National Treasury thus the King IV™ Report recommendations dealing with Risk Management Reporting has been included in this Risk Management Framework.

The Concept of Risk and Enterprise Risk Management

The SABC definition for risk is “an uncertain future event that may threaten the achievement of the strategic and business objectives of the Corporation”.

Enterprise Risk Management is a continuous, proactive and systematic process effected by the SABC’s Accounting Authority (the Board), Accounting Officer (Group Chief Executive Officer), Management, and other personnel. It is designed to identify potential events that may either, positively or negatively affect the achievement of the SABC’s strategic and business objectives, to manage risks within the SABC’s risk tolerance levels, and to provide reasonable assurance regarding the achievement of objectives.

Risk Management shall be applied in all strategic and operational activities, during the planning, implementation and monitoring stages.

Common Risk Management Definitions

A common risk management language is vital to facilitate the building and standardisation of an effective SABC risk culture and the creation of risk awareness. SABC risk management definitions are included in Annexure A.

Risk Management Policy

See Risk Management Policy.

Enterprise Risk Management Framework (ERMF)

The ERMF (Figure 1) is driven by a risk management culture and awareness that needs to permeate throughout the SABC. The management of risks is the responsibility of the Board, management and staff through the usage of this framework in directing and/or guiding, managing, monitoring and reporting on risk management as a whole.

The ERMF highlights the core elements that are the foundation for effective implementation.

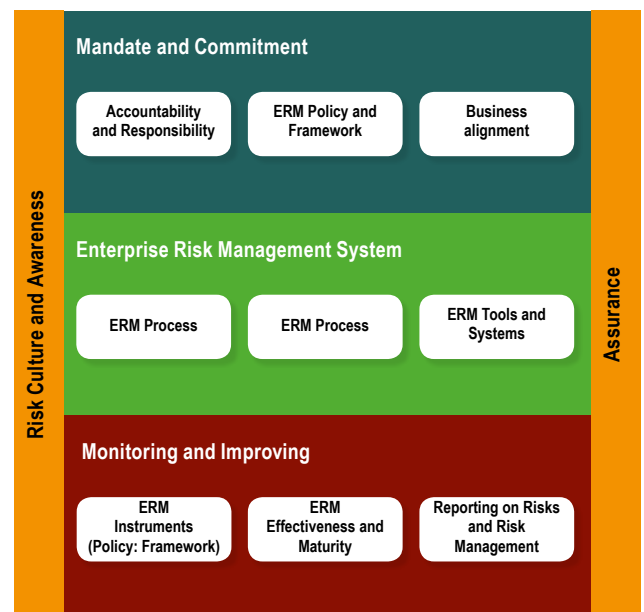


Figure 1: ERM Risk Management Framework

Application of the Risk Management Framework is designed to strengthen the achievement of the business strategy, management practices, decision-making, priority setting, and to respond better to the changing risk environment. Moreover, practicing integrated risk management is expected to support the desired cultural shift to a risk intelligent workforce and environment. More specifically, it is anticipated that implementation of the Framework will:

- Support the governance responsibilities by ensuring that significant risk areas associated with strategic, operational, financial knowledge and cyber risks are identified, assessed and appropriate treatments, and/or measures are in place to address unfavourable impacts and to benefit future opportunities.
- Improve results through more informed decision-making, by ensuring that values, competencies, tools and a supportive business environment form the foundation for innovation and responsible risk-taking, and by encouraging learning from experience while respecting governance controls.
- Integrate risk management into all decision-making processes, which will ensure that risk management is not practiced in isolation but ensuring that risk management is built into existing strategic management and operational processes, (this will ensure that risk management is an integral part of day-to-day activities).

The SABC ERMF is made up of the following core elements:

- Risk Culture and Awareness;
- Mandate and Commitment;
- Enterprise Risk Management Systems;
- Monitoring and Improving; and
- Assurance.

RISK CULTURE AND AWARENESS

As part of the internal environment, the Board together with management establishes a risk management culture and integrates ERM within related business initiatives. These initiatives include, but are not limited to applying risk management practices during planning and day-to-day decision-making; strategy setting and development; adoption of new business processes and systems; policy development; new projects; information technology, asset management, etc. Risk culture is the set of shared attitudes, values and principles that characterise risk practices in the day-to-day activities. The ultimate goal is to ensure that the Corporation's culture, governance principles, ERM Policy and ERM Strategy are aligned.

MANDATE AND COMMITMENT

For the SABC to ensure business sustainability and profitability the use of risk management is essential in all of its business areas and should be a business tool that must be utilised by everyone. Effective risk management in the Corporation requires strong and sustained leadership, guidance and to be embraced at board level, management buy-in and commitment as well as rigorous planning to achieve commitment at all levels across the Corporation. Management should set the tone for effective risk management and endorse the Risk Management Policy as a way of business within the SABC. The Board and Executive Management must ensure that appropriate resources are allocated to the management of risk.

ACCOUNTABILITY AND RESPONSIBILITY

- The SABC should ensure that there is accountability, authority and appropriate competence for managing risk, including implementing and maintaining the risk management processes. In addition, the adequacy, effectiveness and efficiency of systems of internal controls must be ensured.
- The SABC should ensure that there is accountability, authority and appropriate competence for managing risk, including implementing and maintaining the risk management processes. In addition, the adequacy, effectiveness and efficiency of systems of internal controls must be ensured.
- The Board is ultimately responsible for the governance and oversight of risk management activities in the Corporation.
- Management must ensure that the system of risk management is developed, implemented and maintained throughout the SABC, is cost effective and utilised as a day-to-day decision making tool. Enterprise Risk Management Policy and Framework
- The ERMP and ERMF have to be defined and endorsed by management.
- The ERMF affirms the Corporation's objectives for, and commitment to, risk management. The Policy document sets the tone for the management of risks and the necessity for a robust risk management system. It is a critical guidance document, which informs the ERMF.
- The ERMF provides the foundation and Corporation's design, implementation, monitoring, review and manner that drive the process for ongoing improvement of the risk management system.

Business alignment

- This component of the Framework requires the understanding of the Corporation and its environment as a forward thinking approach. It establishes a philosophy regarding risk and risk appetite and a framework to consider how risks interrelate, resulting in enhanced decision-making at all levels.
- Aligning ERM objectives with the objectives and strategies of the Corporation where risk appetite and tolerance levels have been established by the Board and Executive Management.

- Integrate ERM into all organisational processes, policies and procedures.
- Improved communication, which results in deeper, richer discussions about risk throughout the Corporation, thereby positioning the SABC to mitigate negative risks while at the same time taking advantage of opportunities.

Enterprise Risk Management Systems

- Risk management is not a new discipline within the SABC, the process of risk management has been established over a period of time and the risk management system has been developed, taking cognisance of where the Corporation has come from and where it is heading. The risk management system and programme began with a simple approach and focussed on identified risks. In order to continue to evolve, ERM is viewed as a long-term cultural change, guided by maturity assessments and approved strategies.

ERM Process

- The risk ownership level, comprising the SABC business units and supporting functions, is where most of the Corporation's actual best practice risk management and monitoring activities occur with the support of the Board and Executive Management. The risk management process is supported by the Group Executive: Governance and Assurance who provides the required ERM leading practice guidance and direction to the Board, risk tools and templates to executive and line management without taking ownership of the risks, which remains a direct line function responsibility.

Here, high maturity means that employees have well-defined responsibilities, appropriate to their role, for managing all types and categories of risk threats; that the Corporation has implemented policies to guide the way employees use and share information; and that employees receive role-appropriate training on how to comply with policies and execute their responsibilities. The Corporation actively promotes effective risk management among its employees through communication, performance reviews, and incentives that support desired behaviour.

Context

Risk management is a continuous process that supports the development and implementation of the SABC's strategy. It methodically identifies all the key risks associated with the SABC's activities taking cognisance of both the external and internal context and ensures that these risks are appropriately mitigated.

Risk Identifications

Risk identification is a deliberate and systematic effort to identify and document the Corporation's key strategic, operational, project, business continuity, and cyber risks. The objective of risk identification is to understand what is at risk within the context of the Corporation's objectives and to generate a comprehensive risk register based on the threats and events that might prevent, degrade, delay or enhance the achievement of the associated objectives. The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the Corporation. Risk identification should be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning, process and systems reviews. Project risks should be identified for all major projects, covering the whole lifecycle. For long-term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks.

Risk Analysis

Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that have been identified

and to estimate the level of risk. It is also used to study the consequences of risk that can materialise and to examine the controls that currently exist. Understanding the cause and effect of risks across different divisions of the SABC, and understanding the root causes for risks and those factors that will contribute to a risk occurring. The ERMF documents supports the use of a variety of cause and effect models to substantiate the causes and the types of effect it will have on the achievement of the business objectives. The maintaining of such cause and effect documentation is critical for establishing the context within which the risk takes place and assists in determining the cost of risk treatment versus the cost of risk exposure.

Risk categories

There are three types of categories or methods used to determine the risk level - "qualitative analysis, semi-quantitative analysis and quantitative analysis". Since some of the estimates made in risk analysis are imprecise, a sensitivity analysis must be carried out to test the effect of the uncertainty in assumptions and data. Sensitivity analysis is also a way of testing the appropriateness and effectiveness of potential controls and risk treatment options.

- **Qualitative Analysis** – Is any method of analysis, which uses description rather than numerical means to define a level of risk. Most public sector organisations use the qualitative analysis approach as the starting point to obtain a general indication of the level of risk and to identify and or reveal the major risk issues. The Trading Entity will use this approach where:
- Quantitative precision is not needed.
- To perform an initial screening of risks prior to further and or more detailed analysis.
- Where the level of risk does not justify the time and resources needed to do a numerical analysis.
- Numerical data are not available or inadequate for a more quantitative analysis. Even when qualitative analysis is used, best possible use must be made of available information, including quantitative.
- **Semi Qualitative/Quantitative Analysis** – Is a method of analysis, which uses a combination of qualitative and quantitative scales. The objective is to produce a more expanded ranking scale than is usually achieved in qualitative analysis. This approach does not attempt to use realistic mathematical value for risk such as would be attempted in quantitative analysis. Care must be taken when using this approach as the value allocated to each description may not bear an accurate relationship to the actual magnitude of impact or likelihood. This is especially evident when either likelihood and or impact are extreme.
- **Quantitative Analysis** – Is a method, which uses numerical values (rather than descriptive scales used in qualitative and semi-quantitative analysis). The quality of the analysis depends on the accuracy and completeness of the numerical values and the validity of the models used.

Consequences/impact may be determined by modelling the outcomes of an event or set of events, or by extrapolation from experimental studies, or past data. Consequences may be expressed in terms of monetary, technical, or any other criteria unique to the business. In some instances it will be required that more than one numerical value is used to specify consequences for different times, places, groups or situations.

The SABC will aim at making use of the semi qualitative/quantitative analysis approach as the risk management system matures, as well as to address the Business Continuity, Health, Safety and Environmental (SHERQ) risks and consequences, which is inherent to the SABC's business environment.

Risk Evaluation

Risk evaluation is a process that is used to compare risk analysis results with predetermined risk criteria in order to determine whether a specified level of risk is acceptable or tolerable. The identified risks are mapped using their respective ratings in terms of impact and likelihood expressed as a combination of these two components.

The objective of the analysis is to prioritise and rank in order of risk exposure and timely treatment. The table in Annexure B is the criteria used for assessing impact and likelihood of risks.

Risks are assessed at an inherent (before consideration of controls) and residual (after consideration of controls) level during the risk evaluation phase.

Risk Treatment and Controls

Risk treatment is a risk mitigation process. It involves selecting and implementing one or more action plans. Once an action plan has been implemented, it becomes a control or it modifies existing controls. Treatment strategies for all key risks need to be considered and a decision made whether to terminate, treat, transfer or tolerate the specific risk.

A control is any measure or action that modifies risk exposure. Controls include any policy, treatment, procedure, practice, process, technology, technique, method, or device that modifies or manages risk. Risk treatments become controls, or modify existing controls, once they have been implemented.

Once a treatment strategy has been determined, controls or mitigating actions need to be considered to manage risks to an acceptable residual level. The effect of the control on the risk will determine the residual risk. A cost benefit analysis of controls to be implemented needs to take place before implementation. Identification of risk owners, actions required and due dates to implement actions needs to be documented and the effectiveness of current controls needs to be assessed.

RISK MONITORING AND REVIEW

The monitoring of risk is a continuous process, which forms an integral part of the management of risks. In order to ensure an appropriate and timely response, the Corporation has implemented a technology solution called CURA, which have risk register and reporting mechanisms to allow the organisation to manage, control and monitor its risks.

The monitoring process aims to assist management in understanding: the risk profiles of the SABC; how changes or developments influence the profile, and what must be done in order to protect the Corporation against risk exposures. It is important that the critical risks be identified and managed in the most effective way and that the less critical risks are monitored so that they do not become critical.

Monitoring roles includes regular management and supervision activities that are undertaken by amongst others, the Risk Management Division, line management, as well as other actions that employees undertake during the performance of their daily duties. The monitoring of risk involves senior management and establishes a structured programme to do the following:

- Monitor the qualitative assessments and quantitative measurements of risk exposures;
- Assess the quality and appropriateness of mitigating actions, including the extent to which risks can be transferred;
- Ensure that adequate internal controls, processes and systems are in place to identify and address risks on a proactive basis;
- Ensure the optimum risk management process and ensure that the cost of risk does not exceed the risk reward;

- Ensure efficient reporting of risk management information;
- Ensure the efficiency of risk management systems; and
- Ensure the efficiency of the risk management strategy.

The continuous monitoring of risks is essential in order to ensure the quality of the Corporation's risk management process and that changing circumstances do not alter risk management priorities. However, few risks remain constant, which necessitates an on-going review of the exposures to ensure that management action plans remain relevant and are continuously monitored and updated accordingly.

The main objective of risk monitoring is the evaluation of the effectiveness of the risk management process. The aim is the provision, for management, of timely information on any shortcomings and deficiencies that could negatively influence the achievement of the business objectives so that these can be addressed. A shortcoming in the execution of the risk management process could have an adverse effect on the achievement of these objectives, and lead to unnecessary loss.

REPORTING

Reporting is an integral part of the monitoring process. The aim of reporting during a risk monitoring process is the communication of deficiencies or shortcomings of the risk management process to the various levels of management. The shortcomings may refer to a condition that warrants management intervention. Therefore, it may include a perceived, potential or real shortcoming, or even provide an opportunity to improve the current risk management processes. However, it is important, that these reports be carefully considered in order to generate timely corrective action that will enhance the effectiveness of the risk management process. Furthermore, it is imperative that these reports be made available to correct the level of management intervention to actively support and oversee the taking of immediate corrective action.

Ad-hoc reporting is required when high risks are identified during the course of day-to-day business activities due to the ever-changing business environment. This occurs between the standard reporting timelines and requires urgent escalation for immediate action.

A tiered structure of risk reporting has been implemented:

- The Audit and Risk Management Committee will submit a risk management report to the Board on a quarterly basis regarding SABC's strategic and operational risks and its management.
- On a quarterly basis, the Group EXCO (EXCO) through the GE: Governance and Assurance reports to the Audit and Risk Committee. The Executive Management are required to action risks that are not adequately mitigated and controlled;
- The GE: Governance and Assurance, through the ERM Department, will draft a risk management submission to the EXCO on a monthly basis; and
- Each of the Divisional Risk Committees will draft a risk management submission to the GE: Governance and Assurance on a monthly basis, reflecting the top risks facing each of the departments reporting to them. This submission will form an integral part of the monthly reporting pack for discussion at the Divisional Risk Committees.

The risk registers should indicate how often a key risk ought to be monitored and reviewed. In the realm of financial and cyber risks, the exposures should be monitored on a continual real-time basis. Other risks such as regulatory change may only need formal review once a year. For the majority of risks it is prudent to choose monitoring periods that span between one to three months. Risks with an unknown pattern and risks that are new to SABC should receive attention that is more frequent. Incident reports will be generated for unacceptable loss outside of the set appetite and tolerance levels. This is an internal management function and will form part of the Enterprise Risk Management Framework. The destination of incident reports will be determined by the nature of the loss, but a loss that originates from risks contained in the key risk registers must always be elevated to higher levels of management. The inclusion of risk-related variances are to be incorporated into routine management reporting processes.

These risk limits / tolerance levels will be measured on a regular basis as an integral part of the risk management process and reported to the Audit and Risk Committee in the normal quarterly risk report.

Nine Principles for Building a Risk Intelligent Enterprise

Governing Bodies Responsibility

Roles & Responsibilities

Common Definition of Risk

Common Risk Framework

Common Risk Infrastructure

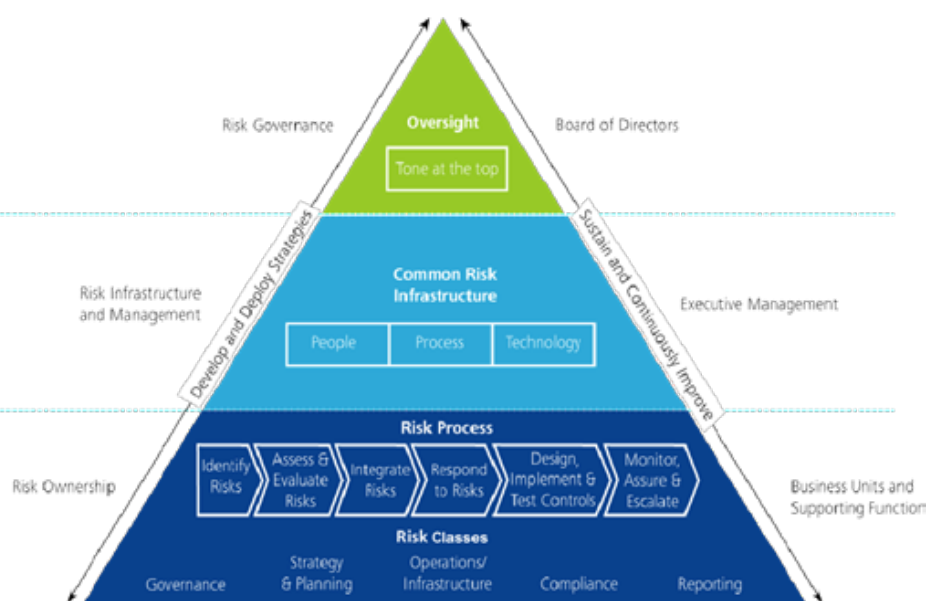
Executive Management Responsibility

Objective Assurance and Monitoring

Business Unit Responsibility

Support of Pervasive Functions

The Risk Intelligent Enterprise



ERM STRATEGY

The risk management strategy defines how ERM will be utilised and managed in the SABC in support of achievement of strategic goals and objectives, realising that there is not a "one-size-fits-all" approach. Rather it is a continuous progression and maturity based on the size and complexities of the SABC. As a result, a three (3) year implementation and review plan will be developed based on the outcome of the Risk Maturity Assessment still to be performed in order to move from a current state to desired ERM culture state.

The below diagram depicts the 9 principles of building a risk intelligent risk enterprise, which is the goal and vision of the risk management strategy document.

ENTERPRISE RISK MANAGEMENT TOOLS AND SYSTEMS

To embed an effective ERM system appropriately, SABC is using CURA risk management software an integrated computerised risk management system designed around appropriate risk management standards and leading practices. It allows the Corporation to manage, monitor and report on its risks. CURA is aligned to the SABC ERMF to record all strategic, operational and project risks. The tool is a source of information and is accessible to participants in the risk management process to capture, review, update, monitor and report on risks in a formalised manner on a continuous basis. The reporting will be directed by requirements of the, Board Audit and Risk Committee and the business as and when reports on risk profiles are required.

Monitoring and Improving

ERM INSTRUMENTS

The key ERM instruments that ensure the embedding of risk management throughout the SABC are contained in the following documents:

- SABC Enterprise Risk Management Policy;
- SABC Enterprise Risk Management Framework;
- Risk Management Strategy; and
- Risk Registers.

ERM EFFECTIVENESS AND MATURITY

It is a requirement of the ISO 31 000 Risk Management Standard that all organisations perform a regular review of the effectiveness of the ERM system in place. Such an exercise is undertaken through the mechanism of measuring the ERM maturity levels within the SABC as it is a recognised measurement concept for demonstrating development progress. It is required that SABC Risk Maturity Framework be developed and approved for SABC to achieve this element.

REPORTING ON RISK MANAGEMENT

Figure 3: ERM Strategy towards the Risk Intelligent Enterprise Reporting is an integral part of the monitoring process. The aim of reporting during a risk monitoring process is the communication of deficiencies or shortcomings of risks gaps to the various levels of management. The monitoring process aims to assist management in understanding the risk profiles,, impact of changes or developments and what must be done in order to protect the Corporation against risk exposures.

A tiered structure of risk reporting has been implemented:

- The Audit and Risk Committee will submit a risk management report to the Board on a quarterly basis regarding SABC's corporate strategic and operational risks and its management;
- On a quarterly basis, EXCO through the GE: Governance and Assurance, reports to the Audit and Risk Committee on the

management of corporate strategic, operational and cyber risks. The Executive Management is required to develop response plans for risks that are not adequately mitigated and controlled;

- The GE: Governance and Assurance will, through the ERM Department, submit a risk management corporate strategic operational and cyber risks report to EXCO on a monthly basis; and
- Each of the Divisional Management Committees will draft a risk management submission to the GE: Governance and Assurance on a monthly basis, reflecting divisional/provincial risks progress and risk response plans. This submission will form an integral part of the monthly reporting pack for discussion at EXCO.
- Incident reports will be generated for unacceptable losses. This is an internal management function and will form part of the Enterprise Risk Management Framework. The destination of incident reports will be determined by the nature of the loss, but a loss that originates from risks contained in the key risk registers must always be elevated to higher levels of management. The inclusions of risk-related variances are to be incorporated into routine management reporting processes.
- These risk limits / tolerance levels will be measured on a regular basis as an integral part of the risk management process and reported to the Audit and Risk Committee in the quarterly risk report.

ASSURANCE

The IIA standards require that Internal Audit follow a risk based approach. SABC internal audit should align its internal audit plan, methodology and tools with the risk management process and focus audit effort on the key risks to the SABC.

One of the primary roles of Internal Audit, as per the International Standards for the Professional Practice of Internal Auditors as published by the IAA, is providing assurance over the risk management system, which includes the assessment of the ERM Framework and Risk Management Strategy, and includes the following:

- Annual assessment and independent validation of the adequacy and effectiveness of the risk management process across the SABC and the effective implementation of the Risk Management Framework, in line with requirements embodied in ISO 31000, King IV Report TM and other best practice;
- Development of a risk based approach to assurance, based on the significant risks across the SABC;
- Review and validation of the completeness of risks identified by management and assessment on the appropriateness of the rating of individual key risks (impact and likelihood), as well as the level of exposure of risks identified based on Internal Audit's own assessment of risk and current loss experience rating to specific risks;
- Assurance over the adequacy and effectiveness of controls identified by management to mitigate key risks;
- Review of the accuracy of the key risk indicators utilised by management to monitor key risks; and
- Report to management any additional risks identified by Internal Audit.

Internal Audit should maintain an on-going close interaction with Risk Management (including Compliance) in order to share relevant information regarding the risk and control environment across the Corporation. Assurance regarding the management of key risks in the SABC is provided by numerous assurance providers in line with the combined assurance

model recommended by King IV Report TM. Where gaps in assurance are noted, the best way to gain assurance regarding the mitigation of these key risks needs to be determined and implemented.

ROLES AND RESPONSIBILITIES

Board and senior management is required to have a good understanding of the SABC's risk management philosophy, and whether there is a uniform understanding between senior management and the board of directors regarding risk appetite, roles/responsibilities for risk management, and ongoing oversight and monitoring.

ERM is most effective when performance expectations are clearly defined, communicated and integrated into performance agreements (scorecards). To ensure that accountability and responsibility is built into the ERM Framework, it is important that all SABC personnel understand their roles and responsibilities towards risk management as they are the owners of the risks and systems of internal control within their working environment.

The Risk Management Framework automatically allows accountability and responsibility to implement risk management. Monitoring within the reporting framework allows continuous accountability for those risks identified. The alignment of Risk management process to strategic planning, business plans and budgets should be effected.

The diagram below (Figure 4- ERM Line Accountability) illustrates communication lines and structure for risk management within the SABC. The risk management function is a distinct business management function of the Governance and Assurance Division, which is set up as an advisory service to the Board, senior and line management surrounding the implementation, management and control over the ERM system within the SABC. This Division reports functionally to the Audit and Risk Committee with an administrative reporting line to the Group Executive Committee chaired by the Group Chief Executive Officer (GCEO). The following figure 4 depicts the reporting lines.

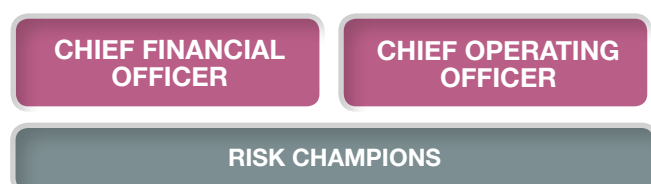


Figure 4 - ERM Line Accountability

The Responsibilities for ERM are defined below:

The Executive Authority

The Department of Communications as the Executive Authority is accountable to the Legislature\Parliament\Council in terms of the achievement of the goals and objectives of the SABC. In this context the Executive Authority should take an interest in ERM to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place and that the Board makes use of the risk management system to enable proactive decision making in a responsible manner.

The Board

The Board is ultimately responsible for the governance and oversight of risk management activities within the SABC. The Board approves the Risk Management Policy, Framework and Strategy and provides leadership and guidance for its implementation. The Board is accountable to the Executive

Authority to form an assurance on the effectiveness of the risk management process.

Specific Responsibilities Include:

- Accountability for the Risk Management Policy and Framework and management of Corporation strategic, operational and cyber risks;
- Ensuring that an adequate and effective risk management system is in place, which includes a fraud risk management strategy and business continuity plan;
- Deciding on the SABC's risk appetite and levels of risk tolerance;
- Approving the Risk Framework and Strategy in liaison with the Audit and Risk Committee, Group Chief Executive Officer (GCEO) and executive management;
- Promote a risk management culture and reinforcing the commitment to sound risk management policies, practices, standards, models and techniques;
- Ensuring that risk management is part of the business strategy and planning process;
- Ensuring that risk assessments are performed on a continual basis to identify key and emerging risks to the SABC and a formal, systematic risk assessment is documented at least once a year;
- Establishing either a Risk Committee or allocating oversight of risk governance to a dedicated committee such as the Audit Committee and ensuring that the development and approval of the Committee's terms of reference and responsibilities include the required attention to risk management;
- Ensuring that all Board Committees are accountable for the oversight of risks in its area of responsibility;
- Demonstrating that the Board has dealt comprehensively with the issues of risk management and control;
- Be appraised of the most significant risks and whether management is responding appropriately;
- Approving the risk management disclosures in the annual report;
- Understand the most significant risks; and
- Manage the Corporation in a state of crisis

The Audit and Risk Committee

The Audit and Risk Committee assists the Board to discharge risk management responsibilities, which include:

- Forming an opinion on the effectiveness and efficiency of the risk management process and system;
- Overseeing the development of a documented risk management strategy to enable the SABC to mitigate its key risks and opportunities;
- Assisting the Board to regularly evaluate the status of key strategic, operational and cyber risks facing the SABC;
- Assist in determination of the SABC's risk appetite levels.
- Ensuring that an appropriate Risk Management Framework, Risk Management Strategy and Risk Management Maturity Framework documents are prepared and presented to the Board for approval;
- Review the determination of the risk tolerance levels (including levels at which the risk becomes acceptable or tolerable, rather than deleting the risk) for the SABC and review their effectiveness annually;

- Review the developed communications and consultations plan;
- Reviewing the effectiveness of the SABC's system of internal control (documented in Risk and Control Matrices) to mitigate risk;
- Immediately conveying any concern or issues of significance to the Board, which in the view of the Committee may impact negatively on the SABC, and provide guidance to the Board on how the issue must be dealt with; and
- Reviewing and approving the directors' statements on risk management and internal control in the Annual Report before presenting to the Board for final approval.

The Group Chief Executive Officer (GCEO)

Although the Board has appointed a Group Executive: Governance and Assurance, the accountability to the Board remains with the GCEO.

The GCEO is responsible for:

- Setting the tone for effective risk management and associated culture;
- Designing, implementing and maintenance of an effective risk management process and system;
- Designing, implementing and monitoring the risk management framework, risk management maturity framework and risk management strategy, and ensuring that they are integrated into the day-to-day activities of the SABC;
- Ensuring that SABC management has a robust system in place for the identification and analysis of risks, how the business will respond to the identified key risks and effectiveness of appropriate and cost effective risk mitigation actions;
- Implementing a process to report and monitor the key risks and the risk management process; and
- Ensuring that reliable risk reporting to the Board takes place on a regular basis.

The Group Executive Committee (EXCO)

- EXCO must oversee the implementation of ERM in the SABC and assist in setting the tone for the risk culture in the SABC.
- Ensure that annual risk assessments are conducted and that all risks are captured onto the CURA risk management system.
- Report on a timely basis all significant risk events or exposures to the Board through the Audit and Risk Committee.
- The Group Executives are the risk and process owners and therefore take accountability for the day-to-day management of the SABC's risks and implemented risk treatments to mitigate such risks.
- The Executive Management is responsible for the embedment of risk management into the day-to-day activities of SABC to enhance the achievement of objectives.

Group Governance and Assurance Division

The Governance and Assurance Division is a core function of business management and acts in a consultative manner on all aspects of ERM and must be viewed as a peer with business line management. The complexity of the business environment and rapid changes in the market place calls for a stronger risk function and management. It is for this reason that this Division was established to assist the Board and GCEO in implementing and maintaining a strong system of ERM and its responsibilities include:

- Providing guidance, advice and input pertaining to an effective risk management system;
- Acting as an early warning soundboard on emerging risks;
- Ensuring that the risk management framework is implemented throughout the Corporation;
- Development of the risk management strategy and rollout of the associated risk management implementation plans;
- Development and implementation of a variety of risk matrices, reporting templates and oversight of the CURA risk management software;
- Assist the Board and GCEO in the undertaking of the risk maturity assessment and develop action plans to enhance the level of maturity in conjunction with line management
- The Division is the custodian of the ERMF and ERMP.

Operational Risk Management Committee

The Divisional Operational Risk Management Committee is a committee of Risk Champions and is chaired by the GE: Governance and Assurance. The Divisional Operational Risk

Management Committee is responsible for:

- Implementing risk management structures and processes in line with the SABC ERM Policy, Framework and Strategy;
- Identify, evaluate and review specific business risks, assess their impact and probability of occurring, assign risk owners and define actions to address the risks;
- Review, analyse and update operational risk registers and report these to the EXCO; and
- Report any significant risks to EXCO that could have a direct or indirect impact on Divisional / Functional business objectives.

The Risk Champion

The Risk Champion is a line management appointed person with the skills, knowledge, leadership qualities and power of office required to champion risk management implementation, guidance and monitoring. The Risk Champion is responsible for:

- Integrating risk management into the day-to-day activities of the Division;
- Drive the implementation of the management action plans to address the identified risks;
- Inform Group Governance and Assurance Division of emerging risks and significant changes in known risks;
- Co-operating with other role players in the risk management process and providing information as required;
- Intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise; and
- Provide guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.

Internal Audit

Internal Audit plays a key role in the evaluation, monitoring and providing assurance on the process of ERM as per the International Standards for the Professional Practice of Internal Auditing as published by the Institute for Internal Auditors (IIA).

The risk management and internal audit processes should be aligned for purposes of ensuring that:

- Internal Audit provides assurance on the adequacy of the control environment in minimising risk exposure;
- Internal Audit evaluates the effectiveness of the risk management process on a periodic basis;
- Internal Audit provides assurance on the operating effectiveness of risk mitigation strategies and the system of internal controls (as documented in the Risk and Control Matrices); and
- The internal audit plan is informed by the outcomes of the risk management process.

SABC Employees

It is SABC's philosophy that risk management is everyone's responsibility. This implies that risk management considerations must be part of every decision that is made, every objective that is set and every process that is designed. All SABC Divisions, Provinces and Subsidiaries are required to implement and use the common Risk Management Framework and Strategy. They are expected to actively and proactively anticipate and manage their risks, taking advantage of opportunities and mitigating risks in a continually changing environment.

Risk Categorisation

The objective of the development of a risk categorisation and language for the SABC is to ensure the consistent definition and understanding of risks throughout the Corporation. The risk categorisation forms an integral part of the Enterprise Risk Management Framework of SABC, which has the overall objective of ensuring the appropriate management of all risks faced by SABC, through appropriate risk management processes and tools. The Risk Categories provide a primary and standardised classification system for the identification, reporting and management of risks in a consistent and uniform manner and is especially useful for reporting purposes.

The overall risk categories are Strategic, Operational, Project, Cyber, and Fraud and Corruption. These are further defined and sub-divided as reflected below.

STRATEGIC RISKS

Strategic risks are top-level business risks that have the potential to impact delivery on short, medium and long-term strategic goals. In other words, these are risks that have the potential to impact delivery on SABC's turn-around strategy, associated with the development of SABC's key objectives and the risk that SABC's future business plans and strategies may be inadequate to prevent financial loss or protect SABC's financial position, or cause reputational damage.

GOVERNANCE RISKS

Risks relating to poor governance structures, improper leadership, unethical behaviour and or conduct in connection with bribery, illegal payments, discrimination, pollution, etc. that could result in fines, penalties, reputational impact or changed stakeholder risks.

SUSTAINABILITY RISKS

These are risks relating to the SABC's ability to meet the effects of changes in demographic, social economic trends, and to comply with social/environmental requirements. These risks could be impacted by stakeholder relations, community health management and the social impact of business amongst other issues. This would also include risks relating to the impact of the environment resulting from group practices, Health and Safety, corporate responsibility, etc.

STAKEHOLDER RISKS

Risks that can impact a variety of people, customers, suppliers, organisations, institutions, government, trade unions, etc., who make up internal and external stakeholders, where relations and communication surrounding risk management and not meeting stakeholder expectations. These could result in damage to the SABC's reputation if not managed properly. Clients Risks associated with the inability to meet the changing needs of SABC clients on a sustainable basis.

PRODUCT TECHNOLOGY AND INNOVATION RISK

These risks relate to outdated and/or obsolete technology, products and the lack of ongoing innovation, preventing the SABC to stay abreast of the latest modernisation that enhances all aspects of service delivery and outreach, in an economical and efficient manner.

COMMUNICATION RISKS

Risks that result from ineffective and/or improper communication towards internal and external stakeholders on a variety of matters in a structured and timorous manner.

OPERATIONAL RISKS

Operational risks are the risks that are faced in the day-to-day delivery of SABC's products and services and the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. These are risks, which inform the Corporation's business planning and budget processes.

SUPPLY CHAIN RISK

Risk of inadequate selection or engagement processes for suppliers, defaulting reinsures, and, or their suboptimal performance. This could also include internal and external fraud and collusion risks.

COMPLIANCE RISK

Failure to prevent, detect or promptly correct contraventions of applicable laws, regulatory, policies and/or other statutory provisions, as well as changes in the regulatory environment. Risk of ensuring that actions are legal and within the scope of relevant legislation and internal policies that govern the operations of the SABC.

INFORMATION TECHNOLOGY (CYBER)

Risks relating to information technology performance that impacts upon business performance, processes and systems. The ability to deal with technological changes and the use of technology to address changing demands, and, or business and financial enhancements. Also included are security breaches, misuse of group systems resulting in system disruption, information confidentiality and integrity of information.

LEGAL RISK

Contravention of and/or failure to prevent, detect or promptly correct contraventions of the terms and provisions of contractual agreements (e.g. common law and other statutory provisions) and related documents entered into with client, counter parties, suppliers, staff and others. The possibility that the contracts SABC enters into with its clients will not be enforceable, especially with respect to events of detail by a client/counterparty, and the failure to understand or effectively apply legal and regulatory principles and practices.

HUMAN RESOURCE RISK

The risks arising from inadequate human resource practise, policies and processes, which lead to the inability and failure to attract, recruit, develop and retain competent resources/staff

who perform as per expectations to achieve the Corporation's objectives. This will include risks pertaining to staff performance as well as safety and security hazards.

EXTERNAL RISK

These are risks that are not directly under SABC's control, but which may have an impact on the achievement of the SABC's strategic and operational objectives.

FINANCIAL RISKS

Financial risks are the risks associated with ensuring good financial governance within SABC and the risk of inadequate cash flow to meet financial obligations and accurately accounting for financial transactions. These are risks, which have the potential to affect the Corporation's financial viability.

MARKET/INVESTMENT RISK

Is the risk of adverse financial impact arising from changes in fair value or future cash flows of financial instruments due to fluctuations in asset prices. Market risk also incorporates the risk of adverse financial impact due to the assets not matching the corresponding liabilities in nature, term or currency. Market risk incorporates systematic risk (market risk on all investments) and specific market risk (specific risk on each investment).

CURRENCY RISK

This is the risk of adverse financial impacts due to unexpected movements in the exchange rates.

EQUITY RISK

This is the risk of adverse financial impact due to actual market values of equities and/or income from equities deviating from their expected values.

INTEREST RATE RISK

Is the risk of adverse financial impact due to real and nominal future interest rates deviating from the expected real and nominal future interest rates.

INSURANCE RISK

The risk of financial loss because of inadequate insurance of assets and other insurance risks.

CREDIT/COUNTERPARTY RISK

The risk of adverse financial impact to the Corporation due to the failure to meet contractual debt obligations, by counterparties.

LIQUIDITY RISK

Liquidity risk is not being able to settle liability obligations, and/ or, prevent, or minimise a loss, because of insufficient funds, and/or investments that are not marketable and therefore cannot be realised in the short-term. The risk of the Corporation not having sufficient cash to meet its financial obligations (e.g. claims settlement).

FRAUD AND CORRUPTION RELATED RISKS

Fraud and Corruption related risks should be assessed to assist the business to identify areas that may expose the business to unlawful, i.e. fraud, corruption, theft or maladministration etc. The assessment of these risks should be in line with the SABC Anti-Fraud and Corruption Policy and Strategy to prevent any instances of fraud, corruption, theft and maladministration from taking place whether deliberate or in good faith. This function is conducted by SABC Forensics including the awareness and education.

1. The King Report on Corporate Governance in South Africa 2017TM (King IV TM) - published by the Institute of Directors in South Africa

2. Public Finance Management Act No. 1 of 1999 (as amended by Act 29 of 1999)

3. Public Sector Risk Management Framework, 2010

4. ISO 31000 Risk Management Standard 2009 SO 14 000 Environmental Management Standard 2005.

ANNEXURE A – RISK DEFINITIONS

TERM	DEFINITION
Consequence	Outcome or impact of an event.
Cost of risk	Costs associated with: <ul style="list-style-type: none"> • Insurance premiums • Self-retained losses (incurred loss) • Uninsured losses • Risk control expenses including safety, security, property conservation, and quality control programmes, etc. • Maintenance costs • Technology/machinery breakdown costs • Consulting charges • Training • Environmental costs • Administrative costs (internal and external) including risk management department, internal claims staff, fees paid to brokers, risk management consultants, outside claims and loss control services.
Crisis	• An actual event, which has a significant impact on the SABC's people, business viability, reputation or image, legal and financial responsibilities or ability to operate.
Crisis management	<ul style="list-style-type: none"> • Process by which an organisation manages the wider impact of any incident until it either is under control or contained without impact to the organisation or until the business continuity plan is invoked. • Crisis management entails a comprehensive system that links the components of incident management, disaster recovery, emergency response and contingency plans between operational teams, through country and regional teams with the corporate crisis management team.
Enterprise Risk Management	A formal response to risk, responding to every conceivable type of risk in every part of the organisation. It is a structured and consistent approach across SABC that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that SABC faces to create stakeholder value. It is therefore choices made under conditions of uncertainty, bound by acceptable levels of risk, designed to sustain/maximise shareholder value.
Event	Occurrence of a particular set of circumstances: <ul style="list-style-type: none"> • The event can be certain or uncertain. • The event can be a single occurrence or a series of occurrences. • The probability associated with the event can be estimated for a given period.
Frequency	A measure of the number of occurrences per unit of time.
Hazard	A source of potential harm or exposure to danger.
Incident	An undesired event as a result of at risk behaviour, or high-risk conditions, without resulting in loss, but has the potential for loss.
Inherent Risk	This is the measure of the probability of occurrence and the impact of the outcome, prior to consideration of control measures.
Key risks	Risks perceived to be the most significant. Typically, these would be the 'red' and 'orange' risks after treatment as defined by use of the risk matrix and are above the Corporation's risk acceptance threshold.

References

Key risk indicators	Key Risk Indicator is a measure used by management to indicate how risky an activity is, and could also be expressed as a quantitative measure of both financial and non-financial performance objectives of the business.
Monitor	To check, supervise, observe, analyse or measure the progress of an activity, action or treatment on a regular basis in order to determine if the desired and expected results are being obtained.
Opportunity	'Upside' or 'positive' risk; an uncertain, beneficial event or condition that should it occur, will result in a favourable outcome(s).
Probability	The extent to which an event is likely to occur. Frequency (the probability of an event occurring at intervals) rather than probability (the relatively likelihood of an event happening) maybe used in describing risk
Process	Structured set of activities within an organisation, designed to produce a specified output.
Residual risk	Residual risk / exposure is the measure of inherent risk and consideration of the control effectiveness. In other words the risk level remaining after current controls are taken into consideration.
Rewarded risks	Risks that are deliberately taken for benefit from its potential upside. (e.g. investing in new markets, products, services or business models).
Risk	<p>An uncertain future event that threatens the achievement of the strategic and business objectives of the organisation.</p> <p>Risk encompasses:</p> <ul style="list-style-type: none"> • the possibility of good things not happening (opportunity risk); • the threat of bad things happening (risk as hazard); and • the potential that actual results will not equal anticipated outcomes (risk as uncertainty). <p>Risk not only includes the possibility of economic or financial loss or gain but also injury or death, physical damage, environmental harm, business interruption and reputational concerns.</p> <p>Risk has the following primary elements:</p> <ul style="list-style-type: none"> • the probability of something happening or not happening; and • the impact of it happening or not happening.
Risk acceptance	Decision to accept a risk as the risk impact is negligible and where the cost of control is greater than the cost of risk.
Risk analysis	Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that have been identified and to estimate the level of risk. It is also used to study the consequences of risk that can materialise and to examine the controls that currently exist. Understanding the cause and effect of risks across different divisions of the SABC, and understanding the root causes for risks and those factors that will contribute to a risk occurring.
Risk appetite	The level of risk that the SABC is prepared to tolerate, or the amount of risk the Corporation is willing to accept in alignment with the strategic objectives and pursuit of maximising value to the business.
Risk assessment	<p>The overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.</p> <p>The risk assessment process considers risks that are significant to the achievement of the company's objectives. This is a continuous process, requiring regular reviews, as and when internal and external changes influence the organisation's strategies and objectives.</p>

Risk avoidance	<p>A decision to either not be involved or to withdraw from, a risk situation.</p> <p>The decision may be taken based upon the result of risk evaluation.</p> <p>Risk-bearing capacity is a prediction of the Corporation's ability to endure losses and the effect such losses may have on the group's value and/ or its ability to continue with its activities.</p> <p>Risk-bearing capacity is a monetary value that is used as a yardstick, measuring the maximum loss the Corporation can endure, without exposing it to the point where its existence and survival is under threat, given an equivalent loss.</p>
Risk-bearing capacity	<p>Grouping of risks with similar characteristics used in establishing SABC's risk portfolio (see risk portfolio). Ultimately determined by SABC, the characteristics used to define risk categories typically reflect SABC's business model, industry or other factors that drive risk within the organisation.</p> <p>Terms of reference by which the significance of risk is assessed.</p> <p>The risk criteria/classification is based upon the magnitude of the potential impact on the Corporation's values and the likelihood of that impact materialising.</p>
Risk categories	Exchange or sharing of information about risk between the decision-maker and other stakeholders.
Risk communication	The information can relate to the existence, nature, form, probability, severity, acceptability, treatment or other aspects of risk.
Risk communication	Action taken to minimise inherent risk to an acceptable level of residual risk.
Risk communication	Action taken to minimise inherent risk to an acceptable level of residual risk.
Risk control owner	<p>A risk control owner is a person accountable for managing an action that modifies risk.</p> <p>Control owners are accountable for carrying out the risk response plans that have been allocated to them and report to the risk process owner on progress.</p>
Risk evaluation	<p>Risk evaluation is a process that is used to compare risk analysis results with risk criteria in order to determine whether a specified level of risk is acceptable or tolerable. The identified risks are mapped using their respective ratings in terms of impact and likelihood expressed as a combination of these two components.</p> <p>The objective of the analysis is to prioritise and rank in order of risk exposure and timely treatment.</p>
Risk financing	<p>Provision of funds to meet the cost of implementing risk treatment and related costs.</p> <p>In some instances, risk financing refers to funding only the financial consequences related to risk.</p>
Risk identification	<p>Risk identification is a deliberate and systematic effort to identify and document the Corporation's key risks. The objective of risk identification is to understand what is at risk within the context of the Corporation's objectives and to generate a comprehensive risk register based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.</p> <p>Project risks should be identified for all major projects, covering the whole lifecycle; and for long-term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks</p>
Risk management	Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. (COSO)

Risk management framework	Set of elements of an organisation's management system concerned with managing risk.
Risk management process	<p>The risk management process entails the planning, arranging and controlling of activities and resources to minimise the negative impacts of all risks that can be tolerated by stakeholders whom the board has identified as relevant to the business of the Corporation, as well as to optimise the opportunities, or positive impacts, of all risks.</p> <p>The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.</p>
Risk management system	The risk management system is the overall integrated process consisting of two essential interrelated and overlapping, but conceptually distinct components – risk assessment and risk management.
Risk metrics	The structure of impact and levels of probability and consequences chosen against which to measure risk.
Risk mitigation	The process of selecting and implementing measure or action to modify risk that (encompasses risk tolerance, risk treatment, risk transfer and risk termination).
Risk monitoring	Observations and measurements associated with tracking changes to risk levels. Monitoring enables appropriate interventions to be effected in good time to avoid undesirable consequences or capitalise on desirable consequences.
Risk optimisation	Process related to a risk, to minimise the negative and to maximise the positive consequences and their respective probabilities.
Risk owner	<p>The risk owner is the person accountable for managing a particular risk in his/her area, and must ensure that risks are properly identified and evaluated, treatments/controls remain effective, risk response plans are implemented by task owners, risks are monitored and progress status regularly reported upwards.</p> <p>In addition, he/she promotes a risk-aware culture, reviews and signs off on risk assessments for Board reporting purposes.</p> <p>Types of risk owners are process, executive, operational, project and functional.</p>
Risk perception	<p>Way in which a stakeholder views risk based on a set of values or concerns.</p> <p>Risk perception depends upon the stakeholder's needs, issues and knowledge.</p> <p>Risk perception can differ from objective data.</p>
Risk process owner	An Executive with primary accountability for advising on, formulating, overseeing and managing all aspects of the Corporation's risk management system and monitors the Corporation's entire risk profile, ensuring that key risks are identified and reported upwards.
Risk profile	Identification and listing of risks, typically in order of highest to lowest based on a qualitative or quantitative assessment approved by management.
Risk reduction	Actions taken to lessen the likelihood or negative consequences, or both, associated with a risk.
Risk register	A formal listing of risks identified, together with the results of the risk analysis, risk evaluation procedures together with details of risk treatment/control, and risk response plans consistent with the nature and scale of the risks.

Risk response	<p>The measures/actions that are undertaken to further treat the risk to reduce the risk classification to an acceptable level.</p> <p>Process of selection and implementation of measures to modify risk.</p> <p>Risk response measures can include treating, avoiding, optimising, transferring or retaining threats and exploiting, sharing, maximising or enhancing opportunities.</p>
Risk retention	<p>Accepting the potential burden of loss, or benefit of gain, from a particular risk.</p> <p>Risk retention includes the acceptance of risks that have not been identified.</p> <p>Risk retention does not include treatments involving insurance, or transfer by other means.</p> <p>There can be variability in the degree of acceptance and dependence on risk criteria.</p>
Risk sharing	Sharing the burden of loss, or benefit of gain from a particular risk with another party
Risk source	Item or activity having potential for a consequence.
Risk strategy	The approach adopted for associating and managing risk based on the enterprise objectives and strategies.
Risk threshold	The level at which certain actions in terms of response, reporting, monitoring or additional analysis and planning are specified.
Risk tolerance	Risk tolerance is the level and amount of risk that the SABC carries at a particular time, either deliberately or inadvertently if there are unknown risks. The goal of risk management is to properly define and describe the risk levels and, in particular, identify those risks that are higher than the risk thresholds.
Risk tracking	Monitor key risks over time to determine whether the level of risk is changing.
Risk transfer	Sharing the burden of loss or benefit of gain for a risk with another party. Risk transfer can be carried out through insurance or other agreements. Risk transfer can create new risks or modify existing risk.
Risk treatment (control)	<p>An existing process, policy, device, practice or other action that acts to minimise negative risk or enhance positive opportunities.</p> <p>Process of selection and implementation of measures to modify risk.</p>
Scenario Planning	Scenario analysis and stress scenarios are a critical part of understanding both future realities and the Corporation's ability to respond. Scenarios can be understood as 'Thought Experiments' about the possible development of the future states of the world
Severity	<p>Terms of reference by which the significance of the risk is assessed.</p> <p>This is the magnitude of the impact on the business should the risk actually materialise.</p>
Sensitivity analysis	A sensitivity analysis considers one variable at a time and the effect of change of that value.
Threat	'Downside' or 'negative' risk; an uncertain adverse event or condition, which, if it occurs, will result in an unfavourable outcome(s).
Treatment assessment	Systematic review of processes to ensure that treatments are effective and appropriate.
Upside Risk	<p>Also termed rewarded risks. Risks that are deliberately taken to benefit from its potential upside. (E.g. investing in new markets, products, services, business models).</p> <p>Also refers to the possibility of good things not happening (opportunity risk) due to management not implementing the correct measures.</p>

ANNEXURE B – IMPACT METRICS

Rating	Pro- bability Level	Financial loss / gain R (mill)	Outcome Description (Business Risk)	Audiences (Business Risk)	Health and Safety	Reputational	Legal and Regulatory	Social and Community	Human Resources	Information Technology
5	Extreme	>60m or 20% of Divisional Budget	Disaster with potential to lead to collapse of business and is fundamental to the achievement of objectives.	20% Market share	Multiple Fatalities, Very serious irreversible injury from 10 people and above. May cause multiple deaths	Extreme international public/ media outcry. Social/ legal licence to operate severely threatened	Significant fine/ imprisonment. Breach of mandate	Extreme, widespread social impact. Irreparable damage to highly valued cultural heritage	Strikes at several major divisions for more than a month.	Unrecoverable loss of significant data and/ or configurable information that is crucial to operations or for compliance
4	Major	30 – 59 m 30m or 15% of Divisional Budget	Major event which can be endured but which may have a prolonged negative impact and extensive consequences.	15% Market share	Fatality, Multiple Major injuries or disability, Significant irreversible injuries to up to 10 people. Life threatening affects	Serious adverse national media/ public attention. Social/ legal licence to operate questioned	Major breach of regulation/major litigation	Persistent social issues. Serious damage to/ infringement to valued cultural heritage	Strikes at several major divisions for more than three weeks but less than four weeks.	Loss of significant data and/or configurable information requiring a restore from backups
3	High	15m – 29 m 15m or 10% of Divisional Budget	Severe events which can be managed but requires additional resources and management effort.	10% Market share	Single major injury or disabling reportable. Irreversible significant health effects	Concerted attention from media and/ or heightened community concern	Serious breach of regulation with report to authority	On-going social issues. High damage to valued cultural heritage.	Strikes at several major divisions for more than two weeks but less than three weeks. Inability to attract and retain scarce and critical skills at several major divisions.	Loss of critical systems for a period of more than 8 hours, however with no data loss.
2	Moderate	7.7m – 14m 7.5m or 5% of Divisional Budget	Event which can be managed under normal operating conditions.	5% Market share	Minor injuries, lost time. Reversible significant health effects	Moderate, adverse local public media attention/complaints	Minor legal issue/ non- compliance/breach of regulation	Moderate medium- term social impact on local population. Moderate damage to heritage	Strikes at several major divisions for more than seven days but less than 14 days. Inability to attract and retain scarce and critical skills at several minor divisions.	Loss of systems for a period of between 4 and 8 hours, however with no significant data loss.
1	Negligible	< 7.4 million 4m or 2,5 % of Divisional Budget	Not worth worrying about because the effect is minimal	2% Market share	Minor injuries, no lost time. Reversible minor health effects/ Medical treatment case	Public concern restricted to local com-plaints.	No legal issues but breach of company guidelines	Lowlevel social or cultural impact. Minor repairable damage to common- place structures	Strikes at several major divisions for less than a week. Inability to attract and retain scarce and critical skills at a division.	Loss of systems for a period of less than 4 hours, however with no data loss.

PROBABILITY METRICS

Rating	Pro-bability Level	Measurement	Description
5	Almost certain	>80-100	Certain to happen sometime in the next 12 months.
4	Likely	>61-80	Highly likely to happen sometime in the next 3 years: OR The event has occurred more than once in the past at SABC/ similar organizations.
3	Possible	>36-60	Possible to occur at some time in the future. The incident has occurred once within SABC/ Similar organizations
2	Unlikely	>10-35	Unlikely to occur at any time in the future
1	Rare	≤10	Highly unlikely to occur at any time in the foreseeable future. Theoretically possible but not expected occur.

CONTROL EFFECTIVENESS METRICS

Level	Description	Factor	Factor
Very good	Controls are totally effective and efficient, totally implemented, are "best practice" and are operating as intended	80	100
Good	Controls are totally effective and efficient, totally implemented and in line with "best practice", but are not operating as intended. (moderate deficiencies)	0.75	80
Satisfactory	Controls are totally effective and efficient and in line with "best practice" and are operating as intended, but are not implemented	0.55	60
Weak	Controls are in place but there are major deficiencies	0.35	35
Unsatisfactory	The control system is ineffective, that is not adequate and not effective	0.1	10

RISK RATING MATRIX

Likelihood	5	5	10	15	20	25	
	4	4	8	12	16	20	
	3	3	6	9	12	15	
	2	2	4	6	8	10	
	1	1	2	3	4	5	
		1	2	3	4	5	
		Impact					

SABC Risk Management Policy

Objective

The Enterprise Risk Management (ERM) Policy sets out the overall philosophy, principles, requirements and responsibilities for a sound approach to risk management within the South African Broadcasting Corporation SOC Limited (SABC).

The Policy has been developed as part of good governance requirements and in response to Public Finance Management Act No. 1 of 1999, National Treasury Regulations, and King IV Report on Corporate Governance for South Africa™ and International Standard Organisation (ISO): 31000: 2018:

• **Section 51(1)(a)(i) of the Public Finance Management Act No. 1 of 1999 (as amended by Act 29 of 1999).** (PFMA) prescribes that an accounting authority for a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control.

• **Treasury Regulation 27.2.1** states that an accounting authority must facilitate a risk assessment to determine the material risks to which the entity may be exposed and to evaluate the strategy for managing these risks. The strategy must be used to direct the internal audit effort and priority, and to determine the skills required for managing these risks.

• **King IV Report on Corporate Governance for South Africa™ (King IV™)**, which is at the forefront of governance entrenches the principles of sound risk management and advocates the development of formalised risk management strategies aimed at supporting the Corporation in setting and achieving objectives, safeguarding stakeholder interests and maximising value.

• **International Standard Organisation (ISO): 31000: 2018.** ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). ISO states that managing risk is based on the principles, framework and process.

Risk refers to an uncertain event(s) that could influence the achievement of the SABC's strategic and business objectives. Some risk factor(s) also present opportunities, which Management must be aware of and be prepared to exploit.

Risk management is an integral part of improved performance, growth and sustainable value creation. Furthermore, it creates the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the SABC. The Eight (8) risk management principles as outlined in the ISO 31000 Risk Management Standards must be embedded in the Corporation to ensure that the SABC's actions, responses and approach to risk remain current and dynamic.

ERM is identified as a function that SABC, as a Corporation, needs to enhance its stakeholder value and meet the requirements of legislation such as the PFMA and Treasury Regulations and governance codes and best practice such as the King IV Report on Corporate Governance for South Africa™.

POLICY STATEMENT

The Board of SABC, along with its Executives and Management, are committed to a structured and formalised risk management process across the Corporation and have developed a ERM Framework that is aligned to the principles of good corporate governance, as supported by section 51(1) (a) (i) of the PFMA, Treasury Regulation 27.2.1, King IV Report on

Corporate Governance for South Africa™ and ISO310000 Risk Management Standards.

Risk is inherent in all strategic and operational activities. The SABC recognises that risk management is a systematic and formalised process to identify, assess, manage and monitor risks and therefore adopts an enterprise-wide approach to the management of risk. Effective management of risk will enable the Corporation to anticipate and respond to changes in the environment, as well as make informed decisions under conditions of uncertainty, improve deployment of capital and create accountability. Risk management must be central to all business decisions, and ought to focus on the need to seize opportunities and control threats.

An enterprise-wide approach to risk management is adopted by the Corporation, which means that every risk in each part of the Corporation will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the Corporation's systems and processes, ensuring that the responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the achievement of corporate strategic and operational objectives and ensure compliance with relevant legislation, and fulfil the stakeholders' expectations.

The Board, along with its Executive Management, recognise that risk management is a critical management tool for ensuring the achievement of objectives and ultimately delivery on its mandate. The balancing of risk and opportunity is an integral part of improved performance, growth and sustainable value creation.

The Board must define the risk appetite in terms of the level of risk that is acceptable to the Corporation. Risks with unacceptable exposure have to be addressed in an appropriate manner by management according to the SABC's ERM Framework and Strategy.

The ERM process requires far more than the adoption of a compliance approach, therefore the SABC has developed and implemented a common, systematic and integrated enterprise-wide approach to risk management. The approach will increase risk awareness, ensure appropriate management of risks, and make divisional risk profiles transparent, therefore enabling risks to be compared and aggregated and facilitating an integrated response to risks, which will ultimately improve efficiency in risk management efforts.

The integrated approach to managing risk seeks to ensure that knowledge and experience is shared, risk management becomes embedded in day-to-day systems, processes, and the way the Corporation is run and that every risk in each part of the Corporation will be included in a structured and systematic process of risk management. Effective risk management reduces uncertainty and threats and provides more confidence in pursuing opportunities and enabling the SABC to be more decisive in pursuing its Vision, Mission, Goals, and Objectives while considering its risk appetite. Central to the success of this approach is the clarification of accountabilities and responsibilities for risk management within the SABC.

The realisation of the Policy is achieved by understanding, accepting and implementing an ERM Framework and Strategy that is reviewed on an on-going basis so as to assure its efficiency and effectiveness. The Policy will be aligned with the ERM Framework and International Risk Management best practice

POLICY OUTLINE

The Department of Communications and Digital Technologies, as the Executive Authority, is accountable to the Parliament in terms of the achievement of the goals and

objectives of the SABC. In this context, the Executive Authority must take an interest in ERM to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place.

Accounting Authority (SABC Board) is ultimately responsible for the governance of risk within the SABC. The Board approves the ERM Policy, Framework and Strategy for the Corporation and provides leadership and guidance for its implementation. The Board will annually evaluate and agree the Corporation's risk appetite and risk tolerance levels in the achievement of its objectives. The Board is accountable to the Executive Authority to form an opinion on the effectiveness of the risk management process.

Audit and Risk Committee (ARC) assists the Board in discharging its risk management responsibilities, which include, amongst others, overseeing the development of a risk management strategy to enable the SABC to mitigate its key risks and evaluate the status of risks facing the SABC.

The other Committees of the Board are responsible for monitoring the management of risks in its area of expertise and reporting on the outcomes to the Board.

Accounting Officer (Group Chief Executive Officer) (GCEO) is accountable to the Board for the identification of corporate strategic and operational risks, managing, implementing and monitoring the process of risk management. The GCEO is also responsible for embedding risk management into day-to-day activities of SABC to enhance the achievement of objectives. The GCEO is responsible to provide the Board with a balanced assessment of the corporate strategic and operational risks facing the SABC and the status of the actions put in place to mitigate these risks.

Executive Management Committee (EXCO) is responsible for establishing a process of risk monitoring that may impact achievement of corporate strategic and operational objectives. The EXCO must oversee the implementation of ERM in the SABC and set the tone for the risk management culture in the SABC. EXCO must report all strategic, operational and emerging risk events or exposures to the Board through the Audit and Risk Committee on a timely basis.

Management must own the risks and therefore take accountability and responsibility for the management of the SABC's risks. Effective risk management in the Corporation requires strong and sustained leadership, guidance, embracement, management buy-in and commitment.

Group Executive: Governance and Assurance, is responsible for facilitating the risk management process and ensuring that the risk management framework is implemented throughout the Corporation. The GE: Governance and Assurance is the custodian of the ERM Policy, Framework and Strategy.

The SABC's philosophy is that risk management is everyone's responsibility. This implies that risk management considerations must be part of every decision that is made, every objective that is set and every process that is designed. All SABC Divisions, Provinces and Subsidiaries are required to implement and use the common ERM Framework and Strategy. Employees are expected to actively and proactively anticipate and manage risks, taking advantage of opportunities and mitigating risks in a continually changing environment

RISK IMPLICATIONS

- Implementation of fragmented Enterprise Risk Management (ERM) Programme.
- Risk assessment is viewed a barrier in day to day business activities
- Implementations of risk mitigation not prioritized
- Low Risk Culture and low risk maturity

Procedure

The Eight (8) risk management principles as outlined in the ISO 31000 Risk Management Standards must be embedded in the Corporation to ensure that the SABC's actions, responses and approach to risk remain current and dynamic



Source: ISO 31000

To be effective, the Corporation adheres to the following principles as outlined to ISO31000:

- **Integrated:** Risk management is an integral part of all Corporation activities.
- **Structured and Comprehensive:** A structured and comprehensive approach to risk management contributes to consistent and comparable results.
- **Customized:** The risk management framework and process are customized and proportionate to the Corporation's external and internal context related to its objectives.
- **Inclusive:** Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
- **Dynamic:** Risks can emerge, change or disappear as the Corporation external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
- **Best available information:** The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
- **Human and cultural factors:** Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
- **Continual improvement:** Risk management is continually improved through learning and experience.

Review History

Reviewed By	Change
Sep and Oct 2020	
Enterprise Risk Management Department	The Enterprise Risk Management Department is responsible for the administration, revision, interpretation, and application of the Policy.
Nov and Dec 2020	
GE: Governance and Assurance	The GE: Governance and Assurance is responsible for approval of the Policy.

SABC Risk Strategy

Introduction

The SABC's Enterprise Risk Management discipline is guided by the International Organisation of Standardisation, ISO 31000:2018 – Risk Management Principles and Guidelines on Implementation.

The SABC, through the establishment of the Enterprise Risk Management (ERM) Department within the Governance and Assurance Division, intends to comply with legal and regulatory requirements in order to ensure that an effective and efficient risk management system is in place with the aim of managing risks and opportunities to the achievement of the identified corporate strategic objectives.

The SABC operates in an environment inherent of risks with a potential to impede on the achievement of its strategic objectives. As a result, the corporation has implemented risk

management so as to direct the operations of the corporation to the achievement of the corporate objectives and manage opportunities to its benefit. Risk management should be embedded onto the daily operations of the corporation. The culture of risk management must be promoted across the corporation in all levels of staff. Risk management must always be an agenda item in management meetings and decisions taken in such meetings must be risk-based.

The Board and Group Exco should set the tone from the top by applying risk management principles through engagements on risk management reports and taking risk-based decisions. Risk management is the responsibility of everyone.

Legal and Regulatory Requirements

The establishment of the Enterprise Risk Management system in the corporation has been mandated by the following legislation, regulation and governance report:

Public Finance Management Act No. 1 of 1999 (as amended by Act 29 of 1999)

Section 51(1)(a)(i): "An accounting authority of a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control;"

National Treasury Regulation

Section 27.2.1: "The accounting authority must ensure that risk assessment is conducted regularly so as to identify new and emerging risks in the organization. The risk management strategy, which must include the Fraud Prevention Plan, must be used to direct internal audit effort and priority as well as determining the skill required of managers and staff to improve controls while managing risks."

King IV Report on Corporate Governance for South Africa, 2016

Principle 11: "The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives,"

Public Sector Risk Management Framework, 2010

Conceptual Context 5: "Given the strategic and operational planning frameworks prescribed by the Regulations for Public Service Institutions, risk identification and management processes within this context are informed by an analysis of the full spectrum of risk categories. In this regard, it is required from all public service managers to utilise risk management processes on a daily basis to ensure that stated objectives are achieved in terms of periods, quantity and quality (service standards)."

International Organization For Standardization

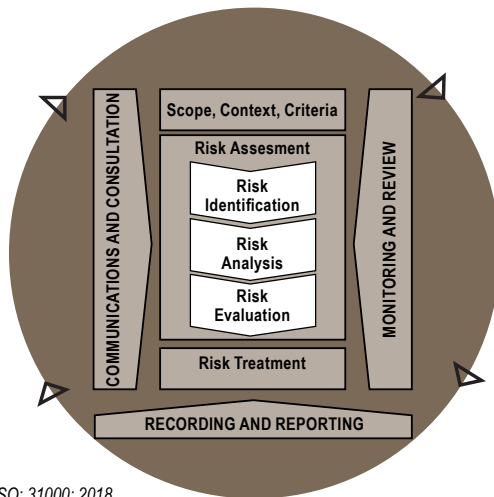
(ISO:31000: 2018) "ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). ISO states that managing risk is based on the principles, framework and process".

Enterprise Risk Management Process

The risk management process should be an integral part of management and decision-making and integrated into the structure, operations and processes of the SABC. It is applied at



strategic, operational and project levels. The risk management process adopted by the SABC based on ISO 31000: 2018 is shown by the diagram below:



Source: ISO: 31000: 2018

COMMUNICATION AND CONSULTATION

Communication seeks to promote awareness and understanding of risk, whereas consultation involves obtaining feedback and information to support decision-making. The corporation is encouraged to communicate and consult within and outside the corporation with the aim of achieving strategic and operational objectives with relevant stakeholders. Communication and Consultation should be timely, factual, relevant and accurate, taking into account confidentiality, integrity and privacy of information. The aim of communication and consultation is bring expertise together for step of risk management process including risk mitigation.

ESTABLISHING THE CONTEXT

The external and internal context is the environment in which the SABC seeks to define and achieve its objectives. The context of the risk management process is established from the understanding of the external and internal environment in which the SABC operates and should reflect the specific environment of the activity to which the risk management process is to be applied. Risk management takes place in the context of the objectives and activities of the SABC.

RISK ASSESSMENT

Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the corporation's strategic, operational and project risk. The objective of risk identification is to understand what is at risk within the context of the corporation's objectives and to generate a comprehensive risk register based on the events that might prevent, degrade, delay or enhance the achievement of the associated objectives. The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the corporation.

Risk Analysis

Risk analysis involves a detailed consideration of uncertainties, root causes, consequences, likelihood, controls and their effectiveness. An event can have multiple causes and

consequences and can affect multiple objectives. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

Risk Evaluation

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required. This can lead to a decision to:

- Do nothing further;
- Consider risk treatment options;
- Undertake further analysis to better understand the risk;
- Maintain existing controls;
- Reconsider objectives

RISK TREATMENT

Risk treatment is a risk mitigation process. It involves implementing one or more action plans. Treatment strategies for all risks need to be considered and a decision made whether to terminate, treat, transfer or tolerate the specific risk. A cost benefit analysis of risk treatment needs to take place before the documentation of risk treatment plan. Identification of risk owners, actions required and due dates to implement actions needs to be documented and the effectiveness of current controls needs to be assessed.

MONITORING AND REVIEW

Monitoring and review should take place in all stages of the process. Monitoring and review includes planning, gathering and analysing information, recording results and providing feedback. Ongoing monitoring and periodic review of the risk management process and its outcomes should be a planned part of the risk management process, with responsibilities clearly defined. Management will report on the status of risks within their division based on the review of controls and the mitigation of risks.

Risk Categorisation

The objective of the development of a risk categorisation and language for the SABC is to ensure the consistent definition and understanding of risks throughout the Corporation. The risk categorisation forms an integral part of the Enterprise Risk Management Strategy of SABC, which has the overall objective of ensuring the appropriate management of all risks faced by SABC, through appropriate risk management processes and tools. The overall risk categories are Strategic, Operational, Project, Risks. These are further defined and sub-divided as reflected below.

STRATEGIC RISKS

Strategic risks are top-level business risks that have the potential to impact delivery on short, medium and long-term strategic goals. In other words, these are risks that have the potential to impact delivery on SABC's turn-around strategy, associated with the development of SABC's key objectives and the risk that SABC's future business plans and strategies may be inadequate to prevent financial loss or protect SABC's financial position, or cause reputational damage.

GOVERNANCE RISKS

Risks relating to poor governance structures, improper leadership, unethical behaviour and or conduct in connection



Inside the SABC Outside Broadcast vehicles.

with bribery, illegal payments, discrimination, pollution, etc. that could result in fines, penalties, reputational impact or changed stakeholder risks.

SUSTAINABILITY RISKS

These are risks relating to the SABC's ability to meet the effects of changes in demographic, social economic trends, and to comply with social/environmental requirements. These risks could be impacted by stakeholder relations, community health management and the social impact of business amongst other issues. This would also include risks relating to the impact of the environment resulting from group practices, Health and Safety, corporate responsibility, etc.

STAKEHOLDER RISKS

Risks that can impact a variety of people, customers, suppliers, organisations, institutions, government, trade unions, etc., who make up internal and external stakeholders, where relations and communication surrounding risk management and not meeting stakeholder expectations. These could result in damage to the SABC's reputation if not managed properly.

CLIENTS

Risks associated with the inability to meet the changing needs of SABC clients on a sustainable basis.

PRODUCT TECHNOLOGY AND INNOVATION RISK

These risks relate to outdated and/or obsolete technology, products and the lack of ongoing innovation, preventing the SABC to stay abreast of the latest modernisation that enhances all aspects of service delivery and outreach, in an economical and efficient manner.

COMMUNICATION RISKS

Risks that result from ineffective and/or improper communication towards internal and external stakeholders on a variety of matters in a structured and timorous manner

OPERATIONAL RISKS

Operational risks are the risks that are faced in the day-to-day delivery of SABC's products and services and the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. These are risks, which inform the Corporation's business planning and budget processes.

SUPPLY CHAIN RISK

Risk of inadequate selection or engagement processes for suppliers, defaulting reinsures, and, or their suboptimal performance. This could also include internal and external fraud and collusion risks.

COMPLIANCE RISK

Failure to prevent, detect or promptly correct contraventions of applicable laws, regulatory, policies and/or other statutory provisions, as well as changes in the regulatory environment. Risk of ensuring that actions are legal and within the scope of relevant legislation and internal policies that govern the operations of the SABC.

INFORMATION TECHNOLOGY

Risks relating to information technology performance that impacts upon business performance, processes and systems. The ability to deal with technological changes and the use of technology to address changing demands, and, or business and financial enhancements. Also included are security breaches, misuse of group systems resulting in system disruption, information confidentiality and integrity of information.

LEGAL RISK

Contravention of and/or failure to prevent, detect or promptly correct contraventions of the terms and provisions of contractual agreements (e.g. common law and other statutory provisions) and related documents entered into with client, counter parties, suppliers, staff and others. The possibility that the contracts SABC enters into with its clients will not be enforceable, especially with respect to events of detail by a client/counterparty, and the failure to understand or effectively apply legal and regulatory principles and practices.

HUMAN RESOURCE RISK (PEOPLE RISK)

The risks arising from inadequate human resource practise, policies and processes, which lead to the inability and failure to attract, recruit, develop and retain competent resources/staff that perform as per expectations to achieve the Corporation's objectives. This will include risks pertaining to staff performance as well as safety and security hazards.

EXTERNAL RISK

These are risks that are not directly under SABC's control, but which may have an impact on the achievement of the SABC's strategic and operational objectives.

FINANCIAL RISKS

Financial risks are the risks associated with ensuring good financial governance within SABC and the risk of inadequate cash flow to meet financial obligations and accurately accounting for financial transactions. These are risks, which have the potential to affect the Corporation's financial viability.

MARKET/INVESTMENT RISK

Is the risk of adverse financial impact arising from changes in fair value or future cash flows of financial instruments due to

fluctuations in asset prices. Market risk also incorporates the risk of adverse financial impact due to the assets not matching the corresponding liabilities in nature, term or currency. Market risk incorporates systematic risk (market risk on all investments) and specific market risk (specific risk on each investment).

CURRENCY RISK

This is the risk of adverse financial impacts due to unexpected movements in the exchange rates.

EQUITY RISK

This is the risk of adverse financial impact due to actual market values of equities and/or income from equities deviating from their expected values.

INTEREST RATE RISK

Is the risk of adverse financial impact due to real and nominal future interest rates deviating from the expected real and nominal future interest rates.

INSURANCE RISK

The risk of financial loss because of inadequate insurance of assets and other insurance risks.

CREDIT/COUNTERPARTY RISK

The risk of adverse financial impact to the Corporation due to the failure to meet contractual debt obligations, by counterparties.

LIQUIDITY RISK

Liquidity risk is not being able to settle liability obligations, and/or, prevent, or minimise a loss, because of insufficient funds, and/or investments that are not marketable and therefore cannot be realised in the short-term. The risk of the Corporation not having sufficient cash to meet its financial obligations (e.g. claims settlement).

Fraud and Corruption related risks

Fraud and Corruption related risks should be assessed to assist the business to identify areas that may expose the business to unlawful, i.e. fraud, corruption, theft or maladministration etc.

The assessment of these risks should be in line with the SABC Anti-Fraud and Corruption Policy and Strategy to prevent any instances of fraud, corruption, theft and maladministration from taking place whether deliberate or in good faith. This function is conducted by SABC Forensics including the awareness and education.

Fraud Prevention Plan

Refer to the SABC Fraud and Corruption Strategy for the Fraud and Prevention Plan as required by National Treasury Regulation, Section 27.2.1 to be included in this ERM strategy document.

Enterprise Risk Management (ERM) – Operational Plan

Refer to Enterprise Risk Management (ERM) - Operational Plan for:

- Risk Assessment Plans and Roles,
- Review of Policy, Framework, Strategy,
- Development of new Policy, Framework, Strategy,
- Risk Education Awareness,

ANNEXURE B

Impact Metrics

Rating	Impact Level	Impact Description
5	Extreme	Disaster with potential to lead to collapse of business and is fundamental to the achievement of objectives.
4	Major	Major event which can be endured but which may have a prolonged negative impact and extensive consequences.
3	High	Severe events which can be managed but requires additional resources and management effort.
2	Moderate	Event which can be managed under normal operating conditions.
1	Negligible	Not worth worrying about because the effect is minimal

Probability Metrics

Rating	Probability Level	Measurement	Description
5	Almost certain	>81-100	Certain to happen within 1-3 month(s).
4	Likely	>61-80	Certain to happen within 3-6 months.
3	Possible	>36-60	Certain to happen within 6-9 months
2	Unlikely	>11-35	Certain to happen within 9-12 months
1	Rare	≤10	Certain to happen within 12 and above months.

Control Effectiveness Metrics

Level	Description	Factor
Very good	Controls are totally effective and efficient, totally implemented, and are operating as intended	0.100
Good	Controls are in place but there are minor deficiencies.	0.80
Satisfactory	Controls are in place but there are considerable deficiencies.	0.60
Weak	Controls are in place but there are major deficiencies	0.40
Unsatisfactory	The controls that are not adequate and effective	0.20



Annexure E

SABC Anti-Fraud and Corruption Strategy





SABC Anti-Fraud and Corruption Strategy

Introduction

The SABC adopts a culture of integrity, openness and fairness. The SABC Board of Directors, Group Executive Management, Senior Management and employees at all levels should adopt the highest standard of honesty, propriety, personal integrity and accountability and towards any fraud and corruption, theft and maladministration behaviour.

The SABC's Board of Directors, Group Executives and Senior Management should clearly articulate and communicate the contents of the Fraud and Corruption Prevention Strategy to its employees, shareholders, consultants, vendors, contractors, members of the public, agencies conducting business with the SABC, employees or any other parties with a business interest and relationship with the SABC.

The Fraud and Corruption Prevention Strategy has been developed as a result of the expressed commitment of the SABC to fight fraud and corruption.

The Fraud and Corruption Prevention Strategy is established to

clearly indicate the SABC's stance towards fraud and corruption and seeks to support the SABC's business and operational strategies, and the achievement of its public service mandate. The Strategy is based on the National Treasury Regulations Fraud Prevention Plans, the Prevention and Combating of Corrupt Activities Act, 12 of 2004 and the Public Finance and Management Act, 1 of 1999.

Purpose

The purpose of the Anti-Fraud and Corruption Prevention Strategy is to prevent any instances of fraud, corruption, theft and maladministration from taking place whether deliberate or in good faith. Where corruption of fraud is suspected this strategy provides guidance on the action to be taken. The strategy should be read in conjunction with the SABC Fraud and Corruption Prevention Policy, which contains the following:

PART A: Fraud and Corruption Prevention Plan

PART B: Fraud and Corruption Response Plan

PART C: Regulatory Framework

The SABC Policies and Procedures and relevant statutes listed below, forms an integral part of the SABC's overall strategy, including but not limited to:

- i. Basic Conditions of Employment Act, 75 of 1997;
- ii. Companies Act, 71 of 2008
- iii. Broadcasting Act, 4 of 1999;
- iv. Electronic Communication and Transmissions Act, 25 of 2002;
- v. Labour Relations Act, 66 of 1995;
- vi. Prevention and Combating of Corrupt Activities Act, 12 of 2004; and
- vii. Public Finance and Management Act, 1 of 1999.

PART A: Fraud and Corruption Prevention Plan

Purpose

The purpose of Fraud and Corruption Prevention Plan ("Plan") is to provide an overview of the SABC's approach to the prevention and detection of fraud, corruption, theft and maladministration. Sources of fraud include inter alia employees, customers, suppliers and other service providers.

This Plan recognises basic fraud, corruption, theft and maladministration prevention measures, which are in place. The Plan is dynamic and should continuously be reviewed as the SABC changes and improves in its drive to promote ethics, as well as to fight fraud, corruption, theft and maladministration.

SABC's response to mitigate any exposure to fraud, corruption, theft and corruption will focus on creating awareness and promoting ethical business conduct.



Radio 2000 behind the scenes.

Anti Fraud and Corruption Approach

The approach in controlling fraud, corruption, theft and maladministration is focused into 3 areas, namely:

- i. The Strategic approach;
- ii. The Operational approach; and
- iii. The Maintenance approach.

THE STRATEGIC APPROACH

The Strategic approach represents the actions to be undertaken in order to address fraud, corruption, theft and maladministration at the strategic level.

Responsibilities for fraud and corruption risk management

The Board, Group Chief Executive Officer (GCEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Group Executive: Risk and Governance, Chief Audit Executive and Management should:

- i. Display a positive, appropriate attitude towards compliance with laws, rules and regulations;
- ii. Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful acts;
- iii. Establish and maintain proper internal control measures to provide for the security and accountability of the SABC's resources and prevent/ reduce the opportunity for theft, fraud and corruption and other wrongful acts from occurring;
- iv. Be aware of the risks and exposures inherent in the area of responsibility; and
- v. Respond to all allegations or indications of theft, fraudulent and/or corrupt activities or any other wrongful acts;
- vi. Acting with propriety in the use of the SABC's resources and in the handling and the use of public funds whether they are involved with cash or payment systems, receipts or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies and/or any other parties with a business relationship with the SABC; and
- vii. Ensure that Management and employees take appropriate action as well as reporting details immediately via the SABC Whistle-Blowing Hotline (the "Hotline") or Head of Internal Audit or the Group Executive: Risk and Governance if they suspect or believe that evidence of irregular or improper behaviour exists or that theft, fraud and/or corrupt activities may have been committed.

ROLES AND RESPONSIBILITIES

The Board of Directors

All members of the Board are required to act in accordance with the SABC's Code of Conduct and Ethics and have a duty to deal with any incident of fraud, corruption, theft and maladministration reported or escalated to them.

Group Executive: Risk and Governance

The Group Executive: Risk and Governance has an overall responsibility for the SABC's response to fraud, corruption, theft and maladministration. It is the responsibility of Group Executive: Risk and Governance in collaboration with the Chief Audit Executive, through Forensic Audit, to oversee the action taken to investigate any complaints that are fraudulent and/or

corrupt in nature.

Chief Audit Executive

The Chief Audit Executive plays an important role in the prevention and detection of fraud, corruption, theft and maladministration. Included in their risk based plans, inter alia, are reviews of system financial control measures, specific fraud and corruption tests, spot checks, unannounced visits, and the exchange of information and fraudulent and/or corrupt activities with external agencies such as the National Intelligence Agency (NIA) and the South African Police Services (SAPS). The implementation of this policy shall compliment the overall function of Group Risk and Governance and Group Internal Audit to implement a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. Head of Internal Audit shall investigate all cases of suspected irregularities in accordance with this Plan and liaise with Group Executives to recommend changes in procedures to prevent further losses to the SABC.

All investigations into fraud, corruption, theft and maladministration activities shall be undertaken by Group Internal Audit, through Forensic Audit, which has powers that allow them access to various records and other information which may be deemed relevant. Group Internal Audit shall be empowered to source the services of service provider or persons as considered appropriate.

Group Executives, Senior Managers and Managers

Senior management should be committed in eradicating fraud, corruption, theft and maladministration and ensure that the SABC strives to be ethical in all its dealings with the public and other related parties.

The Senior Management, under the guidance of Group Executive: Risk and Governance, will ensure that it does not become complacent in dealing with fraud, corruption, theft and maladministration. It will ensure the SABC's overall fraud, and corruption strategy is reviewed and updated annually. The SABC should communicate the overall fraud and corruption strategy through various initiatives of awareness and training to the employees and stakeholders.

The day-to-day responsibility for the prevention and detection of fraudulent and/or corrupt activities rests with management. This includes the responsibility for identifying the risks to which systems, operations and procedures are exposed, establishing and maintaining adequate system control measures within their respective business units and/or divisions. Management should also ensure that employees are aware of their responsibilities towards the prevention of fraud and/or corruption and comply with the control measures in place. Management is responsible for implementing the requirements of the SABC's overall strategy for combating fraud, corruption, theft and maladministration. In support of this process, policies and procedures will be disseminated to SABC stakeholders.

It is the responsibility of management to ensure that there are mechanisms in place within their business unit (area of control) to:

- i. Assess the risk of fraud, corruption, theft and maladministration;
- ii. Assess general aspects relating to the SABC's level of security and internal controls;

- iii. Ensure appropriate segregation of duties or mitigating controls in place where segregation of duties are not possible;
- iv. Promote employees' awareness of ethical principles subscribed to by the SABC; and
- v. Educate employees about fraud and corruption prevention and detection as well as the serious consequences of fraudulent, corrupt, theft and maladministration activities.

The management shall be supported by relevant services/structures within the SABC, such as the Group Executive: Risk and Governance, Chief Audit Executive including but not limited to other Governance Committees.

It is the responsibility of management to actively support and encourage activities aimed at the detection and prevention of fraudulent, corrupt, theft and maladministration activities, and to ensure that this responsibility extends to the areas of organisational responsibility. For this purpose they should incorporate into the annual planning process, inter alia, fraud, corruption, theft and maladministration control plans, awareness programmes and training.

As soon as management suspects fraudulent, corrupt, theft and maladministration activities, they must in all instances seek advice from the Group Executive: Risk and Governance and Chief Audit Executive or report it to the Hotline before proceeding with any enquiries.

Governance, Risk and Compliance Committee

The Governance, Risk and Compliance Committee is to assist the Group Executive Committee with the overall monitoring and evaluation of fraud and corruption risks, governance and compliance for proper implementation of the SABC's Fraud and Corruption Prevention Strategy. The Governance, Risk and Compliance Committee consist of the following representatives, and will be chaired by the Group Executive: Risk and Governance:

- i. Divisional Risk Champions;
- ii. Group Risk Managers;
- iii. General Manager – Internal Audit;
- iv. General Manager – Forensics; and
- v. Head of Legal Advisory Services.

The Governance, Risk and Compliance Committee shall meet at least once a quarter to:

- i. Co-ordinate the assessment of fraud and corruption risks;
- ii. Monitor progress made in respect of implementing the fraud and corruption strategy; and
- iii. Review the fraud and corruption trends and incorporate into the awareness programmes.

Board Risk Committee

The role of the Board Risk Committee is to oversee the SABC's approach to fraud and corruption prevention and detection strategies, and its response to incidents reported by employees or other external parties.

Human Capital Services

The Human Capital Services shall provide advice to the Group Executive: Risk and Governance and the Chief Audit Executive with regard to suspensions and disciplinary proceedings. This includes all matters covered in labour laws and the SABC's policies and procedures.

Employees

Employees are governed in their work by the Personnel Rules and Regulations, as well as all SABC policies and procedures. These should be issued to the employee on commencement of employment with the SABC. Employees have the responsibility to familiarise themselves with the contents of the policies and procedures, as well as to follow the instructions issued to them by management. Employees are expected to always be aware of the possibility that fraud, corruption, theft and maladministration may exist in the workplace and be able to share their concerns with Management.

Employees should ensure that they avoid situations where there is a potential for a conflict of interest. They have a responsibility to report suspicions of fraudulent and or corrupt activities to the Hotline or the Chief Audit Executive or to the Group Executive: Risk and Governance.

Legal advisors

Legal advisors shall be contacted, where appropriate, to advise and act on relevant legal proceedings.

ASSESSMENT OF FRAUD AND CORRUPTION RISKS

The SABC, under the guidance of the Group Executive: Risk and Governance and with input from the Governance, Risk and Compliance Committee, will conduct annual fraud, and corruption risk assessments to identify potential fraud and corruption risk exposures to the SABC. This process will ensure that actions to address the identified fraud and corruption risk exposures will be implemented to reduce the exposures.

The above will be formulated into a "Fraud Risk Assessment" and which will provide an indication of how fraud and corruption risks are manifested and, a "Fraud and Corruption Risk Register" which will prioritise the fraud and corruption risks and indicate actions to mitigate these risks.

EMPLOYEE AWARENESS

The main purpose of fraud and corruption awareness campaigns (including workshops, training interventions and other awareness initiative) are to assist in the prevention, detection and reporting of fraud, corruption, theft and maladministration by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all employees will be trained on the following:

- i. Introduction to fraud and corruption trends and statistics;
- ii. Awareness of anti-fraud and corruption legislation;
- iii. The SABC's zero tolerance towards fraud, the contents of the SABC's Fraud and Corruption Prevention Policy and what the SABC is doing to reduce the occurrence of fraud and corruption in the organisation;
- iv. How to report incidents of fraud and corruption which will include how to use the Hotline
- v. Current developments in fraud and corruption schemes;
- vi. Red flags to identify fraud and corruption; and
- vii. The penalties for non-compliance with prevailing legislation.

THE OPERATIONAL APPROACH

Internal controls

Internal controls are the first line of defence against fraud, corruption, theft and maladministration. Whilst internal controls may not fully protect the SABC against fraud and corruption, they are essential elements in the overall fraud and corruption prevention strategy.

All areas of operations require internal controls, for example:

- i. Physical controls (securing of assets);
- ii. Restricted access controls (systems password controls)
- iii. Authorisation controls (approval of expenditure);
- iv. Supervisory controls (supervising day-to-day issues);
- v. Segregation of duties;
- vi. Analysis of data;
- vii. Monthly and annual financial statements; and
- viii. Monthly reconciliation of bank statements.

Group Internal Audit is responsible for implementing a risk-based internal audit program, in line with the Risk and Control Matrix, which will incorporate steps to evaluate adherence to internal controls.

PREVENTION STRATEGIES

A number of combined initiatives result in an overall preventative environment in respect of fraud and corruption. These include the following:

Employee Awareness

As per section 2.1.3 above.

CONDUCTING FRAUD AND CORRUPTION SURVEYS

The SABC will from time to time consider conducting perception surveys amongst the staff to determine the employees' views on the prevalence of fraud and corruption in the organisation and their views on the effectiveness of the fraud and corruption prevention mechanisms in place.

PRE-EMPLOYMENT AND DURING EMPLOYMENT SCREENING

Consensual pre-employment screening will be carried out for all appointments, and evidence of such screening will be maintained by Human Capital Services. Consideration should be given to the following pre-employment screening:

- i. Verification of identity;
- ii. Criminal history;
- iii. Reference checks with the two most recent employers – this will normally require telephone contact;
- iv. Credit reference checks;
- v. National Intelligence Agency (NIA) clearance for Executives;
- vi. A consideration of any gaps in employment history and the reasons for those gaps; and
- vii. Verification of formal qualifications claimed.

The SABC's policy of pre-employment screening will cover all new and promoted employees including those with administrative responsibilities or computer access. The screening will be performed by a person / people nominated by the Human Capital Services in conjunction with the Group Executive: Risk and Governance to ensure that screening is consistent and appropriately resourced throughout all departments. Screening will be conducted in accordance with the classification of the employee or the levels of screening outlined below.

Where an employee is promoted into a management position and has not been screened during the course of the previous three years, the applicant will be re-screened. The levels of screening include:

Level 1 – All employees (including those with administrative functions or computer access)

- i. Verification of educational qualifications;

- ii. Declaration of any financial interests in any entities outside the SABC; and
- iii. Criminal history checks (after authorisation has been obtained from the prospective employee).

Level 2 – All cost centre owners, IT and finance staff

- i. All Level 1 checks; and
- ii. Credit reference check.

RECRUITMENT PROCEDURES

Recruitment will be conducted in accordance with the requisite recruitment procedure. It will be a transparent process and all appointments will be confirmed only after due recommendation. Any person, involved in any decision-making during the recruitment process, who may have a conflict of interest, must declare such a conflict in writing to the Human Capital Services and withdraw from any further procedures.

RISK BASED INTERNAL AUDIT PLAN

A robust risk-based internal audit plan, which focuses on the prevalent high fraud and corruption risks, serves as an effective preventative measure. The internal audit department will compile such a plan on an annual basis, and such a plan will also include "surprise audits".

FRAUD AND CORRUPTION PREVENTION PLAN

The actions set out in this plan are all focused at mitigating the risk of fraud and corruption in the SABC.

DISCLOSURE OF INTERESTS

The SABC employees are required to disclose their business interests on an annual basis, as required by the Conflict of Interest Policy. A conflict of interest register will be kept by the Company Secretary.

MAINTAINING A GIFT REGISTER AND GIFT POLICY

The SABC's Gift Declaration Policy covers the following key issues:

- i. An employee may not abuse his/her position to obtain private gifts or benefits;
- ii. An employee may not accept any gift or benefit under circumstances that can be construed as a bribe;
- iii. An employee who is aware of family members and/or friends, receiving gifts must declare it in the gift register. The Gift Declaration Policy specifies the value of gifts that must be declared;
- iv. Where and to whom to declare the gift; and
- v. Action will be taken if an employee accepted a gift and failed to declare it.

A gift register is maintained and all gifts received by an employee and his/her family members/friends should be entered in this register. The Company Secretary should review the register annually.

Where gifts of a significant value are offered to an employee or where the circumstances of receiving the gift can be construed as a bribe or may influence the employee in the manner in which he performs his duties or makes decisions, then the employee must be informed not to accept the gift or to return it.

Where necessary, the SABC will investigate the circumstances and reasons for the offering of the gift.

The gift register is kept in a secure and safe place.

The SABC will regularly remind employees to declare all gifts received.

DETECTION STRATEGIES

Detection of fraud and corruption may occur through:

- i. Vigilance on the part of employees, including line management;
- ii. The Internal Audit function;
- iii. External audits
- iv. Ad hoc management reviews;
- v. Anonymous reports; and
- vi. The application of detection techniques (manual or electronic).

The Group Executive: Risk and Governance will be responsible for developing detection strategies, and will work closely with line management and the Group Internal Audit function for this purpose.

INTERNAL AUDIT

Similar to the prevention strategies, a robust risk-based Internal Audit plan which focuses on the prevalent high fraud and corruption risks also serves as an effective detection measure. As part of the detection strategy, the Internal Audit plan will cover the following:

- i. Surprise audits: Ad-hoc audits conducted on specific business processes throughout the year;
- ii. Post-transaction reviews: A review of transactions after they have been processed and completed can be effective in identifying fraudulent or corrupt activity. In addition to the possibility of detecting fraudulent transactions, such a strategy can also have a significant fraud prevention effect as the threat of detection may be enough to deter a staff member who would otherwise be motivated to engage in fraud and corruption;
- iii. Forensic data analysis: The SABC's computer system is an important source of information on fraudulent and sometimes corrupt conduct. Software applications will be used during internal audits, surprise audits and post-transaction reviews to assist in detecting any possible fraud and corruption; and
- iv. Management accounting reporting review: Using relatively straightforward techniques in analysing the SABC's management accounting reports, trends can be examined and investigated which may be indicative of fraudulent conduct. Some examples of the types of management accounting reports that can be utilised on a compare and contrast basis are:
 - a. Budget reports for each business unit / section; and
 - b. Reports highlighting unusual trends in bad or doubtful debts.

EXTERNAL AUDIT

The SABC recognises that the external audit function is an important control in the detection of fraud. The Chief Financial Officer will need to hold discussions with all engaged external auditors to ensure that due consideration is given, by the auditors, to ISA 240 "The Auditors' Responsibility to Consider Fraud in the Audit of a Financial Statement".

The Response Strategies

REPORTING FRAUD AND CORRUPTION – a Whistle Blowing Policy

One of the key obstacles to fighting fraud, corruption, theft and maladministration is the fear by employees of being intimidated to identify or "blow the whistle" on fraudulent, corrupt or unethical practices witnessed in the work place.

Those who often do "blow the whistle" end up being victimised and intimidated. For this reason, the SABC adopted a Whistle Blowing Policy setting out the detailed procedure which must be followed in order to report any incidents of fraud, corruption, theft and maladministration.

Any suspicion of fraud, corruption, theft and maladministration will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such issues should be reported in terms of a Whistle Blowing Policy.

INVESTIGATING FRAUD AND CORRUPTION

Dealing with suspected fraud and corruption through investigations

In the event that fraud or corruption is detected or suspected, investigations will be initiated, and if warranted, disciplinary proceedings, prosecution or action aimed at the recovery of losses will be initiated.

Disciplinary proceedings

All disciplinary proceedings should take place in accordance with the procedures as set out in the disciplinary code.

Prosecution

Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the SABC will review the facts at hand to determine whether the matter is one that ought to be reported to the relevant law enforcement agency for investigation and possible prosecution. Such reports will be submitted by the Chief Audit Executive, to the South African Police Service or other appropriate law enforcement agency in accordance with the requirements of all applicable acts. The SABC will give its full co-operation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

Recovery action

Where there is clear evidence of fraud or corruption and there has been a financial loss to the SABC, recovery action, criminal, civil or administrative, will be instituted to recover any such losses.

In respect of civil recoveries, costs involved will be determined to ensure that the cost of recovery is financially beneficial.

Internal control review after discovery of fraud

In each instance where fraud is detected, the business unit / Divisional Manager together with Internal Audit and Group Risk and Governance, should reassess the adequacy of the current internal control environment (particularly those controls directly impacting on the fraud / corruption incident) to consider the need for improvements. The responsibility for ensuring that the internal control environment is re-assessed and for ensuring that the recommendations arising out of this assessment are implemented will lie with the business unit / Divisional Manager.

THE MAINTENANCE APPROACH

Review of the Effectiveness of the Fraud and Corruption Prevention Strategies

The SABC should conduct a review of the fraud and corruption strategy and prevention plan annually to determine the effectiveness thereof. The Group Executive: Risk and Governance responsible for this review.

Review and Updating of the Fraud and Corruption Prevention Strategies

A central part of any fraud, corruption, theft and

maladministration control programme should involve an ongoing review of fraud and corruption risk exposures. Fraud and corruption risk assessments will also be conducted annually at the same time as the review of the fraud and corruption strategy and prevention plan.

PART B: Fraud and Corruption Response Plan

Introduction

The aim of the Fraud and Corruption Response Plan is to clearly indicate to each SABC employee or third party the process to follow once the suspicion of fraud, corruption, theft and maladministration becomes known. It also provides guidance to the individual to whom the report of possible fraud, corruption, theft and maladministration is made.

When Fraud is Suspected

IF AN EMPLOYEE SUSPECTS FRAUD OR CORRUPTION

Any employee who suspects or becomes aware of any irregularity is encouraged to report his/her suspicion directly to either:

- i. The SABC Whistle-Blowing Hotline;
- ii. Chief Audit Executive; or
- iii. Group Executive: Risk and Governance.

Employees are encouraged not to discuss the suspected irregularity with colleagues as this might prejudice the success of the investigation.

Employees should not approach or confront the suspected individual/s and should also not endeavour to locate or remove records and documents relevant to the suspicion.

IF A SUPPLIER OR OTHER THIRD PARTY SUSPECTS FRAUD OR CORRUPTION

Any supplier or other external party who suspects or becomes aware of any irregularity is encouraged to report his/her suspicion directly to either:

- i. The SABC Whistle-Blowing Hotline;
- ii. Head of Internal Audit; or
- iii. Group Executive: Risk and Governance.

For the purposes of enabling such reporting, the SABC has implemented an anonymous hotline reporting service.

Persons are encouraged not to discuss the suspected irregularity with any other person as this may prejudice the outcome of the investigation.

Process to be Followed if Allegation of Fraud and Corruption is Reported to:

THE SUPERVISOR OR ANY OTHER MANAGEMENT MEMBER

Any disclosure of fraudulent, corrupt, theft and maladministration activities made by an employee would generally be a protected disclosure provided that such disclosure is made:

In good faith and without any improper motives

- i. To a legal practitioner or to a person whose occupation involves the giving of legal advice
- ii. To the SABC in accordance with the prescribed procedure or procedure authorised by the SABC

- iii. To a body or body of persons prescribed by the SABC.

Great care need to be taken when conducting investigations of suspected fraudulent and/or corrupt activities which fall within the definition as included in the Fraud and Corruption Prevention Policy, so as to avoid unsubstantiated accusations or alerting individuals against whom an allegation has been levelled that the matter has been raised and an investigation is underway.

The supervisor of the informant or any other management member that became aware of the allegations of fraud, corruption, theft and maladministration is required to report the matters to the Chief Audit Executive within 48 hours of his or her acquiring knowledge of the matter or in cases where this is not practicable, as soon as possible. Forensic Audit shall conduct a preliminary investigation into the complaint, to determine the legitimacy of the complaint. Should the complaint found to be legitimate, Forensic Audit should report back to the Chief Audit Executive to decide on further action.

THROUGH THE SABC WHISTLE-BLOWING HOTLINE

Once a suspicion has been reported through the hotline, the hotline administrator will inform the Group Executive Risk and Governance and the Chief Audit Executive. Forensic Audit will perform a preliminary investigation into the complaint.

Confidentiality concerning the informant/s and information shall be maintained at all stages.

Procedures for Investigations

Suspected fraudulent, corrupt, theft and maladministration activities should be investigated in an independent, open-minded and professional manner with the aim of protecting the interest of both the SABC and the suspected individual. The investigation process shall vary according to the circumstances of each case and this shall be determined by the Chief Audit Executive in consultation with the Group Executive: Risk and Governance.

The investigation process shall involve the use of authority or delegated powers to:

- i. Screen allegations or information to gauge their credibility
- ii. Secure all evidence;
- iii. Interview suspects;
- iv. Interview witnesses;
- v. Take statements; and
- vi. Liaise with departments or other agencies (Including the relevant SAPS and/or NIA or other appointed persons).

The Chief Audit Executive shall appoint an investigating team which shall normally comprise staff from within Forensic Audit, but may be supplemented with other resources from within the SABC or from outside. Where the initial investigation reveals that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision shall be taken by the Chief Audit Executive in consultation with the Group Executive: Risk and Governance.

The Chief Audit Executive shall keep the Group Executive: Risk and Governance, and the Head of Legal informed of the progress of the investigation and any further developments. On completion of the investigation, the Chief Audit Executive shall prepare a full written report setting out:

- i. Background as to how the investigation came about;
- ii. What action was taken in response to the allegation;
- iii. The facts that came to light and the evidence in support;

- iv. Action taken against any party where the allegations were proved;
- v. Action taken to recover any losses; and
- vi. Recommendations and/or action taken by management to reduce further exposure and to minimize or eradicate any recurrence (in both instances where allegations were proved or not).

A copy of the above report shall be submitted to the Board Audit and Risk Committee. In order to provide a deterrent to other staff members, a brief and anonymous summary of the circumstances shall be intrepidly published.

The Chief Audit Executive will report all suspected fraud and corrupt activities to the South African Police Services, and any other law enforcement agencies as is deemed necessary.

Disciplinary Process

DISCIPLINARY PROCESS FOR EMPLOYEES

The Chief Audit Executive in consultation with the Group Executive Human Capital Services and the Head of Legal shall ensure that appropriate documentation or facts have been achieved in order to permit:

- i. Appropriate disciplinary action;
- ii. Protection of innocent persons;
- iii. Support of appropriate civil and/or criminal action;
- iv. Preservation of the integrity of any criminal investigation and prosecution; and/or
- v. Avoidance of any unnecessary litigation

All persons concerned must co-operate fully with SAPS and NIA including reporting to such agencies and support of prosecution where necessary.

All disciplinary action should be in accordance with the Disciplinary Code of Conduct and Grievance Procedures.

DISCIPLINARY PROCESS FOR MEMBERS OF THE BOARD

In the event that any member of the Board is required to attend disciplinary action to answer to allegations of fraud, corrupt, theft and maladministration activities, a disciplinary panel shall be convened.

All disciplinary action should be in accordance with the Disciplinary Code of Conduct and Grievance Procedures.

Initiation for a Recovery Action

The SABC shall take appropriate steps, including legal action to recover any losses from fraudulent, corrupt, theft and maladministration activities or any other wrongful act. This may include action against third parties involved in fraudulent and/or corrupt activities or any other wrongful act, or whose negligent actions contributed to such acts.

The Chief Audit Executive, in consultation with the Head of Legal and Group Executive Risk and Governance, shall make recommendations to the Board as to the procedures to be adopted in the event that the SABC seeks compensation for all losses incurred by:

- i. Obtaining compensation orders in criminal cases;
- ii. Taking civil proceedings in order to obtain a judgment;
- iii. Making deductions from superannuation contributions;
- iv. Making arrangements for voluntary payments;

- v. Considering any insurance claim; and / or
- vi. Considering any other lawful means of recovery.

Where it is considered appropriate that the matter not be reported to the police, the SABC reserves its right to pursue a range of other remedies including appropriate disciplinary action. Any disciplinary action pursued will be done in accordance with the disciplinary procedures.

Exit interviews and exit checklist procedures will be performed in the event of dismissal from the SABC for misconduct or fraud. This is necessary to ensure that factors contributing to misconduct and fraudulent activity by employees can be managed as a process to mitigate fraud and corruption risk.

Liaison with the National Intelligence Agency and/or South African Police Services

Any decision to refer a matter to the Security State Agency (SSA) and/or the South African Police Services (SAPS) shall be taken by the Chief Audit Executive in consultation with the Group Chief Executive Officer and the Group Executive: Risk and Governance.

All employees shall co-operate fully with the SSA and/or SAPS. Any internal investigation or disciplinary process may be conducted in conjunction with any SSA and/or SAPS investigation.

Fraud or corruption involving any SABC employee, including a Member of the Board, shall be referred to criminal prosecution in every case.

Members of the public, consultants, vendors, contractors, outside agencies conducting business with the SABC employees and/or any other parties with a business relationship with the SABC who defraud the SABC shall be referred for criminal prosecution.

Any decision not to refer an allegation of fraud or corruption to the police for investigation (where there is sufficient evidence to justify making such a report) will be referred to the Board Audit Committee and the Board Risk Committee, together with the reasons for the decision.

Responsibility for complainant statements lodged with SAPS will be assigned on a case by case basis by Group Internal Audit in consultation with the investigator.

Documentation of the Results of the Investigation

The appointed investigator is to submit a written report to the Chief Audit Executive detailing the circumstances, findings and recommending appropriate remedial action following the investigation.

Other Matters

The Group Executive: Risk and Governance, in conjunction with the Chief Audit Executive, will provide the details of fraud, corruption, theft and maladministration or possible fraud and/or corruption to the Board Audit Committee and the Board Risk Committee.

In each instance where fraud, corruption, theft and maladministration is detected, the SABC shall reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud and corruption incident) and consider the need for improvements. Where improvements are required, they should be implemented as soon as practicable.

PART C: Regulatory Framework

Summary of Statutory Offences Relating to Dishonesty

PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT, 12 OF 2004

The Prevention and Combating of Corrupt Activities Act (generally referred to as "PRECCA") is aimed at the strengthening of measures to prevent and combat corrupt activities.

The Act refers to a wide range of offences relating to corrupt activities. In addition to specific offences, the Act also provides for the following:

- i. The provision of investigative resources;
- ii. The establishment of a register relating to persons convicted of corrupt activities;
- iii. Placing a duty on persons in a "position of authority" to report certain corrupt transactions; and
- iv. Extra territorial jurisdiction in respect of offences relating to corrupt activities.

As far as offences are concerned, the Act defines a general offence of corruption. In addition to the general offence, certain specific offences are defined relating to specific persons or specific corrupt activities.

The offences defined by the Act relate to the giving or receiving of a "gratification". The term gratification is defined in the Act and includes a wide variety of tangible and intangible benefits such as money, gifts, status, employment, release of obligations, granting of rights or privileges and the granting of any valuable consideration such as discounts etc.

The general offence of corruption is contained in Section 3 of the Act. This section provides that any person who gives or accepts or agrees or offers to accept/receive any gratification from another person in order to influence such other person in a manner that amounts to:

- i. The illegal or unauthorised performance of such other person's powers, duties or functions;
- ii. An abuse of authority, a breach of trust, or the violation of a legal duty or a set of rules;
- iii. The achievement of an unjustified result; or
- iv. Any other unauthorised or improper inducement to do or not to do anything is guilty of the offence of corruption.

The Act defines specific offences relating to the following categories of persons:

- i. Public Officers;
- ii. Foreign Public Officials;
- iii. Agents;
- iv. Members of Legislative Authorities;
- v. Judicial Officers; and
- vi. Members of the Prosecuting Authority.

The Act furthermore defines specific offences in respect of corrupt activities relating to the following specific matters:

- i. Witnesses and evidential material in certain proceedings;

- ii. Contracts;
- iii. Procuring and withdrawal of tenders;
- iv. Auctions;
- v. Sporting events; and
- vi. Gambling games or games of chance.

Section 34 of the Act places a duty on any person in a position of authority to report a suspicion of certain corrupt or illegal activities to a police official. These include certain offences of corruption created under the Act as well as fraud, theft, extortion and forgery where the amount involved exceeds R100 000. Failure to report such suspicion constitutes an offence.

"Position of authority" is defined in the Act and includes a wide range of persons in authority in both public and private entities.

Offences under the Act are subject to penalties including imprisonment for life and fines of up to R250 000. In addition, a fine amounting to five times the value of the gratification involved in the offence may be imposed.

Section 17 of the Act provides that a public officer who acquires or holds a private interest in any contract, agreement or investment connected with the public body in which he/she is employed, is guilty of an offence unless:

The interest consists of shareholding in a listed company;

The public officer's conditions of employment do not prohibit him/her from acquiring such interests; or

In the case of a tender process, the said officer's conditions of employment do not prohibit him/her from acquiring such interests as long as the interests are acquired through an independent tender process.

PREVENTION OF ORGANISED CRIME ACT, 121 OF 1998 (POCA)

The Prevention of Organised Crime Act, as amended, (generally referred to as "POCA") contains provisions that are aimed at achieving the following objectives:

- i. The combating of organised crime, money laundering and criminal gang activities;
- ii. The criminalisation of conduct referred to as "racketeering";
- iii. The provision of mechanisms for the confiscation and forfeiture of the proceeds of crime;
- iv. The creation of mechanisms for the National Director of Public Prosecutions to obtain certain information required for purposes of an investigation; and
- v. The creation of mechanisms for co-operation between investigators and the South African Revenue Services (SARS).

Section 4 of the Act defines the "general" offence of money laundering and provides that a person who knows, or ought reasonably to have known, that property is, or forms part of the proceeds of unlawful activities, commits an offence if he commits an act in connection with that property which has the effect or is likely to have the effect of concealing the nature and source thereof.

Section 5 of the Act creates an offence if a person knows or ought reasonably to have known that another person has obtained the proceeds of unlawful activities and provides assistance to such other person regarding the use or retention of such property.

Section 6 of the Act creates an offence if a person knows or

ought reasonably to have known that property is or forms part of the proceeds of unlawful activities and acquires, uses or possesses such property.

The above offences are regarded as very serious and the Act contains exceptionally harsh penalties relating to these offences. A person convicted of one of the above offences is liable to a maximum fine of R100m or to imprisonment for a period not exceeding 30 years.

Statutes Combating Fraud and Corruption

PROTECTED DISCLOSURES ACT, 26 OF 2000

The Protected Disclosures Act was promulgated to facilitate reporting by employees (whistle Blowing) of fraud, corruption or other unlawful or irregular actions by their employer(s) or co-employees without fear of any discrimination or reprisal by their employers or co-employees.

Any employee who has information of fraud, corruption or other unlawful or irregular action(s) by his/her employer(s) or co-employees can report such actions, provided that he/she has information that:

- i. A crime has been, is being, or is likely to be committed by the employer or employee(s);
- ii. The employer or employees has/have failed to comply with an obligation imposed by law;
- iii. A miscarriage of justice has or will likely occur because of the employer's or employee(s) actions;
- iv. The health or safety of an individual has been, is being, or is likely to be endangered;
- v. The environment has been, is being or is likely to be endangered;
- vi. Unfair discrimination has been or is being practiced;
- vii. Any of the above has been, is being, or is likely to be concealed.

The Act prohibits the employer from:

- i. Dismissing, suspending, demoting, harassing or intimidating the employee;
- ii. Subjecting the employee to disciplinary action;
- iii. Transferring the employee against his or her will;
- iv. Refusing due transfer or promotion;
- v. Altering the employment conditions of the employee unilaterally;
- vi. Refusing the employee a reference or providing him/her with an adverse reference;
- vii. Denying appointment;
- viii. Threatening the employee with any of the above; or
- ix. Otherwise affecting the employee negatively if the disclosure is made in terms of the Act.

APPENDIX A – FRAUD AND CORRUPTION PREVENTION POLICY DEFINITIONS

TERMINOLOGY	DEFINITION
Assurance	Assurance relates to the likelihood that planned objectives will be achieved within an acceptable degree of residual risk.
Agent	Means any authorised representative who acts on behalf of the SABC and includes but not limited to director, group executive and employee.

Board	Means the Board of Directors of the SABC.
Chief Audit Executive	A senior official within the organisation responsible for Internal Audit activities (where internal audit activities are sourced from external service contract and the overall quality of the service provided).
Group Executive: Legal, Governance and Regulatory	A senior official who is the head of the risk management unit responsible for advising on, formulating, overseeing and managing all aspects of an organisation's risk management system.
Disclosure	Means any disclosure of information regarding the conduct of the SABC, its Members of the Board of Directors, or the SABC Employees at all levels.
Employee	Means a person holding a fixed post and who receives remuneration from the SABC; or employed temporarily for a fixed period or under a special contract whether in a full-time or part-time capacity. Additional to the corporation or in a vacant post on the corporation, assisting in carrying out or in conducting the business of the SABC.
Hotline	SABC Whistle-Blowing Hotline.
Members of the Board of Directors	Means a person appointed in such capacity by the President of the Republic in terms of the Broadcasting Act.
Minister	Means Minister of Communications and Digital Technologies.
Misconduct	Misconduct is a legal term meaning a wrongful, improper, or unlawful conduct motivated by premeditated or intentional purpose or by obstinate indifference to the consequences of one's acts.
SSA	Means the State Security Agency.
SABC and Corporation	Means the South African Broadcasting Corporation Limited.
SAPS	Means the South African Police Services.
Organisation	A group of people and facilities with an arrangement of responsibilities, authorities and relationships working together to achieve objectives.
Note 1:	This includes the entity, its governing body, structures, processes and systems.
Organisational objectives	The long- term results, with appropriate key performance indicators, set by the organisation.
Risk Management	Set of elements of an organisation's management structures that that are directed towards realizing potential opportunities whilst managing adverse effects. Note 1: Management system elements can include strategic planning, decision making and other processes for dealing with risks. Note 2: The culture of an organisation is reflected in its risk management system.
Stakeholder/ shareholder	Any individual, group or organisation that can affect, be affected by or perceive itself to be effected by, a risk. Note 1: The decision-maker is also a stakeholder.

Preamble

Whereas in terms of section 54(2) of the PFMA before a public entity conclude certain listed significant transactions, the accounting authority of that public entity must inform the relevant treasury and apply to the executive authority for approval of that transaction.

Therefore, the parties hereby agree to set out the guidelines for the treatment of material and significant transactions and to determine significance levels for the South African Broadcasting Corporation in terms of Section 54(2) as well as materiality levels as they relate to material losses in terms of

Annexure F

Significance and Materiality Framework
2021/2022 between the Department of
Communications and Digital Technologies
and the South African Broadcasting
Corporation



Significance

and Materiality Framework 2021/2022

section 55(2) of the PFMA.

Definitions and Interpretations

"Corporate plan" shall mean a corporate plan submitted annually in terms of section 52 of the PFMA

"DOC" shall mean The Department of Communications

"Executive Authority" shall mean the Minister of Communications

"Accounting Authority" shall mean the board of directors of the South African Broadcasting Corporation

"PFMA" shall mean Public Finance Management Act No 1 of 1999

"TR" shall mean Treasury Regulations issued in terms of the PFMA

Purpose

The purpose of this framework is to:

Set out guidelines for significant transactions in terms of section 54(2) of the PFMA that the SABC has to seek for approval from the Minister of Communications as outlined in Table A.

1. Outlining a process to be followed and information needed to be submitted in support of an application in terms of section 54(2) of the PFMA; and
2. Setting significance and materiality levels for transactions for the purposes of section 54(2) of the PFMA.

Set out materiality levels for losses for purposes of section 55(2) of the PFMA.

Background

Section 54(2) of the PFMA states that: "before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transactions:

- (a) Establishment or participation in the establishment of a company;
- (b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
- (c) Acquisition or disposal of a significant shareholding in a company;
- (d) Acquisition or disposal of a significant asset;
- (e) Commencement or cessation of a significant business activity; and
- (f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated partnership, trust, unincorporated joint venture or similar arrangement.

Section 55 of the Public Finance Management Act (PFMA), 1 of 1999, requires the accounting authority of a public entity to submit to the executive authority responsible for that public

entity:

- (i) an annual report on the activities of that public entity during the financial year;
- (ii) the financial statements for that financial year after the statements have been audited; and
- (iii) The report of the auditors on those statements.

Paragraph 27.1.10 of the Treasury Regulations (TR) states that the audit committee of a public entity must:

1. report and make recommendations to the accounting authority;
2. report on the effectiveness of internal controls in the annual report of the entity; and
3. comment on its evaluation of the financial statements in the annual report.

In addition, TR paragraph 27.1.12 requires the audit committee to communicate any concerns it deems necessary to the executive authority and the auditors.

The executive authority may, based on the above information, decide to conduct further investigations into the activities of the public entity. It is therefore important that all reports include all material financial as well as non-financial information.

TR paragraph 28.3 states that the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority. Although this paragraph makes reference to sections within the PFMA that specifically compels entities to report on certain material transactions and / or events, the framework should not be limited to these transactions and / or events.

The material and / or significant information specifically mentioned in the PFMA and TR is included below:

S55 (2) (b) (i) of the PFMA: "The annual report and financial statements referred to in subsection (1) (d) must –

(a) Include particulars of –

- (i) Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;

TR 28.2.1: "Any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the public entity.

TR 29.1.1(f): The corporate plan must cover a period of three years and must include –

- (f) a materiality/significance framework, referred to in Treasury Regulation 28.3.1"

General Obligations of the Parties

The parties agree that:

1. SABC shall follow the procedures as set out in this framework in making an application for approval for significant transactions.
2. For the purpose of the guidelines and transactions listed in the table below, qualitative and quantitative guidelines may

either be applied concurrently or separately as the context requires.

3. In so far as the quantitative guidelines relating to the total assets, total revenue and profit after tax are concerned, as the case may be, where rand values are used, these may be adjusted annually in accordance with the information contained in the latest annual financial statements.

Procedure for Notification or Application for Approval

PHASE ONE: PRE-NOTIFICATION

1. In so far as significant transactions are covered in the corporate plan that will serve as pre-notification for an in-principle approval, provided that all the information required in terms of 6.1.3 is fully set out in the corporate plan.
2. In so far as the significant transactions are not covered in the corporate plan, SABC shall notify the Minister of Communications by a letter seeking as in-principle approval.
3. The letter shall contain the following information:
 - 3.1. SABC's objectives on wanting to pursue the transaction and its relation to the core business of the entity.
 - 3.2. The anticipated transaction process, phases, milestones and timelines.
 - 3.3. The profile of interested parties, sellers, purchasers and information regarding any unsolicited expression of interest received (where applicable).
 - 3.4. The impact of the transaction on the SABC and Government.
4. The DOC shall consider the application for in-principle approval and advise the SABC in writing whether or not the in-principle approval has been granted within 30 days.

PHASE TWO: FINAL APPLICATION FOR APPROVAL:

1. SABC shall upon finalising the significant transaction's details and structure apply to the Executive Authority in writing for approval of the transaction.
2. The application shall include a certified board resolution and such information pack containing the materials on which the Board based its resolution. The company secretary or duly delegated official shall sign the extracts on behalf of the Board.
3. The Department Of Communications shall then determine whether SABC's Board has considered the following:
 - 3.1. Compliance with applicable laws.
 - 3.2. Financial viability (i.e. cash flow analysis; estimates of future revenue; investment analysis vs. investment framework; fair value of the transaction).
 - 3.3. Risks pertaining to the proposed transaction and strategies to mitigate those risks.
 - 3.4. SABC shall attach the Board resolutions to the final application and submit these directly to the National Treasury.
 - 3.5. The DOC shall on receipt of the application for final approval consider the following:
 - 3.5.1 Whether the Board has complied with the list

of considerations outlined above, as well as an applicable legislation in respect of each transaction.

- 3.5.2 Whether, on the basis of the information received, the transactions are financially viable or whether SABC will achieve fair value through the specified transaction.
- 3.5.3 All material liabilities (actual or contingent) and risks resulting from the transactions.
- 3.5.4 Industry and /or sector impact and considerations; and
- 3.5.5 Whether the Board has established strategies and / or measures to mitigate any risk identified in the transaction.
- 3.6. The DOC shall use its best endeavours to process the application timeously, within 30 days of receipt as specified in section 54(3) of the PFMA and advise SABC if the transaction cannot be processed within this time-period.
- 3.7. Should the DOC require further information from SABC in order to process and finalise the application, the 30-day period shall be extended by such period as it takes for the DOC to receive the information.
- 3.8. The DOC shall advise SABC in writing whether the application has been approved or not approved.
- 3.9. Should approval not be granted, the DOC shall furnish reasons in writing for not approving the transaction.

PHASE THREE: POST APPLICATION PRINCIPLES

1. SABC shall report on a quarterly basis on the progress made in executing the transaction and the fulfilment of any conditions that were part of the approval.
2. Should the transaction not be concluded within 12 months of approval, SABC should provide the DOC with a report detailing the reasons thereof.
3. Should SABC make an application or submit reports to the regulatory authorities, it will furnish a copy of such to DOC for information purposes.

Materiality

1. The SABC has adopted International Financial Reporting Standards (IFRS) as a recognized reporting framework. Materiality in the context of IFRS is similar to Generally Recognised Accounting Practice (GRAP) (applied in terms of public sector reporting) on the Presentation of Financial Statements states that information is material if its non-disclosure could influence the decision-making and evaluations of users about the allocation and stewardship of resources, and the performance of the entity, made on the basis of the financial statements. A misstatement or omission is material if it could also influence the decisions or assessments of users.
2. Assessing materiality depends on the size and nature of the omission or misstatement judged in the particular circumstances. In addition, the characteristics of the users of the information must be considered. Users are assumed to have a reasonable knowledge of accounting, the business and economic activities of the entity and possess a willingness to study the information with reasonable diligence. The assessment should therefore take into

account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Factors Considered in Determining the Materiality Levels

NATURE OF THE COMPANY'S BUSINESS

1. The nature of the SABC's business may have an impact on the framework. The company should be guided by its public accountability and the sensitivity of its account, activities and functions regarding matters of public interest.
2. The materiality framework also impacts on the information reported to its Executive Authority because the reported information influences the decisions and actions taken by the executive authority.

STATUTORY REQUIREMENTS

The framework could be influenced by considerations such as the legal and regularity requirements. The SABC should therefore consider all the appropriate laws and regulations when developing the framework.

RISK ASSOCIATED WITH THE COMPANY'S BUSINESS

There is an inverse relationship between materiality and the level of risk. The lower the risk the higher the materiality level, and vice versa. The SABC needs to take into account various risks when developing a materiality framework. This could include:

Risk	Explanation
Operational risk	The risk arising from the day to day operational activities which may result in a direct or indirect loss
Liquidity risk	The inability of the SABC to meet obligations when they are due
Credit risk	The risk that a borrower or debtor fails to meet when the obligation is due
Human resources risk	The risk that adequate quantities of appropriate qualified and skilled staff and resources are not available within the SABC
Legal and documentation risk	The risk that a transaction or contract could not be consummated because of some legal barrier
Regulatory and compliance risk	The risk of incurring penalties or restrictions as a result of non-compliance with legal requirements
Information risk	The risk that confidentiality will be breached or the unavailability of information when required
Insurance risk	The risk that the SABC is not adequately insured against losses or claims
Technology risk	The risk that systems are not adequately monitored, accounted for or serviced to deliver a service
Reputational risk	The risk of damaging the SABC's image

QUANTITATIVE AND QUALITATIVE FACTORS

1. When setting the framework the SABC should take both quantitative (amount) and qualitative (nature) factors into consideration.

2. Quantitative factors relates to the size of the company or the value of an item vis-a-vis the value of the financial statements. The two aspects that should be considered when determining the materiality figure is the amount of the item in relation to the financial information and second, the special characteristics of the item.

3. As a guide the rand amount (before any qualitative adjustments) may be calculated as follows:

Element	% range to be applied against Rand value in AFS	SABC Rand value applied per 2017/18 AFS (rounded) - Unaudited
Total assets	1% - 2%	R62m ⇌ R124m
Total revenue	0.5% - 1%	R28m ⇌ R57m
Surplus / Deficit	2% - 5%	R10m ⇌ R26m

4. From the SABC's perspective, quantitative materiality is set at R60m.

5. Notwithstanding the qualitative materiality amount above, the Board has assessed the materiality amounts to be

- Every amount in respect of criminal conduct
- R60m and above of irregular fruitless and wasteful expenditure arising from gross negligence.
- R10m and above being 2% of the surplus or deficit for any other irregular, fruitless and wasteful expenditure.

6. From the SABC's perspective, significance level is set at R60m for every transaction covered in section 54(2) of the PFMA

7. Qualitative materiality focuses on the inherent nature of the item under consideration. These items do not necessarily influence the reasonableness of the financial statements, but due to their nature they are of importance to the users of the financial statements. The following factors could be taken into consideration when determining qualitative materiality:

- a. Statutory requirements: compliance with legislative requirement, regulations, policy control measures, procedures, instructions and authorisation (including budgets) which reasonably have direct financial impact;
- b. Unusual items: items that are of a non-recurring or exceptional nature or arise from unusual circumstances;
- c. Degree of estimation: the risk of material misstatement
- d. Related amounts: the relationship of the item to other amounts that appear in the financial statements
- e. Critical points: an item that would otherwise be regarded as insignificant, may, it corrected or disclosed, have a critical impact on the overall view; and
- f. Disclosure requirements – deviations from accepted accounting practices.

NATURE OF THE TRANSACTIONS

1. The SABC should consider the importance of the transaction, (i.e. the transaction's impact on the company as a whole), as well as any possible impact the transaction could have on a decision or action taken by the SABC's Executive Authority in the development of the materiality framework.
2. A distinction should also be made between transactions that are operational in nature and transactions that are approved within a very specific framework, i.e. the annual budget, the company's corporate plan, or strategic plan.

Evaluating the Framework

The significance and materiality framework must be updated annually before the start of the financial year, taking into account the results of the previous year's audit and any new developments in the company.

The following additional qualitative and quantitative items are to be considered in establishing materiality:

No.	Reference	Nature of transaction	Qualitative guidelines	Quantitative guidelines
1	54(2)(a)	Establishment or participation in the establishment of a company.	<ul style="list-style-type: none"> Participation as a founding shareholder; or Having a right to acquire shares; or Having a right to nominate a director; or Where SABC commits to enter into a management contract in respect of the company 	<ul style="list-style-type: none"> Any level of shareholding; or Any level of loan or quasi-equity finance obligation by SABC arises; or SABC commits to guarantee any obligations of the company (including financial performance guarantee) at any level.
2	54(2)(b)	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.	<ul style="list-style-type: none"> Partnership, trust, unincorporated joint venture or similar arrangements that is established, located or intended to operate outside the Republic of South Africa; or SABC's contribution in a partnership, trust, unincorporated joint venture or similar arrangements includes SABC's proprietary intellectual property; or Participation in a partnership, trust, unincorporated joint venture or similar arrangement that may result in anti-competition behaviour and /or is subject to competition commission regulations. 	<ul style="list-style-type: none"> SABC's contribution results in disposal / disbursement of assets in excess of 1% of the total assets; or SABC enters into a long-term contract with the partnership, trust, unincorporated joint venture or similar arrangement in excess of 0.5% of the total revenue
3	54(2)(c)	Acquisition or disposal of significant shareholding in a company	<ul style="list-style-type: none"> Acquisition of any level or shareholding in a company where such acquisition is not in pursuit of SABC's core business; or Acquisition or disposal where SABC's ownership control and right to pass or block a special resolution is affected; or Acquisition or disposal of any level of shareholding in a company domiciled outside of the Republic of South Africa 	<ul style="list-style-type: none"> Acquisition or disposal of more than 20% of the issued shares in a company; or Where SABC already owns shares in the company, and acquisition or disposal of the number of shares will give rise to a shareholding more or less than 20% of the issued shares in a company.
4.	54(2)(d)	Acquisition or disposal of a significant asset.(NB: for the purpose of this subsection, assets include both current and non-current)	<ul style="list-style-type: none"> Acquisition or disposal of assets which are located in a foreign jurisdiction, however excludes office equipment and motor vehicles necessary to conduct business in a foreign jurisdiction; or Disposal of assets that has a potential impact on the continued ability of SABC to do business or provide its core service; or Disposal of non-core assets in line with SABC's strategy. 	Significance level is R60m
5	54(2) (e)	Commencement or cessation of a significant business activity; and	<ul style="list-style-type: none"> Commencement or cessation of a business activity outside of the republic; or Cessation of a business activity where such cessation has or may have an adverse impact on its key stakeholders. 	Significance level is set at R60m
6	54(2)(f)	A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement	<ul style="list-style-type: none"> Changes that affect SABC's ownership control type reserved through the Trust deed, the partnership or joint venture agreement; or Change that involves the partnership, trust, unincorporated joint venture or similar arrangement commencing or ceasing to do business outside South Africa. 	Significance level is set at R60m

The theme for this Corporate Plan centres around the SABC's determination to keep achieving, in spite of the challenges faced by the Corporation.

It finds its roots in the phrase 'Coming Home', which was the theme for the Annual Report and reflects the need to empower those as home.

Amidst the many challenges that South Africa is currently facing, there remains many inspirational stories of triumph and hope. The SABC will endeavour to continue playing a part in bringing these HOME to inspire the country's diverse society.