



SOUTH AFRICAN BROADCASTING CORPORATION

Reg no: 2003/023915/30

**CORPORATE PLAN
FY2019/20 to FY2021/22**

GCEO FOREWORD

As the only national public broadcaster, the SABC must offer a range of informative, educational and entertainment programmes that showcase South African attitudes, opinions, ideas, values, talent and artistic creativity. Programming must be in all the country's official languages; offer a plurality of views and a variety of news, information and analyses from a South African perspective; and advance the national and public interest. As a custodian of the country's diverse cultural heritage and expressions, the SABC is a platform for the expression of the hopes, dreams and aspirations of South Africans, be these past, present or in the future.

The SABC has been going through very turbulent times in the past few years and must deliver on its public service mandate while operating in a rapidly changing business environment. Factors – structural and symptomatic – have impacted on the SABC's viability over the past years. These have led to the dire financial situation that the SABC is currently finding itself in. The following are some of the main contributors to the Corporation's current status: Funding model of the SABC (over-reliance on commercial / advertising revenue); Regulatory / legislative framework not keeping pace with growth of digital technology, the convergence of media, technology and telecommunications; Changing media consumption and audience needs; Global slowdown in economic growth and related foreign exchange fluctuations significantly affecting the core business of the SABC, as it needs to acquire content, sports rights and technology; Multinational advertisers have reduced their industry-wide spending over the past 24 months; SABC's operating environment – having to compete with commercial broadcasters, while complying with public sector operating guidelines; Cost of mandate (compounded by higher costs related to delivery on the mandate, especially for events of national importance of which sports is a major contributor, both planned and unplanned).

The SABC has also faced many internal challenges, including a decline in audience and revenue, some decisions that were taken were detrimental to the SABC's revenue and reputation, and leadership instability that prevented the timely implementation of policy and business decisions to stabilise the institution.

The good news is that the SABC is undergoing a process of rehabilitation and renewal. To this end, good progress has been made in terms of stabilising the SABC, strengthening governance and regaining integrity. The SABC has developed a new Strategic Roadmap which is aimed at ensuring that the SABC is able to operate competitively in the evolving media and digital landscape of the Fourth Industrial Revolution while fulfilling its public mandate to provide informative, educational and entertaining content to all South Africans.

In order to properly transition the SABC into the Fourth Industrial Revolution, the Corporation has commenced development of a comprehensive digital strategy which will ensure that, over time, all SABC radio and television services are available and affordable everywhere on all devices and platforms.

The SABC's strategy for the forthcoming three year period is based on the newly developed Pillars and Goals as depicted in this Corporate Plan. The successful delivery against the strategic imperatives is built around the SABC acquiring, developing, producing and scheduling accessible, quality programming spanning the range of genres and meeting mandate objectives. The SABC's approach needs to be increasingly platform agnostic and meet the needs and expectations of multi-cultural mass and niched audiences in all South Africa's languages.

This strategic agenda requires the leadership of the Corporation's to commit to a significant transformation journey, which effectively fuses innovative technologies and a highly trained human resource to dramatically improve the performance of the SABC. The financial sustainability of the SABC is both a necessity to the success and an outcome of this approach.

SABC's success in delivering on the ambitious objectives outlined in the Corporate Plan requires a commitment by all employees to the new strategic vision and the scope of this transformation might be deep with a potential to cross multiple business functions. Its goals are likely to be ambitious and would ideally seek multiple-fold improvements in cost, time and quality.

I would like to thank the Shareholder and our entire network of stakeholders and alliances, and all South African citizens for their unwavering support, guidance and input in shaping the SABC's renewed strategy and vision going forward.



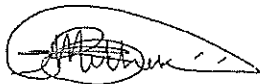
MADODA MXAKWE

GROUP CHIEF EXECUTIVE OFFICER

OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Plan:

- Was developed by the management of the SABC. (At the time of submission, the SABC Board was not quorate and therefore the Corporate Plan could not be signed off by the Board).
- 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 2019/20 to 2021/22.



BONGUMUSA MAKHATHINI
CHAIRPERSON: SABC BOARD

27/06/2019

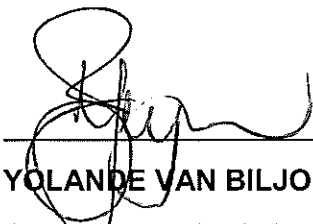
DATE



MADODA MXAKWE
GROUP CHIEF EXECUTIVE OFFICER

27/6/2019

DATE



YOLANDE VAN BILJON
CHIEF FINANCIAL OFFICER

27/6/19

DATE



CRAIG VAN ROOYEN
ACTING CHIEF OPERATING OFFICER

27/06/2019

DATE

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GLOSSARY OF TERMS

BRC	Broadcast Research Council
CAGR	Compound Average Growth Rate
CDN	Content Delivery Network
DAF	Delegation of Authority Framework
DOC	Department of Communications
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
PPPFA	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

Sources used in compiling Corporate Plan

PWC Entertainment and Media Outlook (2018 – 2022)

Global Media Outlook 2017 – 2021

ATKearney Consultants

BRC RAM Apr – Sep 2018

BRC TAMS Reach and Frequency Analysis, All Adults Apr-Dec 2018

RTE Strategy 2018 – 2022

www.tradingeconomics.com

<https://www.worldbank.org>

<https://www.eia.gov/>

<http://www.treasury.gov.za/>

<https://www.resbank.co.za/>

PART A COMPANY PURPOSE AND STRATEGIC OVERVIEW

As the national public broadcaster the SABC must offer, in all South Africa's official languages, a range of informative, educational and entertainment programmes that showcase South African attitudes, opinions, ideas, values, talent and artistic creativity. Programming must also offer a plurality of views and a variety of news, information and analyses from a South African perspective, and advance the national and public interest.

By showcasing South Africa's diverse cultural heritage and expressions, the SABC represents the hopes, dreams, and aspirations of South Africans.

The South African media environment has never been more competitive. The SABC is now operating in an environment where new transnational and global competitors are investing significantly in content and technology to gain market share. They are not subject to the same accountability as the regulated media industry and do not have the same focus on distinctive high-quality South African content.

The SABC must deliver on its public service mandate while operating in a rapidly changing business environment. Factors – structural and symptomatic – have impacted on the SABC's viability over the past years. These have led to the situation that the SABC is currently finding itself in. The following are some of the main contributors to the Corporation's dire financial status:

- Funding model of the SABC (over-reliance on commercial / advertising revenue);
- Regulatory / legislative framework not keeping pace with growth of digital technology, the convergence of media, technology and telecommunications;
- Changing media consumption and audience needs;
- Global slowdown in economic growth and related foreign exchange fluctuations significantly affecting the core business of the SABC, as it needs to acquire content, sports rights and technology;
- Multinational advertisers have reduced their industry-wide spending over the past 24 months;
- SABC's operating environment – having to compete with commercial broadcasters, while complying with public sector operating guidelines;
- Cost of mandate (compounded by higher costs related to delivery on the mandate, especially for events of national importance of which sports is a major contributor, both planned and unplanned).

In the last few years, the SABC has also faced many internal challenges, including a decline in audience and revenue, due to some decisions that were taken were detrimental to the SABC's revenue and reputation, and leadership instability that prevented the timely implementation of policy and business decisions to stabilise the institution.

Like many other entities, the SABC is in a process of rehabilitation and renewal. Whereas there has been significant progress in terms of stability, improved governance, and regaining integrity, the SABC is not nearly out of the woods yet, and its Corporate Plan reflects that reality.

The Corporation operates television, radio and online media services that are fundamental to the democratic and cultural lives of South African citizens. At a time when the availability of foreign content is exploding and with unprecedented changes in broadcasting technology, consumer expectations, and industry structure, public broadcasting continues to play a critical role in South Africa and around the world.

Television remains the medium of choice for most South Africans. The public broadcaster's three terrestrial television channels attract, on average, 28.8 million South Africans in a typical month. The SABC's News channel and SABC Encore channel are delivered through the satellite platform and reach 4.5 million viewers each in a typical month. Fifteen of the nation's Top 20 television programmes are carried on the SABC.

A significant number of South Africans still depend solely on radio as a source of information. The SABC provides radio services to all South Africans in their preferred language through its 18 Radio Stations. The combined average number of 28.2 million SABC Radio listeners per week makes for an offering that no other broadcaster can equal.

The SABC also has a growing digital media presence across the internet including, social media, online video, podcasts and streaming media. SABC television channels and shows, radio stations and other brands have some of the most popular and engaged audiences in the South African social media landscape.

The public broadcaster has a pivotal role to play in achieving one of the key priorities of the National Development Plan (NDP), namely "Promoting active citizenry to strengthen development, democracy and accountability". In delivering on its public service mandate, the SABC therefore not only contributes to the development of democracy, but promotes nation building and social cohesion through compelling and accessible local content programmes. The public broadcaster also has specific targets in delivering on Outcome 14 (Nation Building and Social Cohesion) of the NDP. In the ever-changing and increasingly competitive media environment, the role of the SABC, as the public broadcaster remains paramount.

1. VISION

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

2. MISSION

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

3. **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.

4. LEGISLATIVE AND OTHER MANDATES

4.1 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*.

The obligations arising from the *Broadcasting Act* are embodied in the *Independent Communications Authority of South Africa (ICASA) Regulations*, which determine the licensing conditions for the SABC's broadcasting services. The Act also spells out the Legislative Charter, which mandates the SABC to encourage the development of South African expression by providing, in the official languages, a wide range of programming that:

- Reflects South African attitudes, opinions, ideas, values and artistic creativity
- Displays South African talent in educational and entertaining programmes
- Offers a plurality of views and a variety of news, information and analysis from a South African point of view
- Advances the national and public interest.

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.

4.2 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 2019 and future years.

<p>Local Content Regulations published by ICASA</p>	<p>Increased local content quotas for TV and Radio services. New conditions on the commissioning of content from independent production companies. 50% of annual independently produced programmes budget is spent on previously marginalised local African language and/or programmes from regions outside the Durban, Cape Town and Johannesburg Metropolitan cities with effect from 23 March 2018. New steep penalties for non-compliance (fines up to R5mil). To this end, the SABC is engaging ICASA on the challenges presented by this new regulatory requirement and this is also done through the NAB. ICASA has since requested the TV industry to comment on the possible amendments to the local content regulations.</p>
<p>ICASA Invitation to Apply (ITA) for Mux 3 for provision of commercial subscription television broadcasting services</p>	<p>On 22 December 2017 ICASA published an ITA for provisions of commercial subscription broadcasting services on Mux 3. The ITA is intended for providing additional commercial subscription television broadcasting services, and ICASA indicated that the successful applicant will be assigned 45 per cent of MUX 3 capacity to launch pay TV services. However, existing broadcasters are not eligible to apply. Therefore, the SABC should anticipate more competition prior the successful completion of the digital migration process. The SABC will participate in the upcoming public consultation process in order to raise its concerns on introduction of competition prior digital switch off date.</p>
<p>Electronic Communications Amendment Bill</p>	<p>On 17 November 2017, the Department of Telecommunications and Postal Services ('the DTPS') published Electronic Communications</p>

	<p>Amendment Bill ('the Bill') for public comment. In the main the Bill seeks to give effect to the National Integrated ICT Policy. The Bill empowers the Minister of DTPS to control the radio frequency spectrum of both the broadcasting sector and the telecommunication sector. It further emphasises the use it or lose it principle that is applicable to radio frequency spectrum licensees. The SABC has submitted written presentations and will participate in the upcoming public hearings.</p>
<p>Review of Must Carry Regulations</p>	<p>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 the SABC content. The SABC Board has engaged ICASA on the must carry challenges and as a result ICASA has agreed to the review these regulations in the next fiscal.</p>
<p>Review of Sports Broadcasting Rights Regulations</p>	<p>An obligation to broadcast listed sports events in line with the regulations. The SABC is in the process of engaging ICASA on regulatory gaps within these regulations.</p>
<p>Ban on Alcohol Advertising</p>	<p>The Department of Trade and Industry (DTI) has 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 glamorizes liquor on the broadcasting platform. Legislation development process is underway and thereafter the DTI 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.</p>
<p>Unhealthy Foods advertising regulations</p>	<p>The Department of Health (DoH) has published the Unhealthy Foods Advertising Draft Regulations. They prohibit advertising of unhealthy foods on TV or Radio from 6am to 9pm. The SABC has submitted its written representation to DoH. Awaiting the publication of final regulations.</p>
<p>Subscription broadcasting services regulations</p>	<p>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. Regulation</p>

	development process is underway and thus far the SABC has submitted written representation to ICASA on the subject matter. Furthermore, it will participate in the public hearings.
Digital Terrestrial Television – Broadcasting Digital Migration	Compliance with the digital migration regulations. The “ <i>use it or lose it</i> ” principle implies that unused radio frequencies will be forfeited. The SABC will continue to engage ICASA on the negative implications of these regulations.
Broadcasting Amendment Bill	Proposed amendments of the structure of SABC Board and executive committee. The SABC has submitted its written representation to the DoC. The Bill is yet to be approved by Parliament.
FPB Online Content Regulation/Policy	All online content must be classified in line with the Film and Publication Board (FPB) regulations. The SABC has submitted its written and oral representations to Parliament on the FPB Amendment Bill and it further submitted its written representation to the FPB with regards to the FPB Online Content Regulations. However, the FPB Online Content Regulations have been halted until such time that the FPB Amendment Bill is approved by Parliament. Thereafter, the FPB will publish the FPB Online Content Regulations for further public comment.
Copyright Amendment Bill	Promotion of intellectual property rights of South African citizens. Introduction of the obligation to pay repeat fees. Legislation development process is underway. Awaiting Parliamentary approval.
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 for subtitling, audio captioning, audio description and closed captioning over a period of 10 years, for each tier of broadcasting. Penalties for contraventions will result in a fine not exceeding R5 million and the Code will come into effect 18 months after publication. The SABC has submitted its written representation to ICASA in January 2018 and will participate in the upcoming public hearings.
PPPFA	The SABC as a Schedule 2 entity is required to adhere to the procurement practices set out in the Preferential Procurement Policy Framework Act. The SABC is fully committed to adhering to this framework in terms of all its procurement of goods

	<p>and services.</p> <p>The SABC has been required by National Treasury to apply this Act to its content commissioning processes. Such processes are guided by the Independent Communications Authority of South Africa (ICASA) Commissioning Protocol and forms part of SABC's license conditions. The SABC has its approved commissioning protocols as signed by ICASA and requires exclusion from National Treasury to implement such. The conflicting requirements have a serious effect on the financial sustainability of the SABC and the Independent producing sector.</p>
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5. 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. Noting the rapidly changing broadcasting environment, the SABC, as a commercially-funded, state-owned enterprise, must move with agility to compete with commercial competitors, meet its public service mandate and comply with public sector operating guidelines.

According to the PWC Entertainment and Media Outlook (2018 – 2022) there is growing convergence across the entertainment and media industry, and boundaries between previously distinct sectors are now blurring in the battle for the attention of the consumer in a world which is rapidly digitising. Significant developments include:

1. Streaming services, TV companies and social networks competing simultaneously over both conventional sports and e-sports rights and TV companies, telcos, tech companies, OTT (over-the-top) operators and movies studios competing to provide TV content;
2. Radio stations, podcast companies and streaming services competing to provide radio and podcast content and Google, Clear Channel and ad tech companies competing to provide digital OOH (out-of-home) services;
3. News publishers transforming into media companies by hiring VR (video recording) teams and video experts; and even automobile manufacturers and radio providers working hand in hand.

There is increasing pressure on key players in the media market, such as the SABC, to diversify their offerings and develop new revenue streams in order to keep audience numbers and advertising investment buoyant. To meet these growth targets, companies are also converging geographically, often targeting global markets.

An already complicated media world is evolving ever more. Decision-makers need data of unprecedented detail and granularity to navigate in their environment and to inform their business plans.

In devising the various key business objectives, strategies and plans for FY2019/20, it was crucial to take the factors to follow into account. It is important to list and discuss these matters as it has a direct impact on the SABC's business operations and development of future strategies.

5.1 THE MEDIA LANDSCAPE

The international media landscape is experiencing major global shifts in technology, communication channels and audience preferences. This is true for the SABC and any other public broadcaster globally. According to the *Global Media Outlook 2017 – 2021* the following trends can be seen:

New Communication Strategies

- Generic and traditional communication strategies are increasingly unlikely to succeed;
- Increased segmentation and targeted communications, incorporating citizen feedback, are required to ensure effective dissemination of main messages.

Shift in Media Consumption

- Digital, and particularly social media, is rapidly replacing traditional media as the preferred, most trusted information source after personal contact;
- This shift is particularly evident in the case of Gen Y and Millennials.

Technological Improvements

- Driven by technological improvements, largely in mobile phone technology, a constant immediacy of media reporting and availability is redefining the rules (real-time and around the clock reporting) and resulting in a surge of content limiting audiences' absorption.

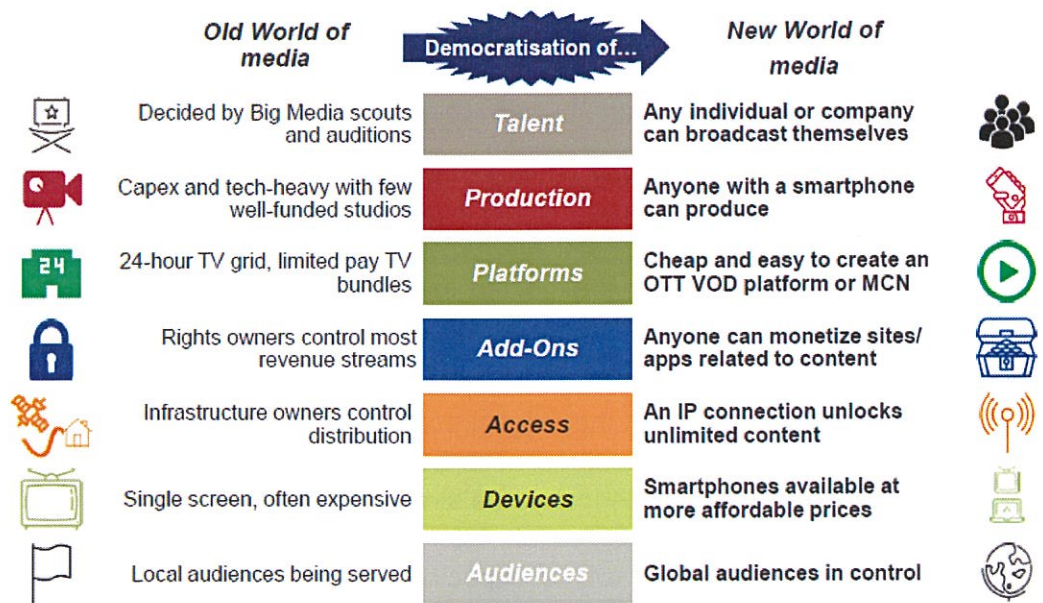
Citizen Reporting

- Words and digital imagery taken by amateurish broadcasts via microblogs (Twitter), vlogs (YouTube) and chat apps (WhatsApp) is an increasingly important news source and is fed instantly into the global news cycle.

Rapidly Evolving Media Ecosystem

- Internationally, the convergence of media and telecommunications is allowing all players to tap into new revenue streams by targeting consumers and connecting more effectively to develop a membership mind-set.

The SABC in developing its strategic plans also takes cognisance of the digitally-led disruption that had catalysed a profound transformation resulting in an unrestricted "democratisation" of media. In their research for the Department of Communications, ATKearney illustrates it as follows:



As the national public broadcaster in South Africa the SABC will have to make drastic strategic plays in order to remain relevant in the digital multimedia area, specifically taking the above into account.

In terms of advertising revenue, PWC indicates the following in their 2018 - 2022 Entertainment and Media Outlook:

- An increasing number of South Africans are accessing the Internet and spending many hours utilising it, especially social media platforms. However, advertising opportunities might be hindered if costly data prices persist. Internet advertising will lead the way, with a 13% CARG to 2022. By contrast, TV advertising, once comfortably the largest segment will see a 3.8% decline CAGR – meaning that internet advertising will greatly exceed TV advertising in terms of absolute growth over a five year period – R4.3 billion against R1.5 billion.
- South Africa is the largest TV market on the continent. The total TV market revenue will expand over the next five years to reach R40.8 billion in 2022. TV advertising remains a vital part of the market, but accounts for a smaller proportion of revenue.
- The South African radio market will total R5.2 billion in 2022. The most popular way of tuning in to radio is South Africa continues to be a standalone radio set. However, usage has fallen slightly compared to a year ago as listening via mobile grows in popularity. High quality and varied content is key to keeping listeners engaged.

The media landscape will continue to evolve and the SABC will need to evolve alongside this continuous changing broadcasting landscape to collaborate and compete with new services and platforms to meet the changing needs of its audiences and listeners.

5.2 ECONOMIC ENVIRONMENT

International

- Global economic activity is expected to slow down slightly in 2019. World economic growth remains modest with expectations for growth to average 2.9%. The World Bank estimates international trade and investment are moderating, while trade tensions are expected to remain elevated with financing conditions tightening. Therefore moderating activity and heightened risks continue to cloud global economic prospects.
- Taking a closer look at the biggest economies in the world – growth in the US is seen slowing to 2.4% in 2019. The European Union is likely to show real growth of about 1.9%, while Germany, the strongest economy within the EU, is expected to show growth of approximately 1%. In the UK, Brexit is still at the heart of slow growth, that nations GDP is expected to slow down due to 1.6%. In Japan growth of about 1.3% is expected in 2019, while the Chinese economy is forecast to slow down from 6.3% in 2019.
- Inflation varies from 0.3% in Japan to 1.9% in the European Union, to 1.7% in Germany, to 2.1% in the UK, to 1.9% in both the US and China. The recent rise in the inflation rates of all major countries is mostly due to low commodity prices at the end of 2015 and beginning of 2016. Relatively low commodity prices, as well as modest salary and wage increases in most of these countries contribute to the low inflation levels.
- Long-term interest rates are at very low levels although they have risen slightly. Given the forecast moderate growth as well as inflation rates, it is anticipated that these rates are unlikely to show strong increases in the next twelve to eighteen months. The increase in interest rates in advanced economies, albeit at a slow pace, and economic rebalancing in China is expected to contribute to slower global investment and trade growth.
- The oil market rollercoaster is expected to continue its wild ride in 2019. Worldwide crude oil prices will average \$61 a barrel in 2019 and \$65 per barrel in 2020. It is assumed that it will take a considerable period of time to cut the existing large stockpiles of oil to more reasonable levels and will therefore limit the upward potential of the oil price in the near future. The traditional oil producers also find that the US, which is still the biggest consumer of oil, has become more or less self-sufficient due to the fracking industry. At the same time oil finds some stiff competition from natural gas as well as renewable energy with solar and wind energy becoming more efficient and much cheaper.

Domestic

- South Africa is facing the central challenges to raise economic growth and reduce unemployment. GDP growth is now expected to average 0.7 per cent in 2018, rising gradually to 2.3% by 2021. The local economy will recover slowly in 2019 but growth will remain below levels seen in the first half of the decade. The

South African Reserve Bank sees the country's GDP averaging 1.7% in 2019. The South African consumer remains under pressure due to ongoing job losses and a high level of indebtedness that limits the extension of additional credit. Growth of government consumption expenditure is limited due to the necessity for renewed fiscal discipline to cut the budget deficit of the central government. The economy's recovery from the technical recession in the first half of 2018 is welcomed, but it remains modest, with growth constrained by subdued demand as a result of weaker levels of consumer and business confidence.

- As the local economy's growth remains stifled, domestic demand for international goods is benign while supply is still weak due to a gradual recovery in global economies. The pressure on South Africa's current account, which is the broadest measure of traded goods and services, has eased somewhat. 2018 saw trade record a surplus of R11.3 billion, this was however lower than the comparable period which recorded a positive balance of R76.8 billion. The lower surplus comes as exports of minerals and precious metals remains subdued.
- The consolidated budget deficit is estimated at 4% in 2018/19, compared with the 2018 Budget projection of 3.6 % of GDP. The fiscal strategy, together with a moderate recovery in economic growth, is projected to reduce the consolidated budget deficit from 4.2% of GDP in 2019/20 to 4 per cent of GDP in 2021/22. As the main budget primary balance narrows, gross debt is expected to stabilise at 59.6 per cent of GDP in 2023/24, reflecting higher borrowing, rising interest rates and rand depreciation. In the current year, the weakening rand accounts for more than two-thirds of the increase in gross loan debt.
- At 27.2%, the unemployment rate remains alarmingly high. President Ramaphosa has launched an economic stimulus and recovery plan to try and counter the local economies' anaemic growth, thereby creating jobs. Still unemployment remains elevated, and many low- and middle-income households are contending with higher prices for water, electricity and transport. With governance failures and corruption having harmed public service delivery. Indications are that unemployment is likely to rise further in coming months and years as employers try and control costs in an effort to survive in a very competitive world.
- Headline inflation continued to ease in 2018, averaging 4.5 per cent over the first eight months of the year compared with 5.5 per cent over the same period in 2017. This trend was largely driven by lower food inflation. Headline inflation is projected to average 4.9 per cent in 2018, rising to 5.4 per cent by 2021 as food price inflation returns to its historic average. The medium-term outlook has adjusted the assumption of electricity price inflation from 8 per cent to 10 per cent. Since November 2018, international developments have been the major contributor to an improved inflation outlook. Significant declines in international oil prices and a less depreciated exchange rate have been key drivers of this improved outlook.
- The South African Reserve Bank is adamant that the monetary policy actions will continue to focus on anchoring inflation expectations closer to the mid-point of the banks 3-6% inflation target band, in the interest of balanced and sustainable

growth. It's expected that interest rates will increase moderately by 25 basis points, reaching 7% by the end of 2021.

- Emerging market currencies, including the rand, have recently benefited from a weaker US dollar and indications of continued accommodative monetary policy in advanced economies, but they remain vulnerable to changes in investor sentiment.
- The rand also remains sensitive to domestic growth prospects, political developments and policy settings.

Conclusion

It remains a tough environment in which to do business. Many private individuals are under severe financial stress, while businesses have to cope with tough competition in an economy that shows little growth. Therefore it remains important to control costs at all levels in an effort to survive in a very competitive environment.

In economic conditions such as these, advertisers seek to control costs and will have a significant impact on advertising budgets, as these are generally among the first costs to be cut by companies in a downturn. Decreasing retail spend also leads directly to lower advertising spend.

Owing to consumers' increasing debt levels and low disposable income, revenue from TV licence fees is also likely to remain under pressure in 2019.

The depreciation of the Rand has serious consequences for the SABC as international programming and sports rights are paid for in foreign currency (US Dollar, Euro, etc). Exchange rate led inflation of content rights further exacerbates price increases due to the competitive pressures of new entrants.

5.3 OTHER MACRO-ENVIRONMENTAL FACTORS

The SABC also expects the following macro-environmental factors to impact on its operations in 2019/20. The Corporation will continue to monitor and manage these developments in order to effectively implement its strategy.

Political

National general elections will be held in South Africa in 2019 to elect a new National Assembly and new provincial legislatures in each province. This will be the sixth election held in under conditions of universal adult suffrage since the end of the apartheid era in 1994. As South Africa's public broadcaster, the SABC's role is crucial during an election period. The SABC has a responsibility to South African citizens to cover the elections in a manner that is balanced, accurate, impartial and fair. The coverage of the elections will be scrutinised by all stakeholders to ensure these undertakings are upheld.

Government is contemplating the implementation of two pieces of legislation that would have a dramatic impact not only on the economy, advertising industry as a

whole, but on the *South African Broadcasting Corporation* (SABC) in particular. That is the case because the SABC is largely self-funded from a mix of revenue streams, with the bulk of its revenue coming from advertising (85%) and the balance from television licence fees and other sources. With the SABC's heavy reliance on advertising revenue, any measures impacting negatively on said source of revenue also has a detrimental effect on the Corporation's ability to fulfil its many mandate obligations as the country's national public broadcaster.

The two pieces of legislation are, (1), the proposed new *National Liquor Policy* which entails amendments to the current *Liquor Act* and which would place a virtual ban on advertising of alcoholic beverages and, (2), proposed new regulations by the *Department of Health* relating to the advertising of "unhealthy foods" – i.e. foodstuffs high in fat, sugar and salt, and low in nutritional value. (This would also apply to non-alcoholic beverages – e.g. cold/soft drinks – with special emphasis on advertising targeting children.)

The negative financial impact on the SABC should both pieces of legislation be implemented is R857m and R1.35 billion per annum respectively.

Social

The public broadcaster plays a critical role in contributing to National 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 priority when it comes to the commissioning and broadcasting of programmes. The SABC is also the only broadcaster that provides radio programming to listeners in their mother tongue. The expansion of the above services needs to be considered against the SABC's financial position going forward. The financial position of the SABC is critical to the expansion of the above services.

Audiences are continuing to evolve and expand the methods by which they watch, listen and read across different platforms and devices as technology improves. There are over 29 million Smartphone users in South Africa, which continue to grow due to lower price points. Internet access through smart devices, in particular, has become a dominant platform. A typical South African's day is spent combined on digital platforms, at 14hours per day, with Television coming in last, at just over 2 hours.

It is important for both businesses and brands to understand that their audience is no longer accessible through traditional measures alone as consumer preference has transformed to immediate gratification of communication and information. The new broadcasting evolution is when Television is becoming video i.e. Instagram TV, Amazon, YouTube, Netflix, Showmax are our new TV stations and when Radio is becoming streaming i.e., Cliff Central, iHeart Radio, Apple Music, Google Play, and now Spotify.

Non-linear video viewing is no longer exclusively to the top-end consumer as "Catch-up" episodes of Uzalo on YouTube regularly get views in excess of 200-300K. South Africans are also increasingly complementing their use of broadcast television with

video-on-demand (VOD), a trend becoming the norm under 15 to 35 year olds with sport and entertainment genres taking the lead for eyeballs in the customer optimisation journey.

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;
- Mutual beneficial partnerships like Vodacom which unveiled new Sports Ticket bundles in partnership with SuperSport and DStv Now and SABC Sport, Telkom LIT FIFA SWC matches will continue to grow audiences across platforms;
- Entry barriers are high for new broadcasters but relatively low for additional stations. As a result new licensees focus on the most commercially valuable audiences, 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;
- MultiChoice's plans to launch a DStv streaming-only service in 2019, a stand-alone "internet" or over-the-top (OTT) version of DStv to capture pay TV subscribers who are able to and want to watch premium pay TV content this way;
- 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, pricing of bouquets and control of revenue through the fragmentation of advertising revenue;
- The SABC also faces competition for the best content and talent. The increasing number of licensed 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 Independent Communications Authority of SA (ICASA) has published the final regulations on the use of TV white space (TVWS), but commercial deployment of this technology is still unknown. Television white spaces refer to unused frequencies in the wireless spectrum between TV broadcasts that can be utilised to provide affordable broadband. This will increase once South Africa finally migrates from analogue to digital terrestrial television.
- The Regulator has unveiled its draft laws designed to make key sporting events free to viewers. ICASA's Draft Sports Broadcasting Services Amendment

Regulations are expected to severely impact the broadcasting monopoly that the country's Pay-TV giant DStv has on sports. The new rules, if adopted, are likely to dramatically cut the cash that flows to sports-rights owners from broadcasting. The official aim of the draft regulations is to “reach a wider audience [for sport] and to strike a balance between audience and revenue”, as well as to “advance equality [and] human dignity through access to sport of national interest to all citizens”.

- Changes to the Broadcasting Act in a new age of smart devices and universal access through broadband will be required to assist the SABC in revenue enhancement and cost containment. In addition the mandatory requirements and the cost of broadcasting need to be evaluated for sustainable public broadcasting and for empowerment of all South Africans in the future.

6. 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 comprises twelve (12) 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.

As at February 2019, the Board did not have the requisite members to constitute a quorum as prescribed by the Broadcasting Act 4 of 1999. While Parliament was taking the necessary steps to fill the vacancies (consistent with section 13 of the Broadcasting Act), the Board of the SABC did not quorate to make any decisions on its behalf nor is it authorised to represent it. Subsequent to the initial Corporate Plan that was submitted to the Shareholder at the end of February 2019, new Board members were appointed effective from 11 April 2019. Dr Craig van Rooyen has also been appointed as Acting Chief Operating Officer on 30 April 2019.

6.1 COMPOSITION OF THE BOARD OF DIRECTORS

The non-executive directors of the Board are:

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

Executive Directors are:

- Mr Madoda Mxakwe (Group Chief Executive Officer)
- Ms Yolande van Biljon (Chief Financial Officer)
- Dr Craig van Rooyen (Acting Chief Operating Officer)

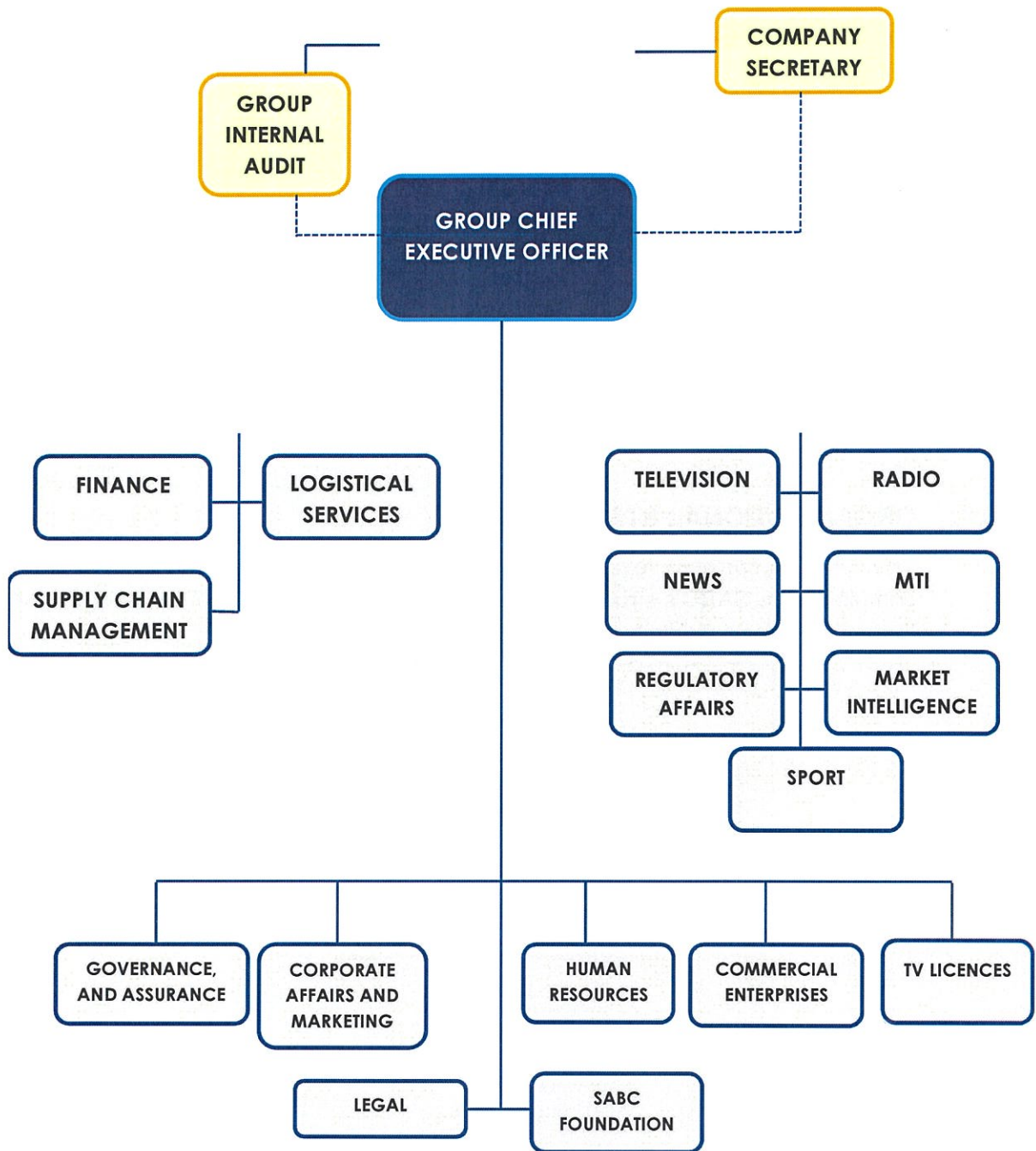
6.2 THE COMMITTEES OF THE BOARD

The following are Committees of the Board:

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

6.3 ORGANISATIONAL STRUCTURE

The SABC is currently reviewing its operating model and once this review has been completed the SABC's structure will be aligned to the outcome of the exercise and to that suitable for a public broadcaster in the digital age. .



7. SABC SERVICES

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 International Relations and Cooperation*.

7.1 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 72.1% share of all adult radio listening in South Africa. This translates to 28.2 million adults who choose SABC radio stations as their source of news and information every week. To that end, 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 as well as on the DStv radio bouquet. Radio stations include:

Ikwewezi 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, 057 million 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, 052 million 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, 076 million 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: 127 000 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 spill over listenership in Botswana.

Average weekly audience: 2, 224 million adults (15+)

Munghana Lonene 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, 115 million adults (15+)

Phalaphala FM's 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: 992 000 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 to the citizens of South Africa.

Average weekly audience: 465 000 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 are proudly Afrikaans in South Africa.

Average weekly audience: 1, 299 million (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: 147 000 adults (15+)

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

Average weekly audience: 2, 672 million adults (15+)

trufm 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: 194 000 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 7 million which provides it with huge advertising appeal.

Average weekly audience: 7, 603 million audiences (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, 307 million adults (15+)

X-K 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 LSM 1-6 and make up the other 36%. The station currently plays a critical role of preserving some of the oldest indigenous languages and cultures in Africa.

Average weekly audience: 5000 adults (15+)

5FM: 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 (1,5million Twitter and Facebook fans), 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: 679 000 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 lifestyles needs of its audience through showcasing events and public concerns.

Average weekly audience: 487 000 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 listeners in excess of 3 million. Though primarily a music station, METRO FM also delivers credible and unbiased news reporting that keeps its listeners involved and informed.

Average weekly audience: 4,211 million adults (15+)

(Source: BRC RAM Apr – Sep 2018)

7.2 SABC TV CHANNELS

Television remains the medium of choice for most South Africans. The public broadcaster's five television channels attract, on average, 28.8 million South African adults (15+) in a typical month. The SABC's News channel and SABC Encore channel are delivered through the satellite platform and reach 4.5 million viewers each in a typical month.

SABC1 is a full spectrum, free-to-air channel that speaks to a general youthful South African between the ages of 16 to 30 years old. 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 Africa and is in tune with the latest trends, reflecting their interests. The channel is the most watched in South Africa, with a compelling mix of drama, reality and entertainment.

Average monthly audience: 26.4 million.

SABC2 is a full spectrum, free-to-air channel, defined by a focus on South African families and nation building. It broadcasts primarily in Afrikaans and the Sotho languages. SABC2 is the space where people come together to share values and experiences, celebrate our cultures. It is a mirror to our past and present, reflecting our hopes and dreams for the future. 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.

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.

Average monthly audience: 25.3 million.

SABC3 is a full spectrum, generalist, free-to-air channel showcasing the various shades of the South African story. The channel is in the process of being redefined; it is being re-positioned to deliver programming that is chic, fresh, elegant, high production values, relatable, and entertaining. Its audience is 25-39 years old (Epicenter at 30) and found in the SEM 6-8 groups. Predominantly located in urban areas and are passionate about contemporary socio-economic issues. Their idealism has a cynical streak and they have a robust sense of humour. They are at a life stage where they are building dreams and legacies and require content to reflect that. SABC 3 has the smallest footprint in the network with 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 and Vivid DTH digital satellite platforms through ICASA's Must Carry regulations.

Average monthly audience: 21.2 million.

SABC Encore was launched on DStv's channel 156 on 11 May 2015. The channel provides quality, memorable retro content for South African viewers. The SABC utilises its vast archives to package the channel and showcase content that defined broadcasting in its early years in South Africa. The channel has 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. Undeniably, South Africans are now able to celebrate the past and connect with some of those unforgettable favourites from yesteryear. The channel is available on all DSTV bouquets. The channel carriage license agreement expires in July 2020.

Average monthly audience: 4.5 million.

SABC News has been broadcasting on DStv Channel 404 since 1 August 2013. 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 sixth year of existence, the channel is the second most viewed satellite news channel in South Africa. The channel carriage license agreement expires in September 2023 and is subject to commercial negotiations between the SABC and Multichoice Africa.

Average monthly audience: 4.5 million.

Source: BRC TAMS Reach and Frequency Analysis, All Adults Apr-Dec 2018

7.3 DIGITAL MEDIA

Digital technology is enabling consumers to access and engage with content in new ways and operators are positioning themselves to take advantage of the opportunity. The SABC is moving into an environment where International and national content delivery networks (CDN) offer bespoke individualised solutions. This includes

Artificial Intelligent (AI) systems which aid the value proposition individualised by the different CDN suppliers. In order for the SABC to leverage off the various offerings the SABC will in the next financial year seek to partner with different providers to leverage market capabilities. It is envisaged that this process will include the large Cellular Suppliers and further International role players in this arena.

Currently the SABC has a digital media presence across the internet including social media, online video, podcasts and streaming media. SABC television channels and shows, radio stations, news, education and other brands have some of the most popular and engaged audiences in the South African social media landscape.

Internet

All SABC radio stations and television channels, as well as SABC News, Sport and Education have dedicated websites, consolidated under the SABC Corporate portal.

The SABC's Virtual Academy is an online portal that will provide learners with support in critical learning areas such as Mathematics, Accounting, Life Skills, English and Physical Science. The pilot project focuses on the FET (Further Education and Training) sector. The portal can be accessed via www.seva.co.za.

Podcasts & streaming

All radio stations offer live audio streaming via their own dedicated websites as well as via the SABC portal. The radio stations also offer podcasts of their most popular shows and SABC News publish hourly news bulletin podcasts.

Online Video

The SABC hosts YouTube channels for SABC 1, 2 and 3, as well as for a number of its most popular television shows. The SABC News channel on YouTube has about 5 million views on average per month and is globally the 10th most popular South African YouTube channel and the leading news YouTube channel in the country.

Mobile

Mobile applications are being developed for SABC programming, with the SABC News App primed to drive traffic and uptake of the SABC's content in this ecosystem. Annually SABC Education also hosts the National Department of Basic Education's matric results on its mobile app. Learners are able to register using SMS or USSD to receive their results on their mobile.

Social Media

All brands are active on social media, especially Facebook and Twitter, where they are amongst the most popular social media platforms in the country.

8. STRATEGIC PLANNING PROCESS

In developing its FY2019/20 – 2021/22 Corporate Plan, the SABC 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, constant changes in audience behaviour and the increasingly complex competitive environment that it operates in.

During the course of FY2018/19 and under the leadership of the newly appointed Executive Directors, the SABC developed a Strategic Roadmap. The newly developed five-year Strategic Roadmap is aimed at guiding the Corporation's turnaround to financial sustainability, ensuring that it is able to operate competitively in the evolving digital landscape, whilst delivering on its mandate of providing a range of compelling informative, educational and entertaining programmes via television, radio and digital platforms.

The 2nd and 3rd Quarter of FY2018/19 saw the organisation reviewing its past performance against predetermined objectives in a view to correct and/or amend performance that were not aligned.

As part of the strategic planning process and the new roadmap, Divisions drafted detailed turnaround action plans and these will be monitored for progress on a monthly basis.

Budgets for the next three-years were concluded taking into account the Corporation's financial position and lack of government guarantee to secure the necessary funding.

PART B: DELIVERY ON STRATEGY

9. STRATEGY FY2019/20 TO 2021/22

In the age of always-on connectivity and unlimited content sources, the SABC needs to strengthen its internal capacities and agility, in order to seize the opportunities created by digital, to continue telling local stories. The public broadcaster will therefore continue to do more, to transform and to innovate. The SABC's view of the future is: a better, more relevant public broadcaster, one that is more connected to South Africans, their communities and the information that is important to them.

STRATEGIC POSITIONING

The success of the Strategic Roadmap is dependent on the SABC repositioning itself in the following manner:

The Preferred Broadcaster within our Communities.

To ensure that the SABC becomes the preferred broadcaster, it will provide compelling informative, educational and entertaining content via all platforms which is accessible by all South Africans. In doing so, the Corporation will adhere to the prevailing legislative and regulatory framework.

The Preferred Employer with Employees who are brand ambassadors.

From a people perspective, SABC employees will excel in an authentic and transparent, environment driven by a high performance culture. Talent attraction and retention, learning and development are high priorities and so is having the right people in the right job - highly skilled, motivated, engaged, and passionate people. The workplace has to become a safe, fun, positive environment to work in, where success is rewarded and non-performance is managed. Poor performers will be provided with the necessary tools, coaching, training and development. Where there is no discernible performance improvement, poor performers will make space for high performing employees.

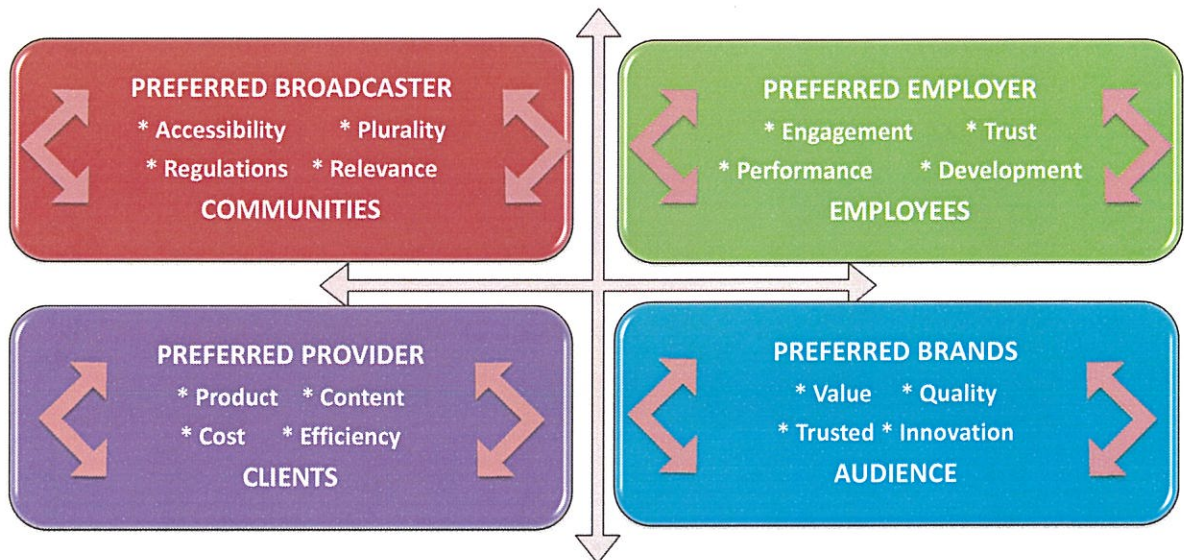
The Preferred Service Provider to Clients.

The SABC will collaborate to provide mutual profitable growth. Increased client service levels will be ensured, whilst at the same time being flexible and effective within operations and improved efficiencies in business processes. The Corporation will become client-centric, and therefore strive for a deep understanding of our clients' needs whilst accelerating revenue generation.

The Preferred Brands for Audiences.

The SABC will seek to attain increased preference and satisfaction, innovation and timeous renovation, and to have consistent quality of products, trustworthy brands

and value for money. The Corporation will provide a portfolio mix that has local, regional and global relevance perfectly aligned to our mandate.



As our audiences and clients evolve themselves, the SABC will transform and respond accordingly, aligning its strategies to create value and remain relevant. Seeing and putting audiences at centre of what the SABC does mean that it will think along these lines:

- **Strategy Alignment and Communication.** There will be greater strategic alignment and communication of the vision and mission throughout the organisation. The Corporation will translate and align each Division's business plans, clearly define deliverables and how each employee has to contribute to reaching Corporate goals. This will be clearly communicated to each individual.
- **Happy Viewers and Listeners.** The image of the SABC products and brands being trusted and invited into people's homes, cars and devices should be a primary emotional driver for all employees within the organisation. It is therefore imperative that the mantra of the "The Voice and Face of the Nation" is embedded in all our communication. "The Voice and Face of the Nation" goes beyond the idea of our multichannel; portfolio. It implies the notion of credibility, accessibility, relevance, trustworthiness, and a contribution to strengthening democracy, development and accountability. This is the promise the SABC strives to finally deliver to the nation and the continent at large.
- **Flawless Execution.** The implementation of strategies via focussed action plans, across all divisions and provinces, with a high level of operational discipline and regular review will ensure the Corporation remains on the agreed track.

In addition to the current four Pillars of the SABC, two supplementary pillars have been added, each with its respective goals:

PILLARS	GOALS
FINANCIAL SUSTAINABILITY	A financially sustainable organisation
CONTENT PLATFORMS &	Offer a competitive and innovative multichannel portfolio
DIGITAL	SABC everywhere for everyone
HUMAN CAPITAL	A competent, dynamic workforce that is fit for purpose
GOVERNANCE	Compliant governance practices, risk management and sound internal controls
PARTNERSHIPS	Strategic and sustainable partnerships

The following sections deal with the execution of the strategy under each of the key focus areas and strategic goals.

10. FY2019/20 – 2021/22 STRATEGIES

The pillars and goals of the Corporation as outlined in the previous section form the basis for the strategies devised for FY2019/20 onwards. It should be noted that this section will provide the key focus areas under each pillar as well a high-level summary of how goals / outcomes will be achieved.

10.1 FINANCIAL SUSTAINABILITY

GOAL 1: A FINANCIALLY SUSTAINABLE ORGANISATION

Revenue Enhancement

Cost Containment

Positive Liquidity

Funding Model

The SABC's priority is to ensure it remains a financially sustainable organisation, by growing its revenue base through various traditional and innovative new sources whilst prudently managing its costs. Taking into account the SABC's current cash crisis more emphasis will have to be placed on both revenue generation and cost containment strategies with long-term results.

Profits that the SABC derive from its operations are reinvested in order to achieve its public service mandate. The Corporation is focused on ensuring that it maintains liquidity and is continually able to fund its mandate but this is becoming increasingly difficult.

The SABC has a three-tiered revenue base. These three tiers and relevant percentages are:

- 1 Commercial revenue (including advertising, sponsorships, carriage fees and other commercial partnerships) - 84%
- 2 Television Licence Fees - 13%
- 3 Government Grants - 3% (mainly for educational programming)

It is central to this Corporate Plan that the SABC implement strategies to increase both Commercial and Licence Fee revenue. This is a key focus for management across divisions. At the same time, the corporation must work with government in all spheres, on a programmatic basis, to ensure more funding for specific public mandates.

REVENUE ENHANCEMENT

Commercial Revenue

The SABC earns most of its **Commercial Revenue** through the sale of airtime across SABC television, radio, and digital platforms. Taking into account the highly

competitive media industry in which the SABC operates, innovative trading and pricing models for radio, television and digital media sales have been devised and implemented to ensure optimisation of its commercial inventory. Commercial Enterprises is also in the process of developing and packaging more digital media revenue opportunities. New/alternative and sustainable revenue from the “ADventure” initiative is expected. The strategic intent of the ADventure revenue stream is to:

- To compound value into the SABC;
- To leverage the strengths of the great SABC platforms and properties in partnerships with third parties in order to generate alternative revenue.

In addition to maximising the SABC’s commercial airtime revenue from the sale of classic advertising and programme and sport sponsorships, the Corporation is also developing new revenue streams from other sources within the SABC. The Corporation has successfully concluded content licensing agreements with other broadcasters to generate revenue to fund its mandate. It will continue to seek content licensing revenues from other content distributors, particularly in Africa. Viable private-sector partnerships will be one of Television’s main focus areas which are aimed at reducing costs and increasing revenue. The use of Advertiser Funded Programmes and engagement in pre-sales for high end dramas through partnerships with the Department of Trade and Industry and the Industrial Development Corporation are initiatives that are in progress.

Taking into account the tough economic and trading environment, the SABC has implemented strategies in place to deal with this. There has been a significantly increased interest in the acquisition of SABC content from a range of operators who want to develop and deliver content offerings in the South African market. The SABC has concluded short-term content licencing deals with content aggregators and mutually beneficial partnerships are being entered into with a number of business partners.

Television Licence Fee Revenue

The SABC receives Licence Fee revenue from the payment of annual television licence fees. The collection of television licence fees is governed by *Section 27 of the Broadcasting Act, no 4 of 1999, as amended*. The *Act* stipulates that television licence revenue shall be used solely to fund the SABC’s public service mandate. TV licence revenue accounts for ± R1 billion (cash) per annum. Television licence strategies include: Streamlining all communication dependent on licence types; increase communication on electronic platforms (E-mails, SMS etc.) to reduce costs, ensure quicker delivery, and speedier responses (payments, enquiries etc.); Implement an internal outbound automated collections solution; Activate social media platforms to complement the digital space; focused marketing and awareness campaigns; Implement the “We Care” Strategy at all Debt Collection Agencies to improve communication, public’s perception of debt collection; Identification of new licences enabled by GIS technology; TV licence website enhancements with more payment options.

Furthermore, the SABC has made a detailed submission to Government on increasing the licence fee and improving collection and enforcement methods. The SABC submitted its requests for tariff increases over the years in order to raise public funding to adequate levels; most requests have been rejected. The SABC is awaiting formal feedback from the Department of Communications on its latest request for a tariff increase.

Government Grants

The SABC's mandate derives from the South African Constitution, a range of legislation, and on-going reviews of an increasingly challenging regulatory framework. Funding of the public mandate through Government Grants has not increased proportionately with additional requirements to produce and broadcast more events of national importance (including sporting events, elections and other public mandate programming in all official languages) This has therefore impacted on the Corporation's ability to execute fully on public mandate programming. While additional and/or surplus funding generated by the SABC is and will be reinvested in public mandate requirements, this is currently not sufficient.

A review of the SABC's commitments to broadcasting national sporting events is a critical priority for the financial sustainability of the SABC. Owing to the increasing cost to deliver on the public mandate, Board and Shareholder intervention is required to address the proper funding of public mandate programming including broadcasting of events of national importance as well other non-commercial but important public interest programming.

COST CONTAINMENT MEASURES

The Corporation has implemented a wide range of improved and aligned policies, procedures and internal controls to ensure cost containment, prudent use and allocation of resources and reduction where possible.

The SABC will also ensure that operational efficiencies are achieved specifically with regard to the following: addressing personnel costs that have escalated over the past five years; renegotiating major contracts to bring down costs; reducing the debtors' days to a maximum of 60 days; and strengthened cash management mechanisms.

The SABC is reviewing its Operating Model in order to align costs with organisation's commercial strategies and public mandate.

POSITIVE LIQUIDITY STATUS

The SABC's liquidity status is measured by its Cash and Cash Equivalents at year end. The Corporation was able to show positive cash balances at each of the preceding financial years. However, from 2016/17 the SABC has been experiencing a liquidity crisis, which undermined the public broadcaster's status as a going concern. To arrest this situation, the Board and Management have instituted measures to contain spending, and to manage payments of creditors. This includes

payment arrangements with suppliers, service providers and creditors, and the SABC has started to implement a number of turnaround strategies to improve its liquidity status.

The SABC has applied to National Treasury, through the Department of Communications, for a Government Guarantee. Feedback is being awaited on the Corporation's application.

SABC'S FUNDING MODEL AND THE PUBLIC MANDATE

The SABC is involved in various ongoing policy and regulatory processes that aim to culminate in new legislation, which will affect revenue generation and business operations. Should the regulatory framework be amended, as per SABC requests, it could have a major impact on both costs and revenue:

- Amending Must Carry regulations (new and additional revenue from all subscription broadcasters),
- Amending DTT regulations (to lower costs by allowing for greater use of DTH by the SABC),
- Amending sports rights regulations (thus lowering costs by enabling public broadcaster to get cheaper and fairer access to rights),

TV licence fee amendments (increase revenue through higher tariffs plus better enforcement and collection).

10.2 CONTENT AND PLATFORMS

GOAL 2: A COMPETITIVE AND INNOVATIVE MULTICHANNEL PORTFOLIO.

Audiences

Compelling Quality Content

Multichannel Environment

Audience behaviour is constantly changing. New technologies are giving audiences increased control and choice over when, where, and how they consume media. At the same time, new technologies for measuring and monitoring audiences are revealing new aspects of consumer behaviour.

Media is now being consumed over many different channels such as; TV, desktops, tablets, smartphones and wearable devices, thanks to more affordable and more readily available computing power. This rise in multi-device media consumption has led to audiences becoming more and more fragmented.

In addition to fragmentation, audiences also have more autonomy to when and where they consume media. The availability of Wi-Fi on trains, buses, cafes and public places has made video consumption an all-day affair, which was once limited to watching TV after work.

Equally important, individual content options have become smaller, split into discrete components. For example, consumers have the option to watch television clips, rather than entire episodes, on YouTube.

With the increase in volume and influence of blogs and social media, audiences are now taking part in the production of content as much as they are taking part in its consumption. As a result, the notion of the audience has expanded well beyond its traditional passive, exposure-oriented model.

While audiences will connect with and consume SABC content in increasingly different ways over the next couple of years, what will remain unchanged is the demand for high-quality, diverse, distinctive South African local content. Content that responds to audience needs is at the core of everything the SABC does. This is based on an ambition to: Captivate South African audiences with the highest quality and most compelling programmes; Explore and celebrate the ever-changing experience, diversity and complexity of modern life in South Africa; Interrogate the issues that affect and concern all right now. To achieve this, the SABC has identified content priorities, where it will: Tell South African story across all genres; Offer a more varied content mix; Provide content from Provinces; Focus on Youth and education.

Whatever the trend, whatever the means through which South Africans choose to be informed and entertained, the public broadcaster's role remains critical.

AUDIENCES

Diversity and Inclusion
Younger audiences
Research
Strategic scheduling
Accessibility
SABC in the community

The SABC plays a unique and valuable role in the South African society. Its reach is extensive, with 70% of adults using one or more of the public broadcaster's services every week. SABC television and radio services are consumed in significant numbers across a wide range of genres, and 15 of the nation's Top 20 television programmes are carried on the SABC. However, behind these strengths there are challenges. Television audience share has declined in the past year owing to a number of internal and external factors. Also, younger adults lead the trends towards online, on-demand and short-form content, and particularly away from linear television. The SABC's future strategy is, however, not about the demise of linear audiences in favour of an on-demand world. Rather it will be a blend of live viewing and listening across multiple devices complemented by anytime, anywhere, on-demand consumption. This is fuelled by demand for high-quality content, where locally produced programmes and journalism continue to have strong resonance with audiences.

The SABC's **TELEVISION** Network audience strategy is mainly based on the turnaround of SABC 2 and SABC 3 which will be achieved, inter alia, through:

- A solid scheduling and marketing strategy aimed at diverse audiences;
- Complementary scheduling and programming strategies across the Network to cater and move audiences from one bouquet to another;
- Strong and relevant local content in key slots, specifically drama/soap slots, the family movie and weekend entertainment slots;
- Key SABC television differentiators and propositions linked to its public mandate;
- Transversal strategies in collaboration with Radio, Digital, Commercials Sales and Business Development Units.

As audiences and their experience are at the centre of the SABC's delivery, the turnaround is built on delivering to specific audience groups per channel:

SABC 1 SOUTH AFRICAN YOUTH (24)	SABC 2 FAMILY –CHANNEL OF THE NATION (40)	SABC 3 PROGRESSIVE ASPIRANT (35)
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The SABC's **RADIO** portfolio currently has an audience share of 71%. Although this is an impressive number, the public broadcaster's aim is to increase audience share even more. The main pillars of this strategy include:

- Qualitative research particularly for declining Radio Stations;

- Investment strategies on a combination of public and commercial stations in order to arrest audience decline;
- Maintenance strategies for well performing stations;
- Above and Below-the-Line campaigns, Station Imaging and come-building campaigns;
- Improving performance, attractiveness and relevance through structured and appointment-listening programme initiatives.

NEWS AND CURRENT AFFAIRS delivers premium quality news content on all TV, Radio and digital platforms as it happens, in all official languages. SABC News saw a successful revamp of its brand and image and has put strong properties and additional talent in place to reclaim the image of an impartial and independent news provider. The SABC intends to build on this strategy going forward. In order to grow audience numbers and enhance the audience experience, SABC News will provide a one-stop service for relevant, trustworthy and compelling news content; through exploring new story telling formats and collaborations with other genres. Furthermore, a distinct identity across TV, Radio and Digital news will ensure a seamless audience experience across platforms.

COMPELLING QUALITY CONTENT

Informal Knowledge Building

Children

Education

Drama

Entertainment and Music

South African languages

News and Current Affairs

Sports

Events of National Interest

Delivering high-quality programming and content, spanning a range of genres accessible across multiple platforms is a primary focus for the SABC. The public broadcaster is one of the largest producers and commissioners of South African programming and content for television and radio and the aim is to increase its on-line content delivery in this range of services.

It should be noted that the SABC's cash crisis over the past 24 months had and is still having a detrimental effect on local content production, the production industry and SMMEs. Although the SABC has prioritised the payment to content providers on a monthly basis there has been delays in effecting payment as well as reduced payments in the last 6 months. The impact of low or no investment in content is felt 12 to 18 months later and the current circumstances are already a result of the curtailing of investment a year to two years ago. The strategy to commission new local content must

commence again in early 2019. This will require considerable financial investment. As one of the largest local content consumers, the SABC would no longer be able to contribute to the local content industry without funding or increase in revenues. Furthermore, the reduction in local content on Television and Radio will also have an impact on the SABC's licensing conditions as prescribed by ICASA.

Despite the above constraints, the SABC must and will deliver on its mandate to educate, inform and entertain the nation through its enhanced content strategies.

Television

While SABC 1 will maintain its current content strategy, SABC 2 and SABC 3's turnaround is very much dependent on these channels' acquiring and scheduling new local content in strategic slots.

- Positive values are the cornerstone of SABC 2 and the pillars of family, education, health, identity, jobs/careers and the world beyond South Africa's borders guide its editorial line. While building on the current strengths, particularly the performance of key Afrikaans properties, SABC 2 will offer content targeting SA's Coloured communities as well as programming in all official languages. A vital feature is also to diversify stories beyond the suburbs and townships to show the full spectrum of the nation's contrasting realities. Education and Children offerings remain paramount to ensure that the SABC fully caters for the needs of younger children, particularly around early childhood development.
- SABC 3 will locate its programming strategy in ensuring that all editorial requirements are properly aligned to the needs and requirements of its defined target audience. The brand will deliver engaging content that speaks to the audiences' curiosity, entrepreneurship and general cosmopolitan attitudes. SABC 3 has a combination of local and foreign content that is relevant, cutting edge and compelling and speaks to the nation's South Africaness. It will showcase SA's multicultural energy, its collective possibility that allows viewers to make life affirming decisions that will define the rest of their lives. In addition to challenging documentaries, SABC 3 will offer reality with value and magazine programmes that are self-improving and stimulating. Talk Shows will be socially integrated and forward thinking, while children programming will focus on Tween audiences.

ICASA Local content quotas for SABC 1 and SABC 2 (Public Broadcasting Service channels) are set at 65% and SABC 3's (Public Commercial Service) quota is 45%.

Radio

Radio will deliver public value programming that supports the Five National Priorities set by Government and will respond to the triple challenge of Unemployment, Poverty and Inequality. Content will support the National Development Plan and will be delivered in the form of Documentaries, Links, Talk Shows, Drama, Interviews and Narrations under the various ICASA genre quotas. Further strategies include:

- Repositioning of stations by introducing new content that responds to audience needs;
- Revitalised music and sport programming;
- Adopting a multi-media platform delivery approach;
- Distinctive imaging and content production;
- Commission research on content.

Public Broadcasting Service Radio Station's local music quotas are set at 70% while Public Commercial Stations need to deliver 35% local music.

Sport

As part of its public service mandate the SABC must include sports programming in its list of broadcast offerings. The sport it offers is clearly defined as sport of National interest, as well as Developmental and Minority sports. Sport of National interest are sporting events that appear in the list of National sporting events of Public Interest in terms of section (5) (1) (a) – (v) of the Government Gazette, 7 April 2010. They are of national interest (popularity), enjoy widespread public recognition (participation) and have particular focus on culture, nation building, the African agenda and restoring of human dignity.

As a Public Broadcaster, the SABC has a duty to broadcast all events of National Interest to the South African population, in fact, over the years public demand for major sporting events has enforced late schedule changes on all three SABC channels to ensure that viewers are able to see their sporting heroes in action.

The Sport Broadcasting Services Regulations lists a total of 22 sporting events as National Sporting Events. Whilst the Regulations do not prescribe that the SABC should broadcast any of the listed National Sporting Events, the SABC has consistently faced public pressure and condemnation when it has failed to broadcast some of these events.

During the past few years the Sports Rights costs have been escalating by exorbitant amounts far beyond inflation which have become unsustainable for the SABC. The Sports Rights are set by Rights Holders and owing to the growing demand of new entrants in this landscape it seems that this escalating trajectory of costs will continue.

The SABC cannot compete nor sustain the status quo of incurring excessive expenditure for Sports Rights and production with little or no return on investment. In light of the above, and in the absence of additional funding, the SABC had to devise innovative strategies in order to deliver sporting content on its platforms, but on a limited scale. Key pillars of the sport content strategy include:

Providing Accessibility to all communities

- Extend ball to ball commentary for non-representative communities (using the FIFA World Cup in Xu and Kwe as a template to ensure broader accessibility for audiences);

- Provide wall to wall subtitling on two television magazine shows for hearing-impaired audiences;
- Highlight packages on television of sporting events for people with disabilities.

Ensuring Plurality of views representative of all communities

- Diverse racial groupings to be used as presenters and commentators on both radio and television.

Compliance with ICASA Regulations

- Coverage of 22 sporting codes on Radio, TV, or Digital Platforms; (Scheduling provision will be subject to popularity, platform alignment and financial commitments both in terms of internal costs and Rights Costs).

Relevant content and representation for all communities

- Sporting codes coverage based on regional interest – Radio;
- National interest sporting code coverage – Television.

News and Current Affairs

SABC News takes a social justice approach to news gathering, processing and dissemination to ensure that the content is inclusive, comprehensive and provides plurality of views. The delivery mode will allow interactive engagement for an on-going dialogue about issues that are crucial to the lives of citizens. To provide compelling journalism that will position SABC News as a go-to-source for trusted and credible news content.

MULTICHANNEL ENVIRONMENT

Platforms

Connectivity

Innovation

The public broadcaster will have to evolve its services to meet changing audience needs and exploit new opportunities. Services must be accessible on multiple devices and platforms to give people more choice of how, when and where they connect with and consume content. New services must be launched swiftly and the current way in which certain channels or genres are made available to audiences need enhancement.

PLATFORMS

The SABC will enter into partnerships with third party OTT operators, such as Telcos and Mobile Network Operators, to ensure that South Africans gain access to SABC VOD and

streaming content. This includes the development and roll-out of granularised digital content. An SABC Education E-learning Portal will be launched which is part and parcel of its mandate delivery. Current relationships with service providers such as YouTube and other social media platforms can be leveraged to enhance audience reach.

It is expected that FM will continue to be the primary means for consuming Radio in South Africa. Development of DAB+ is ongoing with regular testing and piloting taking place. SABC Radio podcasts and streaming remains popular with audiences and provide them with more convenience to access the public broadcaster's services.

The SABC successfully launched *Chomi* – a multi-lingual, device-independent social networking service for the diverse South African market – in October 2018. This unique service is made available in nine official languages and features social networking, instant chatting & messaging, photo fun, #hashtag section, pages for clients and organisations. The SABC will be enhancing the service with news content as well as additional content sourced from other service providers.

CONNECTIVITY

As audience consumption increases on various devices and via over-the-top (OTT) platforms, the SABC will invest or leverage on platforms that enable it to have a direct relationship with viewers, listeners and users and offer enhanced experiences. In the increasingly competitive media landscape the SABC takes cognisance of the importance of social and distributed media as a means to access news, discover content, and connect and engage with younger audiences. It will continue to work with social platforms on a mutually beneficial basis.

INNOVATION

The SABC will explore new ways to develop, access and distribute content with other broadcasters, networks, platform owners and technology companies. Emerging technologies will lead to changes in how audiences access content. These emerging content distribution technologies will be assessed and if viable the SABC will adapt accordingly. It will, however, require investment in content, rights and enhanced product features and experiences.

10.3 DIGITAL

GOAL 3: SABC EVERYWHERE FOR EVERYONE

Digital-on-Line Technology and Infrastructure Digital Migration (DTT and DTH)

The drive to move from a traditional analogue broadcaster into a multimedia multiplatform organisation is the only way to ensure relevance in the continuous evolving and broadcasting environment.

Digital Convergence is happening at a rapid pace and the SABC will have to transform with it. Currently, content is being used by many competitors to drive their convergent strategies, with the SABC often not fully realising benefits particularly in terms of brand and revenue.

The convergence requires the SABC to operate differently in terms of its technologies, content creation and distribution strategies. It is the SABC's intent to become a converged media house that provides accessible, quality local content to meet the tastes and needs of audiences. The survival and success of the SABC is a national imperative.

The SABC has made strides in the non-linear environment of the SABC, the understanding, the shared corporate strategy, the existing projects, the financial, HR and Technology with costs required to move into this non-linear eco-system. Digital Storage of media elements and assets both for audio and audio visual, linking and classification of all media elements, and rights management including intellectual property.

A SABC Media Asset Management system is required to fully realise the ability and potential of exploiting non-linear. This will allow all areas of content in SABC to create and modify content across multiple users working in a collaborative environment and reaching mass and niche audiences in all parts of South Africa. The more digital assets the SABC creates to own, the more data on its audiences it can harvest and use to craft more cost effective consumer centric strategies with channels to monetisation, commercialisation, merchandising and eventually advanced programmatic capability. As a public broadcaster the primary role is the creation of content and as the SABC, part of the broadcaster' mandate is universal access which means SABC content should be accessible everywhere anytime, which is only achievable on a strategic level in a converged environment and on an operational level in a non-linear implementation plan.

It is important for the SABC to unshackle itself from traditional processes, architectures and cultures and re-invent its functional organisational model to drive continuous transformation to meet and monetize the rapidly changing demands of fluid and segmented customers.

1. DIGITAL-ON-LINE

The rapid growth of platform players offering IP based video consumption has created a new urgency and reality on the ground. Investments into OTT by large platform players are growing exponentially as they create scalable global footprints based on new technologies.

The SABC would need to move with a defined strategy quickly in order to ensure it stays relevant in this market. In moving into this environment it would realise, revenue growth, build cost efficiencies and unlock trapped value.

Digiday1 describes OTT " the term used for the delivery of film and TV content via the internet, without requiring users to subscribe to a traditional cable or satellite pay-TV service like a Comcast or Time Warner Cable".

The increased demand from consumers for media portability drives the need to conveniently move content between platforms by the consumer. In a landscape dominated by large Telecommunicating companies and International Over the Top (OTT) suppliers the SABC has been pushed to operate in a differentiated immediate, agile and changing environment. Digital technology enables consumers to access and engage with content in new ways and operators are positioning themselves to take advantage of the opportunity which cost would be inhibitive to the SABC.

Key projects of the SABC's Digital-on-Line strategy for the short to medium term include:

- Formation of Steerco and its objectives (Build Strong Functional links; Drive Digital as a collective; Communicate).
- Agile training for the digital economy.
- Eco system of suppliers.
- Enhancements of Websites.
- Digital communications plan and change management plan.
- Development of News Application; SABC Application; Cricket Application.
- Consolidate Strategic Roadmap and deliverables required for each App and Website
- Required Training (Digital Marketing)
- Peg in the ground with OTT App – SABC on-line (Anywhere, Anytime, Everywhere)
- Website Design.
- Analytics – Websites and Apps.
- Revenue Management Opportunities.
- Push Pull Strategy (Regular exposure of Digital Assets, so it becomes most visited).
- Social Media Strategy.
- Content & Blogs.

- Streaming/Video.
- Interconnectedness of all Digital Assets.

2. TECHNOLOGY AND INFRASTRUCTURE

In 2018 the SABC Board approved the SABC Enterprise Broadcast Architecture framework (EBAF). The intention of the document is to have a shared or unified blueprint of the current and future technology infrastructures, architectures and the processes influencing them. With the defined current technological and operational architectures new trends and best practises can be factored in to visualise strategies for the future Target Technologies and Architectures. Setting the future architectures identifies the gaps and migrations required to accommodate their systematic phased implementations and hence define the strategies required for future investments. The Enterprise Broadcast Architecture is to promote alignment, standardisation, use of existing technology assets, and the sharing of common procedures using best practises and future proof solution development to sustain the SABC technology growth. It is required to improve performance, eradicate inefficiencies, and enhance corporate decision-making.

The Target Technology Architecture (TTA) represents a high level view of the functional groupings and primary content workflows associated with the production, broadcast, manipulation and delivery of content and the scheduling of its delivery to the consumer.

A set of overarching principles have been considered to enable the delivery of the Target Technology Architecture:

- Technology Standards and Principles
- An enterprise wide broadcast technology infrastructure
- Common technical standards and guidelines for all broadcast technology will be aligned with international standards and amended for the SABC where applicable.
- Content must be shareable across business areas, platforms and provinces
- Commercial Off the Shelf (COTS) solutions where possible
- Must be scalable, flexible, fit for purpose and cost effective for future developments
- Enable enterprise wide interoperability
- Encompass existing solutions where these are not being replaced
- Must be full High Definition compliant and Ultra High Definition ready where applicable
- Common toolsets should be considered by similar workgroups wherever possible (Standardisation)

The following digital technology projects have been included for delivery in the next few years:

- The Digital Library (Content Management System)
- The Digital Media Integration Project
- Digital Archive Library
- SABC RADIO digital projects
- SABC TV CHANNELS digital projects
- Sales and Marketing projects
- Online News

3. DIGITAL MIGRATION (DTT and DTH)

Digital Terrestrial Television is not a new technology, having been launched in the late 1990's and adopted by countries from the early 2000's. As technology evolves rapidly, the ITU deadline of 2015 can be seen as "late adopting", as newer technologies have become either more affordable (DTH), or completely new platforms have evolved e.g. Over The Top (OTT) broadcasting. Interesting to note that earlier adopters of DTT, have published their intention to discontinue the use of DTT in favour of DTH & OTT, notably Germany and Switzerland.

iDTV's have become more readily available and affordable, and DTH broadcasters e.g. Openview, have launched their DTH bouquet and offers DTH decoders via the retail market at subsidised prices.

In light of the above, the SABC has to relook its current STB strategy and adapt it to take best advantage of the roll out of the DTT and DTH STB's, as well as embracing the new technologies and platforms.

Implementation of Enhanced Services

EPG, Closed Captioning, Audio description and interactive services are available on the DTT & DTH STB's. The SABC's Media Technology Infrastructure division has procured and installed the required technology infrastructure to produce and play out, in the case of the EPG, these enhanced services, while each of SABC 1, 2 & 3's FCC's are equipped with two closed captioning play out channels. Audio descriptors do not require any specialised DTT coding & multiplex infrastructure, and can be generated in an audio post production suite. There might be a requirement for additional equipment which can be recognised by an operational- and user requirement.

The SABC will be making certain recommendations to the Department of Communications in order to give effect to its overall Digital Migration strategy.

10.4 HUMAN RESOURCES

GOAL 4: A COMPETENT, DYNAMIC WORKFORCE THAT IS FIT FOR PURPOSE

Fit-for-Purpose Structure
Performance Excellence
Skilled Talent

The performance of any organisation is dependent on its Human Capital performing in a manner as to ensure that the organisation meets its strategic objectives and targets. Human Resources is therefore renewing its efforts to establish performance management practices throughout the SABC with the assistance of all relevant stakeholders.

Performance Management also forms the backbone of talent management and is therefore very important for initiatives like Talent Boards, Career Progression and Succession Planning, all initiatives that the SABC will be implementing over the next few years in a drive to once again become an employer of choice. Within the fast-changing media and broadcasting environment, competition for talent is ever increasing and it is therefore imperative for the Corporation to implement initiatives that will attract the top talent in this environment as this will ensure that the SABC stays in the forefront of innovative broadcasting trends.

Human Resources is entering an exciting new phase in the organisation with the auditing and renewal of skills combined with performance and management of talent. Human Resources will be reviewing its remuneration framework to ensure alignment with the market and available skills. An important aspect of remuneration is fair practice, and this will be a focus of the review process.

These initiatives will ensure that the organisation stays relevant within broadcasting and delivers on its mandate from a talent perspective.

HR Strategies that will be focussed on include:

Re-design and Roll-out of Operating Models and Structures
<ul style="list-style-type: none">• Draft new structures• Validate structures• Obtain approval on structures• Implement structures
Remuneration Strategy and Architecture
<ul style="list-style-type: none">• Finalise remuneration Architecture proposal• Obtain approval• Commence implementation of programmes• Conduct Benchmarks
Design a Leadership Development Framework

<ul style="list-style-type: none"> • Research Framework and Tools • Drafting of framework aligned to Talent Management Strategy • Obtain approval of Framework • Implementation of Framework
<p>Embed Change Management as an Organisational Capability</p>
<ul style="list-style-type: none"> • Develop business case and obtain approval • Design roll-out plan • Roll-out Change Leadership socialisation
<p>Culture Revitalisation</p>
<ul style="list-style-type: none"> • Obtain the services of an external service provider • Develop a culture revitalisation programme • Roll-out of programme within the SABC • Conduct measurement of alignment to SABC Roadmap
<p>Employee Engagement Survey</p>
<ul style="list-style-type: none"> • Obtain necessary tools to conduct a survey • Develop a questionnaire • Roll-out of survey • Evaluate responses • Develop remedies to address findings • Implement remedies within the organisation

10.5. GOVERNANCE

GOAL 5: COMPLIANT GOVERNANCE PRACTICES, RISK MANAGEMENT AND SOUND INTERNAL CONTROLS

Business Continuity Management
Enterprise-wide Risk Management
Compliance, Evaluation and Monitoring
Internal Control Environment

The SABC Board has the responsibility to deal with several issues of risk and governance, which require transparency of information and compliance with legislation governing the SABC as part of an essential aspect of reducing the Corporation's exposure to risk. The Board and the SABC cannot approach the management of governance, risk and compliance in a silo manner as it will not achieve a holistic view of how the Corporation is functioning and it will become increasingly difficult to obtain the right information for decision making.

It is therefore important for the Board and the Audit and Risk Committee to be provided with greater insight into key risks and compliance obligations, the manner in which these risks and obligations are being managed, and assurance over the key risks the SABC faces. In order to assist the Board to fulfil its oversight role, the SABC requires an integrated assurance framework that maps out the strategic approach to governance, risk, compliance and assurance, which will support the corporate strategy and allow management to manage risk as and when it arises. To this end, the Governance and Assurance Division was established in 2016/17.

The development of an integrated approach to Governance, Risk, Compliance, Monitoring, Evaluation and Assurance Provision (GRC) is as a result of the current complexities and uncertainties in markets around the world. The focus is now on rationalising risk management, controls, assurance structures and processes. By implementing a more strategic approach to GRC, the delivery of more insightful information becomes possible. The Board, Management and Staff can utilise this value-added information to improve overall performance, achieve compliance and reinforce sustainability, particularly in respect of the ever increasing regulatory requirements and to respond more quickly to opportunities.

Business Continuity Management

Business Continuity Management (BCM) is the key discipline that sits at the heart of building and improving the resilience of organisations. BCM identifies the Corporation's priorities and prepares solutions to address disruptive threats. This understanding supports the design and implementation of plans to protect and continue the value creating operations of the Corporation, as well as protect its brand and reputation, in the event of any disruption. An effective business continuity programme supports the strategic objectives of the organisation and pro-actively builds the capability to continue business operations in the event of disruption and becomes part of the corporation's culture and core values. The programme includes

the identification of risks and threats, the creation of response structures and plans to address incidents and crises, and promotes validation and continuous improvement.

An effective BCM programme equips the organisation to:

- ensure services that are critical to its objectives continue despite the occurrence of a potentially disruptive event;
- stabilise the effects of a disruptive event and return to normal operations and a full recovery as quickly as possible;
- capitalise on opportunities created by the disruptive event.

Corporate governance aims to put in place the mechanisms necessary to ensure a company is sustainable, in every sense. Business continuity management has an important role to play in achieving this goal because it identifies threats and provides a framework for responding to them.

Enterprise-wide Risk Management

The goal of *“develop and maintain an efficient, effective and transparent system of risk management.”* is in line with PFMA Section 51(1) (a) (i) which stipulates that *“the accounting authority of a public entity must ensure that the public entity has and maintains a system of effective, efficient and transparent system of financial and risk management and internal control.”*

Moreover Treasury Regulation 27.2.1 also requires *“the 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 Code of Corporate Governance for South Africa TM under risk management principles stipulate that *“Governing bodies should govern risk in a way that supports the organisation in setting and achieving objectives”*.

The strategic focus and plan are informed by the above as well as the strategy of the corporation.

- Review and Implement of ERM Policy, Framework, Tools and Guidelines.
- Conduct awareness and Training on Risk Management.
- Assessment of Strategic, Operational and Project risks.
- Monitoring and reporting to Group Exco and Board Risk Committee on a quarterly basis.
- Risk Management maturity surveys (planned).

Compliance, Evaluation and Monitoring

The Generally Accepted Compliance Practice Framework states that compliance with regulatory requirements may be interpreted as a necessity for an organisation to

meet the regulatory requirements that apply to that particular business sector which it operates.

The work of Monitoring and Evaluation (M&E) is in line with the requirements of the Policy Framework on the Government-Wide Monitoring and Evaluation System, the National Evaluation Policy Framework, and the SABC's Managing Performance Information Policy approved by the Board. M&E was established with the objective of monitoring the organisational performance on all matters pertaining to governance, compliance and operations.

M&E seeks to help the SABC improve capacity to perform better by, first, closing the gap in the planning and reporting processes and second, by monitoring organisational performance in a way that enables effective management by EXCO and effective oversight by the Board. More specifically, the team seeks to do the following:

- Assist the Divisions with the development of detailed operational/performance plans, detailed operational plans enable better budgeting and better performance monitoring and management;
- Assist the Divisions with quarterly performance reviews. These will be done against the approved strategic and operational plans, and the generated reports will provide the Board with information on how the corporation is performing against its approved plans, and what measures are being taken to address unsatisfactory performance;
- Assist with performance evaluations of the key outcomes from a concluded fiscal period, This will enable better planning, and informed strategy adjustments;

Internal Control Environment

To ensure proper systems of internal control are adequately designed, embedded across the organisation and operating effectively to support business in achieving their objectives.

The mandate further stipulates that the SABC must develop and implement and maintain an adequate and effective control environment, which supports the strategic and operational goals and objectives of the enterprise. The control environment must be robust enough to support management in dealing with rapidly changing economic and competitive environments, shifting customer demands and priorities, leadership and evolving business models, restructuring for future growth, changes in the regulatory compliance and reliable management information. Initiatives going forward include:

- Implementation of an Enterprise Wide Integrated Internal Control System;
- Configuration and implementation of SAP Process Control System for the automation of controls that will be identified during the project life time and post.

10.6. PARTNERSHIPS

GOAL 6: STRATEGIC AND SUSTAINABLE PARTNERSHIPS

State Owned Entities are increasingly partnering with other organisations - both public and private—to address sustainability challenges.

Over the last five years partnerships to drive sustainable growth have become increasingly popular. Collaboration and partnerships play a critical role in addressing systemic barriers, driving collaborative innovation and sharing risk.

The SABC needs to enter into some partnerships and collaborations in order to increase its sustainability – both financially and operational. These partnerships would vary widely in terms of their scope, participants, governance models, purpose, and levels of activity. Potential SABC partnerships are still at a nascent stage, especially given the long-term nature of partnership building and system change.

In investigating possible partnerships and collaborations, the SABC will take the following into consideration:

- Cooperation with business partners along value chains;
- Project-level, financing and implementation partnerships;
- Multi-stakeholder institutions, platforms and networks;
- Industry-level, precompetitive business alliances;
- Coordination between different levels and types of partnership to drive systemic change.

It should be noted that any partnership that is anticipated will conform to follow all relevant governance and legislative prescripts and requirements.

11. SABC's ALIGNMENT WITH DEPARTMENT OF COMMUNICATIONS PRIORITIES

The SABC's strategy is aligned with the goals and objectives of the Department of Communications. The DOC's strategic goals include:

- Effective and efficient strategic leadership, governance and administration.
- A responsive communications policy and regulatory environment.
- Improved country branding.
- Transformed communications sector.

The table below indicates the SABC's alignment with these goals and strategic objectives. *However, it should be noted that the execution, implementation and support initiatives detailed below are subject to the SABC's financial position and availability of funding.*

DEPARTMENT OF COMMUNICATIONS		SABC ALIGNMENT
STRATEGIC GOALS	STRATEGIC OBJECTIVES	STRATEGIC OBJECTIVES AND KEY PERFORMANCE AREAS / ACTIVITIES
1. Effective and efficient strategic leadership, governance and administration.	SO 1.1: Ensure compliance with statutory requirements and good governance practices by 2019.	SO: Develop and maintain an efficient, effective and transparent system of risk management and internal controls. <ul style="list-style-type: none"> • Assess, revise and document internal controls.
	SO 1.2: Improve capacity of the entities to deliver by 2019.	In order to develop the SABC's capacity to deliver against the above priority projects, the Department of Communications is requested to assist with the following: <ul style="list-style-type: none"> • Funding Model of the SABC (increased public funding); • Funding for broadcasting of Developmental and National Sport as well as events of National Interest (National and Local Elections); • Intervention to mitigate the impact of pending legislation restricting advertising (ban on advertising of alcohol and fast food).
	SO 1.3: Ensure viability and sustainability of SOEs by 2019.	SO : Ensure the SABC is sustainable. <ul style="list-style-type: none"> • Turning net losses into net profits. SO : Ensure the SABC is able to meet its financial obligations.

DEPARTMENT OF COMMUNICATIONS		SABC ALIGNMENT
STRATEGIC GOALS	STRATEGIC OBJECTIVES	STRATEGIC OBJECTIVES AND KEY PERFORMANCE AREAS / ACTIVITIES
		<ul style="list-style-type: none"> Manage working capital (i.e. debtors days and creditors days) and manage investments to ensure adequate cash availability at all times.
2. A responsive communication s policy and regulatory environment.	SO 2.1: Improve universal access to broadcasting services by 2019.	SO: Enhance digital media platforms to attract more audiences and increase universal access. <ul style="list-style-type: none"> Digital-on-Line Digital Migration
	SO 2.2: Ensure equitable allocation of spectrum to public, private and community players by 2019.	Input to ICASA and relevant stakeholders regarding spectrum allocation.
3. Improved country branding.	SO 3.1: Broaden access to information by all citizens by 2019.	SO: Exceed local content requirements of SABC licences. Achieve ICASA local content quotas as per terrestrial channel licence conditions. SO: Diversify content by supporting and including production of provincial content. SO: Enhance digital media platforms to attract more audiences and increase universal access.
	SO 3.2: Market the country locally, regionally and internationally to provide an enabling environment for investment by 2019.	Partnerships with Brand South Africa and related stakeholders.
4. Transformed communication s sector.	SO 4.1: Support the growth and development of the creative industries by 2019.	SO: Diversify content by supporting and including production of provincial content. <ul style="list-style-type: none"> Number of provincial programmes broadcast Hours of marginalised language content broadcast
	SO 4.2: Manage digital broadcasting migration by 2019.	<ul style="list-style-type: none"> Additional channels to be carried on the DTT transmitter network. Digitisation of SABC content. Build a digital library for SABC content. Upgrade playout automation, outside broadcast and production studios to digital.

DEPARTMENT OF COMMUNICATIONS		SABC ALIGNMENT
STRATEGIC GOALS	STRATEGIC OBJECTIVES	STRATEGIC OBJECTIVES AND KEY PERFORMANCE AREAS / ACTIVITIES
		<ul style="list-style-type: none"> • Support DoC Imbizos relating to digital migration subject to budget availability; • Assist with DTT marketing campaigns on SABC platforms.
	<p>SO 4.3: Strengthen support, guidance and interrelations with stakeholders by 2019.</p>	<ul style="list-style-type: none"> • Bi-lateral meetings with Shareholder; • Meetings with Entity Oversight Committees; • Stakeholder engagement. Brand affinity and reputation management.

12. FY2019/20 – 2021/22 PREDETERMINED OBJECTIVES AND FY2019/20 QUARTERLY TARGETS

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2019/20	2020/21	2021/22
FINANCIAL SUSTAINABILITY						
GOAL: A FINANCIALLY SUSTAINABLE ORGANISATION						
ENSURE THAT THE SABC IS FINANCIALLY SUSTAINABLE THROUGH REVENUE AND COST MANAGEMENT	Manage revenue and expenditure in accordance with the approved budget.	Annual net profit / loss before interest and tax.	Annual financial statements	R648m loss	R303m loss	R194m loss
	Maximise working capital management in response to the operating environment	Average creditors' days Average debtors' days.	CFO Report, Quarterly Reports CFO Report, Quarterly Reports	60 creditors payment days 60 debtors payment days	60 creditors payment days 60 debtors payment days	60 creditors payment days 60 debtors payment days

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2019/20	2020/21	2021/22
CONTENT AND PLATFORMS						
GOAL: OFFER A COMPETITIVE AND INNOVATIVE MULTICHANNEL PORTFOLIO						
ENSURE COMPLIANCE WITH THE SABC'S BROADCAST LICENCE CONDITIONS	Meet the license conditions as prescribed by ICASA	Percentage of local content broadcast on PBS channels during performance period	Broadcast Schedules. Quarterly ICASA licensing conditions report.	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%
		Percentage of local content broadcast on PCS channels during performance period		PCS SABC 3: 45%	PCS SABC 3: 45%	PCS SABC 3: 45%
		Percentage of local music broadcast on PBS radio stations during performance period		PBS Stations: 70%	PBS Stations: 70%	PBS Stations: 70%
		Percentage of local music broadcast on PCS radio stations during performance period		PCS Stations: 35%	PCS Stations: 35%	PCS Stations: 35%
BE RESPONSIVE TO AUDIENCE NEEDS	Source content from provinces outside Gauteng.	Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified genre quotas.	Broadcast Schedules. Quarterly ICASA licensing conditions report.	14/14 radio stations	14/14 radio stations	14/14 radio stations
		Number of provincial programmes broadcast	Broadcasting schedule	12 programmes	14 programmes	16 programmes

THROUGH DIVERSITY IN LANGUAGE AND ORIGIN OF BROADCAST CONTENT.		across SABC TV channels.				
	Meet ICASA marginalised language targets on PBS platforms	Hours of marginalised language content broadcast on SABC's TV channels during prime time.	Broadcast Schedules P&R ICASA Quarterly Report	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2019/20	2020/21	2021/22
DIGITAL						
GOAL: TO AVAIL SABC CONTENT EVERYWHERE, ANYTIME, FOR EVERYONE						
IMPLEMENT DIGITAL-RELATED CAPEX AND OPEX PROJECTS	To develop, approve and implement an OTT (Over-The-Top) Solution	Planned milestones achieved	Project progress reports SABC News Mobile App SABC Elections Website	<ul style="list-style-type: none"> Deliver and maintain a functional SABC News Mobile App Deliver a functional SABC Elections Website 	<ul style="list-style-type: none"> Social Media Management Systems Digital Advertising Tools 	<ul style="list-style-type: none"> Provide media Sentiment listening and analysis services
	To develop, approve and implement TV studio digitisation plan	Planned milestones achieved	Project progress report Approved TV Studio Digitization Plan	<ul style="list-style-type: none"> Upgrade Studio 9 Video Wall Upgrade Studio 10 and 12 Audio Consoles Develop a TV Studio Digitisation Plan 	<ul style="list-style-type: none"> Upgrade Studio 1, 2 3, 4 and 5 	<ul style="list-style-type: none"> Upgrade Studio 6 / 7 Upgrade Studio 9 Upgrade Western Cape Parliament Studio
	Develop and implement digital storage workflows and infrastructure for SABC content	Planned milestones achieved	Project progress reports	<ul style="list-style-type: none"> Radio Digital Production System (Diral) roll out – All radio stations in the Western Cape and Durban Digital Operations 	<ul style="list-style-type: none"> Radio Playback System Corporate SAN News Playback System EVS Replacement EVS Replacement 	<ul style="list-style-type: none"> Digital Library EVS Replacement

					<ul style="list-style-type: none">• Centre (DOC)• Digital Media Integration (DMI)• Corporate Storage Area Network (SAN)• LTO Storage		
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Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2019/20	2020/21	2021/22
PARTNERSHIPS						
Goal: TO ESTABLISH STRATEGIC AND SUSTAINABLE PARTNERSHIPS						
TO FORMALISE STRATEGIC PARTNERSHIPS THAT WILL FACILITATE REVENUE GENERATION AND COST REDUCTION	Finalise partnership agreements with strategic partners	Number of strategic partnerships concluded	Signed strategic partnership agreements; Board resolutions	3	4	5

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2019/20	2020/21	2021/22
ADMINISTRATIVE						
HUMAN RESOURCES						
GOAL: A COMPETENT, DYNAMIC WORKFORCE THAT IS FIT FOR PURPOSE						
ENHANCE ORGANISATIONAL EFFECTIVENESS AND EFFICIENCIES IN OPERATIONS	Align the SABC operating model and structures to the SABC vision and mandate.	Board approved structure captured on SAP	Resolutions or minutes approving the organisational structure from the various approval committees; HR Reports	Approval of the SABC structure	Implementation and maintenance of the SABC operating model and structure	Migration of staff to new structure.
				Conduct Skills Audit	Implement Skills Audit Outcomes	Implement Skills Audit Outcomes
				100% - Organisation-wide	100% Organisation-wide	100% Organisation-wide
OPTIMISE LEARNING & DEVELOPMENT TO ENSURE SUSTAINABILITY AND READINESS FOR THE	Institutionalise Performance Management	Percentage of permanent employees with signed performance contracts and quarterly reviews	Signed performance contracts; HR Reports	80% achievement of digital migration training needs as per the WSP.	80% achievement of training needs as per the WSP.	90% achievement of training needs as per the WSP.
				HR reports on training provided	HR reports on training provided	HR reports on training provided
				Percentage of digital migration training needs addressed through WSP	Percentage of digital migration training needs addressed through WSP	Percentage of digital migration training needs addressed through WSP

DIGITAL AGE									
GOVERNANCE									
GOAL: COMPLIANT GOVERNANCE PRACTICES, RISK MANAGEMENT AND SOUND INTERNAL CONTROLS									
ENSURE COMPLIANT GOVERNANCE PRACTICES THROUGH EFFECTIVE RISK MANAGEMENT AND A SOUND INTERNAL CONTROL ENVIRONMENT.	Track progress relating to resolution of audit findings	Percentage of internal audit findings resolved.	Internal Audit reports	50%	55%	60%			
		Percentage of previous financial years' Auditor General findings resolved.	AG reports	50%	60%	70%			
		Number of Compliance Reports issued	Compliance Reports	4	4	4			
		Percentage of risk treatment plans that have been implemented	CURA reports	30%	40%	50%			
	Monitor the status of compliance with legislation and internal policies								
	Implementation of Enterprise-wide risk management								

SABC PREDETERMINED OBJECTIVES – FY2019/20 QUARTERLY TARGETS

Strategic Objective	Key Activities	Performance Indicators	FY2019/20 Target	Targets			
				Q1	Q2	Q3	Q4
FINANCIAL SUSTAINABILITY							
GOAL: A FINANCIALLY SUSTAINABLE ORGANISATION							
ENSURE THAT THE SABC IS FINANCIALLY SUSTAINABLE THROUGH REVENUE AND COST MANAGEMENT	Manage revenue and expenditure in accordance with the approved budget.	Net profit before interest and tax.	R648m loss	R34m profit	R147m loss	R69m profit	R604m loss
				60 creditors payment days	60 creditors payment days	60 creditors payment days	60 creditors payment days
ENSURE THAT THE SABC IS ABLE TO MEET ITS FINANCIAL OBLIGATIONS THROUGH ADEQUATE CASH MANAGEMENT.	Maximise working capital management in response to the operating environment.	Average creditors' days. Average debtors' days.	60 creditors payment days 60 debtors payment days	60 debtors payment days	60 debtors payment days	60 debtors payment days	60 debtors payment days
				60 creditors payment days	60 creditors payment days	60 creditors payment days	60 debtors payment days

Strategic Objective	Key Activities	Performance Indicators	FY2019/20 Target	Targets			
				Q1	Q2	Q3	Q4
CONTENT AND PLATFORMS							
GOAL: OFFER A COMPETITIVE AND INNOVATIVE MULTICHANNEL PORTFOLIO							
ENSURE COMPLIANCE WITH THE SABC'S BROADCAST LICENCE CONDITIONS	Meet the license conditions as prescribed by ICASA	Percentage of local content broadcast on PBS channels during performance period	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%	PBS SABC 1: 65% SABC 2: 65%
		Percentage of local content broadcast on PCS channels during performance period	PCS SABC 3: 45%	PCS SABC 3: 45%	PCS SABC 3: 45%	PCS SABC 3: 45%	PCS SABC 3: 45%
		Percentage of local music broadcast on PBS radio stations during performance period	PBS Stations: 70%	PBS Stations: 70%	PBS Stations: 70%	PBS Stations: 70%	PBS Stations: 70%
		Percentage of local music broadcast on PCS radio stations during performance period	PCS Stations: 35%	PCS Stations: 35%	PCS Stations: 35%	PCS Stations: 35%	PCS Stations: 35%
		Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations	14/14 radio stations

BE RESPONSIVE TO AUDIENCE NEEDS THROUGH DIVERSITY IN LANGUAGE AND ORIGIN OF BROADCAST CONTENT.	Source content from provinces outside Gauteng.	genre quotas.	12 programmes	3	3	3
	Meet ICASA marginalised language targets on PBS platforms	Number of provincial programmes broadcast across SABC TV channels.	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes
		Hours of marginalised language content broadcast on SABC's TV channels during prime time.	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes
			SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes
			SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes	SABC1: 1 hour 48 minutes SABC2: 1 hour 54 minutes

Strategic Objective	Key Activities	Performance Indicators	FY2019/20 Target	Targets			
				Q1	Q2	Q3	Q4
DIGITAL							
GOAL: TO AVAIL SABC CONTENT EVERYWHERE, ANYTIME, FOR EVERYONE							
IMPLEMENT DIGITAL-RELATED CAPEX AND OPEX PROJECTS	To develop, approve and implement an OTT (Over-The-Top) Solution	Planned milestones achieved	<ul style="list-style-type: none"> Deliver and maintain a functional SABC News Mobile App Deliver a functional SABC Elections Website 	<ul style="list-style-type: none"> Deliver a functional SABC News Mobile App Deliver a functional SABC Elections Website 	N/A	N/A	N/A
	To develop, approve and implement TV studio digitisation plan	Planned milestones achieved	<ul style="list-style-type: none"> Upgrade Studio 9 Video Wall Upgrade Studio 10 and 12 Audio Consoles Approved TV Studio Digitisation Plan 	<ul style="list-style-type: none"> Upgraded Studio 9 Video Wall Approved TV Studio Digitisation Plan 	Upgraded Studio 10 and 12 Audio Consoles	Approved TV Studio Digitization Plan	N/A

					N/A	N/A	N/A	Western Cape	Durban
				Radio Digital Production System (Dirat) roll out – All radio stations in the Western Cape and Durban	N/A	N/A	N/A	Western Cape	Durban
	Develop and implement digital storage workflows and infrastructure for SABC content	Planned milestones achieved	Digital Operations Centre (DOC)	N/A	N/A	N/A	Digital Operations Centre	N/A	N/A
Digital Media Integration (DMI)			N/A	N/A	N/A	Digital Media Integration (DMI)	N/A	N/A	
Corporate Storage Area Network (SAN)			N/A	N/A	N/A	Completion of Data Centre (SAN)	N/A	Commissioning of Storage Units (SAN)	
LTO Storage			N/A	N/A	N/A	LTO Storage	N/A	N/A	

Strategic Objective	Key Activities	Performance Indicators	FY2019/20 Target	Targets			
				Q1	Q2	Q3	Q4
PARTNERSHIPS							
GOAL: TO ESTABLISH STRATEGIC AND SUSTAINABLE PARTNERSHIPS							
TO FORMALISE STRATEGIC PARTNERSHIPS THAT WILL FACILITATE REVENUE GENERATION AND COST REDUCTION	Finalise partnership agreements with strategic partners	Number of strategic partnerships concluded	3	0	0	1	2

Strategic Objective	Key Activities	Performance Indicators	FY2019/20 Target	Targets			
				Q1	Q2	Q3	Q4
ADMINISTRATIVE							
HUMAN RESOURCES							
GOAL: A COMPETENT, DYNAMIC WORKFORCE THAT IS FIT FOR PURPOSE							
ENHANCE ORGANISATIONAL EFFECTIVENESS AND EFFICIENCIES IN OPERATIONS	Align the SABC operating model and structures to the SABC vision and mandate.	Board approved structure captured on SAP	Approval of the SABC structure	Divisional structures finalised	Divisional structures approved by EXCO and Board	Divisional structures implemented	Divisional structures implemented
	Institutionalise Performance Management	Completed organisation-wide skills audit	Conduct Skills Audit	Conduct skills audit at all levels within the organisation	Determine skills gaps	Address skills gaps	TBD
OPTIMISE LEARNING & DEVELOPMENT TO ENSURE SUSTAINABILITY AND READINESS FOR THE DIGITAL AGE	Implement the portion of the Workplace Skills Plan (WSP) that is aligned to digital migration requirements	Percentage of digital migration training needs addressed through WSP	80% achievement of digital migration training needs as per the WSP	80% - Top and Senior Management	100% - Top and Senior Management	100% - Top and Senior Management	100% - Top and Senior Management
				60% - Middle Management	80% - Middle Management	100% - Middle Management	100% - Middle Management
				20% - Bargaining Unit	60% - Bargaining Unit	80% - Bargaining Unit	100% - Bargaining Unit
				20%	40%	60%	80%

GOVERNANCE

GOAL: COMPLIANT GOVERNANCE PRACTICES, RISK MANAGEMENT AND SOUND INTERNAL CONTROLS

<p>ENSURE COMPLIANT GOVERNANCE PRACTICES THROUGH EFFECTIVE RISK MANAGEMENT AND A SOUND INTERNAL CONTROL ENVIRONMENT.</p>	Track progress relating to resolution of audit findings	Percentage of internal audit findings resolved.	50%	45%	47%	49%	50%
		Percentage of previous financial years' Auditor General findings resolved.	50%	40%	45%	47%	50%
	Monitor the status of compliance with legislation and internal policies	Number of Compliance Reports issued	4	1	1	1	1
	Implementation of Enterprise-wide risk management	Percentage of risk treatment plans that have been implemented	30%	5%	15%	25%	30%

PART C FY2019/20 TO 2021/22 BUDGET

14.1 OBJECTIVE

The objective of financial planning and budgeting is to develop detailed plans to achieve the aims and objectives of the organisation, taking into account 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;
- 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 is 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.

14.2 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.

14.3 BUDGET HIGHLIGHTS

- The 2019/20 budget assumes a positive outcome to the Government Guarantee application.
- Incorporates the financial implications of an operating model and restructure initiative as from 2020/21 and is based on the assumption that revenue enhancement initiatives (including regulatory changes) will materialise.
- Noting that the equity reserves are depleting over the MTEF period mainly as a result of the improved operating performance being offset by the finance charges of the funding anticipated to be secured on the back of the Government Guarantee.
- Factual insolvency and accumulating trade creditors are anticipated in FY2019/20 in the absence of obtaining a Government Guarantee and subsequent initiatives to turn the Corporation around.

14.4 BUDGET ASSUMPTIONS

- **Budget approach**

The **hybrid** (zero-based and incremental) scenario has been adopted in preparation of the 2019/20 financial year budget. The total Revenue will be determined first which will then derive a targeted expenditure / cost (both operational and capital).

- **Budget assumptions rates**

	2019/20	2020/21	2021/22
Commercial revenue	3.9%	7.69%	4.17%
Licence fees	2%	1%	1%
Salary increase (Permanent & fixed)	6%	6%	6%
Other revenue streams	5.6%	5.5%	5.5%
Government Grant Allocation	199,016	209,963	221,510
General expenses (CPIX)	5.7%	5%	5%
JIBAR	11%	11%	11%
Borrowing cost (JIBAR + 2%)	13%	13%	13%
Tax rate	28%	28%	28%

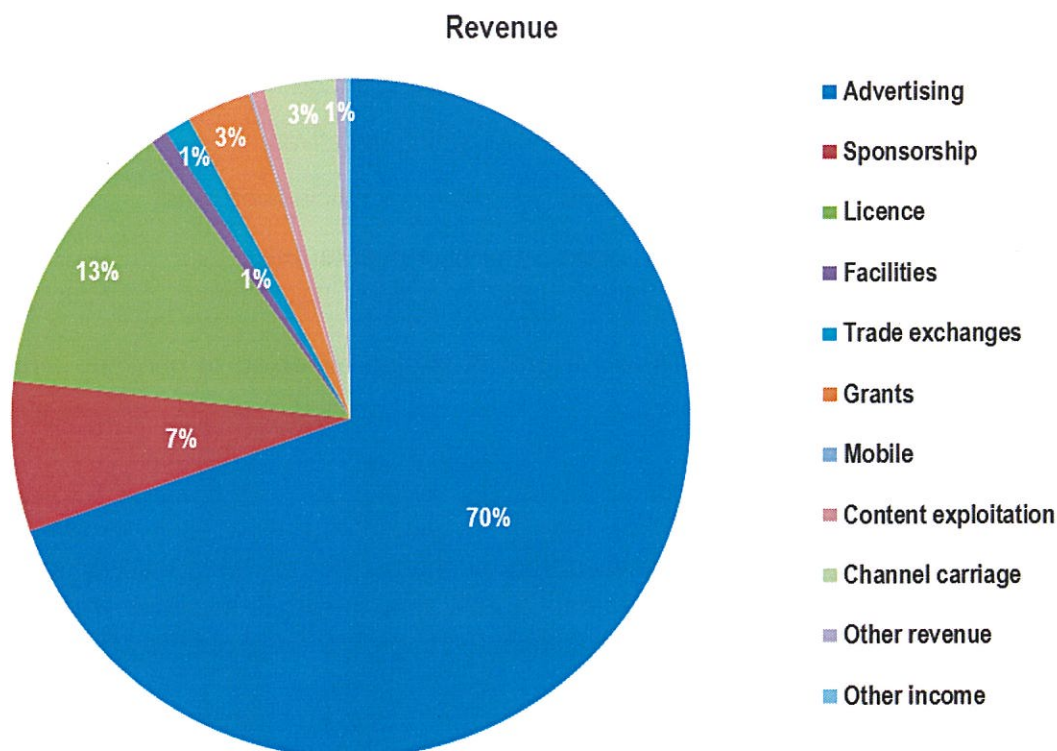
14.5 BUDGET RISKS AND UNCERTAINTIES

Risks	Key assumption
Budgeted Revenue growth is more than the past three year average and might not be attainable.	Approval of Government Guarantee application.
Possible litigations have not been factored, especially for long outstanding creditors. In the absence of a Government Guarantee this will become a reality.	Implementation of Capex Plan (OTT) will yield savings in the Signal and Distribution costs.
Contingencies have not been considered in the Budget.	The new television channels to be created through the migration to digital platforms have not been factored in the Budget.
Risk of Expenses increasing more than the 5% mark, will increase Net Losses.	Disposal of the non-strategic residential property assets has not been factored in but is not deemed to be material.
Infrastructure has not been maintained for a long time and potential operational breakdowns would create unforeseen expenses as well as interrupted broadcasting services and deteriorating efficiencies.	Quantum and pace of the staff optimisation process is not know at this time but it has been assumed that the financial implications, following the conclusion of various processes, will only be visible in FY2020/21.
Declining audience share due to low content investments in the past financial years. Continued limited investments in the absence of funding or delayed payment to content providers will drive audience share down.	Revenue from new strategic initiatives has been adequately identified and quantified.
Implications of ban of alcohol advertisements and unhealthy foods.	Displacement cost for sport events that have not been committed yet but will need to be broadcast due to public demand, have not yet been factored in.
Lack of capacity to implement Capex plan.	

14.6 INCOME STATEMENT

Description	Audited	Forecasts	Budget	Estimates	
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2021/22 R'000
Advertising revenue	(4,711,772)	(4,581,858)	(5,153,129)	(5,549,470)	(5,781,020)
Sponsorship	(392,597)	(417,242)	(527,500)	(568,071)	(591,774)
Licence fees	(941,395)	(965,000)	(984,300)	(994,143)	(1,004,084)
Business enterprise and facilities revenue	(27,570)	(34,695)	(60,224)	(63,537)	(67,031)
Trade exchanges (non-monetary exchanges)	(69,103)	(128,105)	(91,644)	(96,685)	(102,002)
Government grants	(186,830)	(267,444)	(225,705)	(217,549)	(219,601)
Mobile revenue	(623)	(2,100)	(7,000)	(7,385)	(7,791)
Programme rights exploitation revenue	(92,477)	(32,433)	(45,616)	(48,124)	(50,771)
Channel carriage fees revenue	(149,952)	(178,289)	(250,381)	(264,152)	(278,680)
Other revenue	(6,133)	(22,000)	(34,000)	(36,615)	(38,143)
Revenue	(6,578,454)	(6,629,166)	(7,379,499)	(7,845,731)	(8,140,898)
Other income	(48,744)	(30,827)	(20,632)	(21,766)	(22,964)
Revenue & other income	(6,627,198)	(6,659,992)	(7,400,130)	(7,867,497)	(8,163,862)
Amortisation of programme, film and sports rights	1,775,783	1,793,749	1,987,801	2,189,332	2,239,852
Amortisation of computer software	46,647	54,865	21,400	22,471	19,187
Net impairment of trade and other receivables	94,589	95,848	98,000	102,900	108,045
Broadcast costs	486,822	442,628	586,049	615,351	646,119
Signal distribution and linking costs	718,132	744,810	800,703	840,738	882,775
Employee and director compensation					
- permanent employee costs	2,581,048	2,405,785	2,527,288	2,278,925	2,239,661
- non-permanent employee costs	518,733	539,025	542,433	569,555	598,033
Depreciation property, plant and equipment	167,294	176,565	155,660	156,586	169,282
Marketing costs	48,417	35,200	214,086	224,791	236,030
Direct revenue collection costs	118,213	126,519	128,099	134,504	141,229
Professional and consulting fees	89,947	100,774	124,034	130,236	126,748
Other expenses					
- personnel costs	67,093	83,684	82,009	86,109	90,415
- operational	483,028	534,397	703,647	738,829	775,770
- administration	55,003	45,407	76,576	80,405	84,425
Other losses	11,180	1,112	0	0	0
Expenses	7,261,930	7,180,368	8,047,783	8,170,729	8,357,568
Operating loss before finance costs and tax	634 732	520,376	647,652	303,232	193,706
Finance income	(46 219)	(19,565)	0	0	0
Finance expenses	33 152	67,267	400,025	485,807	549,622
Loss before income tax	621 665	568,078	1,047,677	789,039	743,328
Income tax	(11)	0	0	0	0
Loss for the year	621 676	568,078	1,047,677	789,039	743,328

14.7 REVENUE



The SABC generates its Revenue mainly from Commercial Revenue (Advertising and Sponsorship), which amounts to **77%** of the total Revenue. This is supplemented by TV Licence collections which contribute **13%**. The remaining 10% relates mainly to government grants, channel carriage fees, content exploitation and miscellaneous sources of Revenue.

The Revenue base for the SABC is therefore affected by external forces and reacts to the economic changes. In the past years, the economic conditions have been tough which have severely affected the Revenue base.

ADVERTISING

The SABC sells its broadcasting schedule through the audience share currency in the form of advertising. This then depends on the quality of investment made in content to be used in the broadcasting schedule. It is crucial for the SABC to have quality inventory of content (Programme, Film and Sports Rights) in order to improve audience share, thereby increasing the value of currency.

The SABC has not been able to improve investments in the content inventory due to liquidity challenges, impacting the potential growth of Revenue. Investment of **R2.2 billion** has been budgeted for in the 2019/20 financial year in order to yield a **12%**

revenue growth over a 12 to 18 month period. Even though this is above the industry outlook of 5.6%, it is substantiated by the following turnaround strategies:

- Stability of audience share on all television and radio platforms;
- Investment in quality and compelling content;
- Attractive trading deals;
- More focus on corporate and brand image;
- Improved investment in marketing initiatives;
- Improved planning to achieve more efficiencies, and
- Enhanced performance management targets.

The improved Revenue growth is also expected to continue throughout the MTEF period.

SPONSORSHIP

The revenue generated from sponsorships has been increasing exponentially in the past two financial years. A **26%** growth rate is therefore expected for the 2019/20 financial year and it is anticipated to grow throughout the MTEF period.

TV LICENCE FEES

Television licence fees revenue has been increasing at an average of **3%** in the past two financial years. The SABC has budgeted for a **2%** growth in the 2019/20 financial year. This increase will be achieved through:

- Improvement in customer service delivery (call centre cloud solution),
- Identifying of new licence holders through GIS system,
- Website enhancements,
- Procurement of mailing solution, and
- Implementation of TV licence tariff fee increase.

In the long-term, the SABC is expecting that the TV licence tariffs will increase annually at an inflationary rate and that consideration be given to have this revenue stream declared to be zero-rated for Value Added Tax.

OTHER REVENUE STREAMS

- **Government grants**

The Revenue through Government funding amounts to only **3%** of the SABC's total revenue base. These relate to conditional grants allocation received from Government and SETA. These have been allocated as follows:

	Budget	Estimates	
	2019/20	2020/21	2021/22
Channel Africa	61,320	64,693	68,251
Public Broadcaster	123,246	130,025	137,176
Programme Productions	14,450	15,245	16,083
Total grant allocation	199,016	209,963	221,510
Revenue recognition	225,705	217,549	219,601

The difference between the actual grant allocation and Revenue recognition is due to:

- SETA grants that are reimbursed and therefore depend on the expense which has been incurred by the SABC, and
- The financial reporting framework requires matching of revenue and expenses in the income statement, therefore grants used for capital expenditure are only recognised as revenue when the acquired capital assets are depreciated/ amortised.

- **Channel carriage fees**

The SABC generates revenue from having the News and Entertainment Channel (Encore) on the Pay TV platforms. More of these contractual arrangements are expected to be concluded during the 2019/20 financial year.

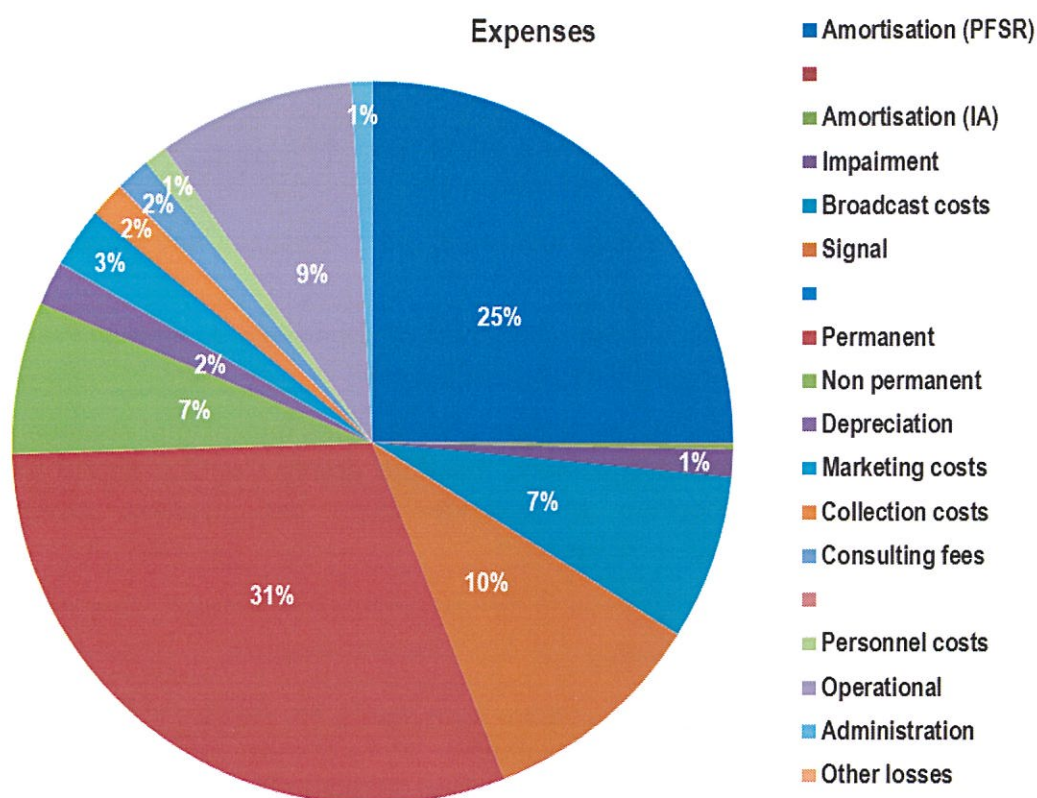
In the long-term the SABC is expecting legislative changes which will result in the broadcaster being compensated / reimbursed for broadcasting mandated programmes/ events.

- **Digital media**

There is paradigm shift in the advertising and media space where more and more content is being consumed in the digital platforms other than the conventional television and radio. This has impacted the broadcasting industry at large.

In responding to such realities, the SABC has invested resources in the digital media platforms such as websites. In the coming years this revenue stream is expected to growth in line with the Forth Industrial Revolution (4IR) trends.

14.8 EXPENDITURE



The two significant cost drivers of the SABC are the employee compensation (**31%**) and amortisation of content (**25%**), which together amount to **56%** of the total Expenditure budget. The other significant components are Signal and Distribution costs, broadcast costs, operational expenses and freelance costs.

AMORTISATION OF CONTENT

The SABC is anticipating investing **R2.2 billion** on Programme, Film and Sports Rights for the 2019/20 financial year. This investment will be used to increase the quality and compelling content inventory in order to increase audience share. This will be split between television content and Sports Rights as follows:

	Budget	Estimates	
	2019/20	2020/21	2021/22
SABC 1	678,512	716,509	755,917
SABC 2	908,282	959,146	1,011,899
SABC 3	425,496	449,324	474,037
Television content	2,012,290	2,124,979	2,241,853
Sports rights (committed)	201,697	70,084	25,202
Total	2,213,987	2,152,044	2,267,055

- **Television content**

The investment in 2019/20 will ensure production of content in order to build the content inventory. The lead time between production and broadcast is approximately 18 months.

Various forms of content will be acquired which include:

- Commissioned content;
- Licenced local and international content; and
- Re-versioned content.

The SABC is greatly reliant on SABC 1 to generate most of the television advertising revenue, which poses a significant risk in instances of scheduling interruptions. In order to mitigate this dependency, a significant amount of content investment will have to be made on the SABC 2 and 3 platforms in order to regain audience share. Some of the long-term turnaround initiatives will include:

- Production of content for all 11 official languages;
- Reviewing of key properties/programmes which have had a negative audience share reaction;
- Reimaging of educational/ children programmes;
- Aggressive marketing initiatives.

- **Sports rights**

The broadcasting of Sport events has generated insignificant commercial Revenue in recent years, whilst requiring significant investment in Sports Rights. It has contributed immensely to the liquidity challenges and net losses being incurred by the SABC. During the 2018/19 financial year, the SABC took a strategic decision to only commit to Sports Rights which the Corporation can afford and which is expected to yield a positive Return on Investment.

For the budget purposes, only Sports Rights which the SABC has already committed on have been included. This has been done to ensure stable cash projections and to limit exposure to material net losses.

EMPLOYEE COST

The 2019/20 financial year's Employee Cost was budgeted for based on October 2018 staff complement numbers exceeding 3,300. Since then the staff turnover was approximately 8%. An amount of R105 million (127 positions) has been included in the budget numbers for critical and approved vacancies.

The multi-year wage agreement with Organised Labour has been budgeted at an average increase of 6% per annum. The MTEF period incorporated the staff optimisation initiative which is expected to yield a total saving of R1 billion.

SIGNAL AND DISTRIBUTION COSTS

The cost relates to the SABC's transmission of its signal to the public. It is in line with the contractual agreement with Sentech and is based on the number of transmitters available to the SABC. There are other ad-hoc costs incurred by the SABC such as satellite feeds and telephone lines used during outside broadcasts.

With the migration to digital platforms, the SABC is expecting this cost to drastically decrease in the long run and it will further create an opportunity for more channels to be launched.

BROADCAST COSTS

This broadcast cost correlates with Commercial Revenue being generated by the SABC through royalties, recordings, news agency costs, booking facilities, MIT levies, etc. Due to accelerated Revenue being budgeted for, it is expected that these costs will react in a similar manner.

Included in the broadcast costs are also Trade Exchange transactions which are linked to Revenue (on a one-for-one basis).

OPERATIONAL COSTS

The SABC has been deferring most of its infrastructure maintenance (e.g, buildings, lifts, etc.) owing to its severe liquidity challenges. In order to mitigate the risk of having aging infrastructure which might impact negatively on business continuity and occupational health & safety, the 2019/20 financial year budget has been increased by **31%**.

With the 2019 National Elections to be held during the budgeted financial year, increased travelling costs are expected to be incurred during the election coverage period.

OTHER EXPENSES

- **Amortisation and Depreciation**

These costs are directly linked to the capital investment budgeted for and the current asset base.

- **Impairment of Trade & Other Receivables**

The budgeted impairment relates to Debtors raised as a result of recognising TV licence fees on accrual basis. The TV Licence fees are recognised on an accrual

basis and the resultant Debtors have to be adjusted for impairment in order for fair value.

- **Non- permanent employees**

Freelance staff will receive a zero per cent increase.

- **Marketing**

The SABC will be implementing a detailed marketing strategy which has been deferred in the past two financial years. The significant increase in the marketing costs is meant to enhance all the Revenue streams to their optimum performance. The budget has been increased to amount to 3% of the budgeted advertising Revenue.

The budget will, however, be closely monitored through the Group Chief Executive Officer's Office and any marketing initiatives being rolled out will have to be pre-approved through a formal process.

- **Direct revenue collection costs**

These are expenses relating to costs and fees involved at each stage of the TV Licence fees collections process. The budget assumption therefore has a direct correlation with the TV Licence fees budget.

- **Professional and consulting fees**

The SABC is still under investigation by the Special Investigation Unit. This has therefore increased the budgeted amount for the 2019/20 financial year.

14.9 TAXATION

The SABC has an estimated R2 billion assessed loss that will be used in the future against net profits. The taxation expense has therefore not been budgeted for.

14.10 CAPEX BUDGET

The Capital Expenditure is based on the Long-Term Capital Expenditure programme (LTCP) which is updated annually, based on the divisional and provincial needs of the Corporation. There has been limited investment in capital infrastructure in prior financial years due to the Corporation's financial challenges. The Corporation's financing gearing has also been significantly low since capital investment was internally funded over the years.

Below is the budgeted Capital Expenditure:

Projects	Budget	Estimates	
	2019/20	2020/21	2021/22
Television Broadcast Resources - Henley	124,441	68,159	144,353
Radio Broadcast Resources	20,729	29,871	0
Television Broadcast Resources – Outside Broadcast	15,014	52,852	180,000
Information Technology	181,579	12,000	0
Technology Management	10,840	0	0
Logistical Services	86,892	5,015	0
Provinces	9,166	0	0
Other divisions	2,762	0	0
Total approved projects	451,423	167,896	324,353
Still to be approved projects	566,782	1,404,362	877,097
Long term capital expenditure plan	1,018,205	1,572,258	1,201,450

14.11 BALANCE SHEET

Description	Audited	Forecasts	Budget	Estimates	
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2021/22 R'000
ASSETS					
Property, plant & equipment	1 582 476	1,605,513	1,901,276	1,912,587	2,067,658
Investment property	9,648	9,930	9,930	9,930	9,930
Computer software	116 400	62,382	40,982	18,511	0
Defined benefit asset	852,872	852,872	852,872	852,872	852,872
Available for sale financial assets	12,220	12,220	12,220	12,220	12,220
Prepayments	16,512	14,747	15,573.00	16,430	17,333
Operating leases	60	60	60	60	60
Total non-current assets	2 590 188	2,557,724	2,832,913	2,822,609	2,960,073
Programme, film & sports rights	756 473	989,974	1,216,160	1,178,871	1,206,074
Consumables	5,362	3,744	3,744	3,744	3,744
Trade & other receivables	800 494	772,329	873,220	931,224	966,854
Prepayments	82,953	62,982	66,508.63	70,167	74,026
Cash & cash equivalents	130,516	28,113	273,152	234,365	59,621
Total current assets	1 775 798	1,857,142	2,432,785	2,418,371	2,310,319
TOTAL ASSETS	4 365 986	4,414,866	5,265,698	5,240,981	5,270,391
EQUITY					
Share capital	1	1	1	1	1
Fair value adjustment reserve	10,126	10,215	10,215	10,215	10,215
Retained earnings	871 219	305,123	(742,553)	(1,531,593)	(2,274,921)
Total equity	881 346	315,340	(732,337)	(1,521,376)	(2,264,704)
LIABILITIES					
Government debt instrument	17,401	12,425	12,425	12,425	12,425

Interest bearing loans & borrowings	31,416	16,826	3,595	0	0
Deferred government grant	203 575	120,346	94,656	91,236	92,096
Employee benefits obligations	1,164,807	1,222,445	1,222,445	1,222,445	1,222,445
Government Guaranteed loan	0	0	3,100,000	3,800,000	4,300,000
Total non-current liabilities	1 417 199	1,372,042	4,433,121	5,126,106	5,626,967
Trade & other payables	1 117 746	1,972,726	818,312	874,890	1,134,221
Employee benefits	218 821	177,935	186,921	168,552	165,648
Deferred income	117,625	39,103	39,103	39,103	39,103
Current portion of Government debt instrument	3,397	2,488	0	0	0
Current portion of loans & borrowings	13,231	13,231	13,231	3,901	0
Tax payable	96 975	0	0	0	0
Current portion of deferred government grant	110,852	129,923	115,268	111,103	112,151
Provisions	440,572	392,079	392,079	438,701	457,006
Total current liabilities	2 067 441	2,727,484	1,564,914	1,636,251	1,908,129
TOTAL LIABILITIES	3 484 640	4,099,526	5,998,035	6,762,357	7,535,095
TOTAL EQUITY & LIABILITIES	4 365 986	4,414,866	5,265,698	5,240,981	5,270,391

Below are the key financial ratios based on the above budgeted balance sheet:

Description	Audited	Forecasts	Budget	Estimates	
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2017/18 R'000
Current ratio	0.94	0.68	1.55	1.48	1.21
Solvency ratio	1.31	1.08	0.88	0.78	0.70

The SABC is going through a period of significant financial distress and has been having cash flow challenges for the past two financial years. This has resulted in Trade Payables increasing and Creditors' payment days almost having doubled. This budget has built in an assumption that at least **R4.3 billion** long term finance will be obtained on the back of a **Government Guarantee**. The effective date of the Guarantee was assumed to be 1 April 2019.

A funding application has been submitted to National Treasury. If the application is approved with the desired funding model, it will alleviate the cash flow difficulties faced by the SABC significantly.

- **Current ratio**

The long term finance will be used to reduce the Creditors' Payment Days to a desired **60** days target. This will improve the liquidity of the SABC and will restore its Net Current Asset position over the MTEF period. The assumption is that there will be a three year repayment moratorium and the financing facility will be utilised over a five year period.

- **Solvency ratio**

In the long term, the SABC has assumed that the Executive Authority will drive Policy and Legislative changes which will see the following amendments being adopted:

- Annual inflationary increase of the TV Licence fees and a once-off correction to adjust for the lack of historical increases;
- TV Licence fee to be declared a zero-rated taxable supply;
- Must-carry programmes/ broadcast of programmes will be funded by government;
- Staff optimisation will be supported;
- Quicker migration to digital platforms, in order to unlock more opportunities for new channels and lower cost of broadcasting transmission.

With these policy changes, the SABC will be restored to a solvency position and good financial health.

14.12 CASH FLOW

Description	Audited	Forecast	Budget	Estimate	
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2021/22 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	6,379,160	6,267,840	6,975,535	7,489,043	7,800,586
Cash paid to suppliers and employees	(6,373,317)	(6,128,047)	(9,148,689)	(7,771,166)	(7,818,288)
Cash utilised by operations	5,843	(49,250)	(2,173,154)	(282,123)	(17,702)
Interest & dividends received	39,748	19,565	0	0	0
Interest paid	(27,104)	(67,267)	(400,025)	(485,807)	(549,622)
Income taxes paid	19,503	322	0	0	0
Net cash inflows / (outflows) from operation activities	37,990	(96,630)	(2,573,179)	(767,930)	(567,324)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	(140,874)	(191,073)	(451,423)	(167,896)	(324,353)
Acquisition of computer software	829	(908)	0	0	(676)
Net cash inflows / (outflows) from investing activities	(140,045)	(191,981)	(451,423)	(167,896)	(325,029)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from government grants	169,293	206,683	185,360	209,963	221,510
Repayment of government debt instrument	(6,592)	(5,885)	(2,488)	0	0
Government Guaranteed loan	0	0	3,100,000	700,000	500,000
Net instalment sale and finance lease repayment	(11,872)	(14,590)	(13,231)	(12,925)	(3,901)
Net cash inflows / (outflows) from financing activities	150,829	186,208	3,269,641	897,038	717,609

NET INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS	48,774	(102,403)	245,039	(38,788)	(174,744)
Cash & cash equivalents at the beginning of the year/ month	81,742	130,516	28,113	273,152	234,365
Cash & cash equivalents at the end of the year	130,516	28,113	273,152	234,365	59,621

- **Operating activities**

An amount of R1 billion has been budgeted for to pay long outstanding Creditors which will reduce the Creditors' Payments days to a target of 60 days (dependent on receiving a Government Guarantee). There after the cash utilised in operations will return to normal levels. Included in the cash outflows from operating activities in the 2019/20 financial year budget is R400 million finance costs relating to the Government Guaranteed loan.

- **Investing and financing activities**

The long term Capital Expenditure will be funded through a combination of internal resources and the Government Guaranteed loan. The SABC will pay R2.5 million relating to the perpetual debt to the Department of Communications. Over the MTEF period, the finance lease for the vehicle fleet will be repaid in full. There is also a Government Grant allocation which will be received to finance Educational programmes and Channel Africa.

14.13 BORROWING PLAN

The SABC has always placed greater emphasis and relied on internally generated funds from operations. As such it is worth noting that the last time to Corporation had a Borrowing Plan was at the time of the previous Government Guarantee in 2009.

In the period under review the Corporation would generally not have anticipated a Borrowing Plan by virtue of its weak Balance Sheet and the numerous historical internal issues that plagues its ability to instil confidence with Lenders. This coupled with a particularly risk averse approach from Lenders in the current economic and political environment. Hence the Corporation would have continued to rely on funds generated from operations to sustain itself. This despite the reality that the Corporation is not currently able to generate Operational cash but rather reports a net outflow of funds as a result of its debilitating financial weaknesses. The consequence of this is the requirement to practice severe austerity measures coupled with delayed and suspended procurement, maintenance and investment in both operational requirements, infrastructure and equipment as well as most notably content and marketing – these being Revenue generating activities. Stringent cash management is also in the order of the day.

The Corporation is however currently in engagements with its Shareholder to implement a Turnaround Strategy. This strategy requires significant financial support. Given the challenges referred to above the financial support will need to incorporate a significant display of direct support from Government - typically in the form of a Guarantee or a bail out. The view from Lenders is that this tangible display of support will serve as encouragement for them to also express a willingness to support the Corporation.

The anticipated support required for the Corporation to embark on its Turnaround Strategy and return to financial sustainability has been formalised in a Government Guarantee Application that was submitted end of March 2019. The outcome of the Application is currently awaited. Though as much as R 6.8 billion is potentially required, the request has been whittled down to R 3.2 billion in subsequent engagements with the Shareholder and National Treasury. The detail for the requirement, its use and its anticipated flow is captured in the Guarantee Application and supporting documentation.

The Government Guarantee application provides extensive detail on the following aspects:

- The SABC's Operating Environment
- Financial Performance of FY2017/18
- Financial Performance of FY2018/19 (end of December 2018)
- Strategic Roadmap and Turnaround Plan
- SABC Proposal (Problem Statement, Required Support, Utilisation of Funds)
- Financial Analysis
 - Key financial modelling assumptions
 - Key non-financial modelling assumptions
 - Differences between scenario assumptions
 - Baseline: no guarantee, no cash injection, and no legislative changes (business in the current environment)
 - Preferred solution: guarantee, cash injection with legislative changes
 - Sensitivity analysis on preferred solution

For purposes of this Borrowing Plan in support of the Corporate Plan the assumption is that the application will be successful and it will allow the Corporation an opportunity to engage with the Financial institutions to seek support on the back of the Guarantee. This Corporate Plan assumed, at the time of finalisation, that the Guarantee will be for a value of R4.3 billion as at 1 April 2019. The Corporate Plan assumes that the amount will be repaid over a period of 8 years with a 3 year moratorium on payment of the Capital. Rates are those typically applicable in this kind of scenario.

Recapitalisation of the organisation would ensure that the SABC becomes self-sustainable in the future. The mandate requirements and broadcasting obligations of the SABC cannot be supported with an under-capitalized balance sheet. This needs to be corrected and the SABC needs to stabilise the current volatilities in its cash flows.

The borrowing plan (funding plan) is split into 3 categories, namely, short term (up to 1 year to implement), medium term (1 to 3 years to implement), long term (between 3 to 10 years to implement) and then the following factors have been considered in order to shortlist the funding sources available to the SABC:

- ease of access or completion;
- timeline to implement;
- required approvals;
- required level of credit enhancement; and
- capital volumes

It is worth noting that the Corporation has and continue to explore other options as well per the below.

However, the most viable option is believed to be funding from Financial Institutions on the back of a Guarantee.

The funding options are:

1. Government Loan

This would be on the back of the recapitalisation not being acceptable to the Stakeholder. The SABC would hope for favourable rates and look for this funding to stretch out for 7 to 10 years.

Should either recapitalisation or a Government loan be provided the SABC would be able to manage the business on its negotiated facilities with financial institutions and would look to restructure this to ensure medium and long term funding to suit its underlying requirements.

2. Obtain a Government Guarantee

The requirement of a Government Guarantee is as a result of the current market conditions and the SABC's liquidity requirements. Should this be obtained, the SABC would be able to utilize this undertaking and go to the financial markets and raise the required funding. The endorsement would assist the SABC in ensuring its Bankers are comfortable and that they would consider supporting the SABC on this basis. The SABC would be able to raise the required funding for the sustainability of the business in the future.

This is the most likely option for funding support and is what has been incorporated into this Corporate Plan.

3. Development Banking

Development Banks such as the Industrial Development Corporation, the Development Bank of South Africa and the New Development Bank (BRICS bank) afford organisations like the SABC the opportunity to partner with non-traditional banks at advantageous terms and pricing levels. The advantages of partnering with them can be summarised as follows:

- As government agencies – they understand development capital finance
- Cheaper financing than traditional Banks
- They are willing funders with a higher risk appetite as they support Government mandates
- Willing to syndicate
- They understand the relationship between stakeholder and state owned enterprises.

Engagements have taken place with both the IDC and the New Development Bank, it is in its infant's shoes though and is not deemed viable in the short term. This particularly since the Corporation has a need for funding support in the immediate term.

In the context of the above options and its likely success, the following Financial institution funding mechanisms will be considered though the mechanisms will to a large extent be determined by the Financial Institutions on the back of their compliance and risk processes and appetite to support. As such the Corporation's ability to define the most suitable mechanism from its perspective will be severely constrained.

It should be noted that the final mechanisms and instruments can only be decided on once the SABC has received approval from National Treasury for the borrowing of funds and what the amount of the funds would be. This would depend further on the number of financial institutions involved as well as their terms. In the interim, the below provides an indication of what may be considered for the borrowing plan.

a. Asset based finance

The SABC should 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. Vanilla term loan finance

This is a highly flexible medium term financial product. Its repayments can be structured to suit the borrower's requirements. It lends itself to bank syndication.

c. Corporate bond

This is a medium to long-term financial product with a tenure of between five and ten years. It is not a flexible product and the minimum amount is approximately

R800 million is issued mainly at fixed rate and is taken up by institutional investors and conduits.

d. Domestic Medium term note programme (DMTN)

This is a flexible medium term financial product. However, the minimum amount is approximately R500 million and the maximum tenure is seven years.

e. Commercial paper

This is an issuance of notes with a minimum tenor of 7 days and a maximum term of 1 year. It is issued as a floating rate linked to JIBAR rate for a similar tenor and investors are usually money market funds.

In conclusion, the way forward on the above will only be finalised once the Guarantee application is approved and the Financial Institutions have indicated their ability to support and its terms and conditions.

Under the circumstances the Borrowing Plan is subject to significant change and will need to be updated once the various elements to it become more certain.

The SABC is also, under the current circumstances, implementing strategic revenue initiatives (short, medium and long-term plans) to assist with the repayment of its debt, investment into content and implementation of critical Capex projects.

**SABC RISK MANAGEMENT PLAN
AND
RISK MANAGEMENT FRAMEWORK**

SABC FRAUD AND CORRUPTION STRATEGY

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Fraud and Corruption Prevention Strategy

Inclusive of:

Fraud and Corruption Prevention Plan – Part A

Fraud and Corruption Response Plan – Part B

Regulatory Framework – Part C

1. 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 19

2. 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, 61 of 1973;
- 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;



PART A

Fraud and Corruption Prevention Plan

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1. 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.

2. 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.

2.1 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.

2.1.1 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.

2.1.1.1 ROLES AND RESPONSIBILITIES

2.1.1.1.1 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.

2.1.1.1.2 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.

2.1.1.1.3 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.

2.1.1.1.4 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.

2.1.1.1.5 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.

2.1.1.1.6 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.

2.1.1.1.7 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.

2.1.1.1.7 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.

2.1.1.1.9 Legal advisors

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

2.1.2 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.

2.1.3 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.
- viii.

2.2 THE OPERATIONAL APPROACH

2.2.1 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.

2.2.2 PREVENTION STRATEGIES

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

2.2.2.1 EMPLOYEE AWARENESS

As per section 2.1.3 above.

2.2.2.2 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.

2.2.2.3 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.

2.2.2.4 **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.

2.2.2.5 **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".

2.2.2.6 **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.

2.2.2.7 **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.

2.2.2.8 **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.

2.2.2.9 **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.

2.2.2.10 **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.

2.2.2.11

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”*.

2.2.3 THE RESPONSE STRATEGIES

2.2.3.1 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.

2.2.3.2 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.

2.3 THE MAINTENANCE APPROACH

2.3.1 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.

2.3.2 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

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1. 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.

2. WHEN FRAUD IS SUSPECTED

2.1 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.

2.2 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.

3. PROCESS TO BE FOLLOWED IF ALLEGATION OF FRAUD AND CORRUPTION IS REPORTED TO:

3.1 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.

3.2 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.

4. 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.

5. Disciplinary process

5.1 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.

5.2 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.

6. 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.

7. 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.

8. 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.

9. 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

Index - Part C

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A. Summary of statutory offences relating to dishonesty

A1.1 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.

A.1.2 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 R100 million or to imprisonment for a period not exceeding 30 years.

B. Statutes combating fraud and corruption

B.1.1 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; or
- 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: Risk and Governance	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 Minister of Communications in terms of the Broadcasting Act.
Minister	Means Minister of Communications.
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.

TERMINOLOGY	DEFINITION
SSA	Means the State Security Agency.
SABC and Corporation	Means the South African Broadcasting Corporation Limited.
SAPS	Means the South African Police Services.
Organisation	<p>A group of people and facilities with an arrangement of responsibilities, authorities and relationships working together to achieve objectives.</p> <p>Note 1: This includes the entity, its governing body, structures, processes and systems.</p>
Organisational objectives	The long- term results, with appropriate key performance indicators, set by the organisation.
Risk Management	<p>Set of elements of an organisation's management structures that that are directed towards realizing potential opportunities whilst managing adverse effects.</p> <p>Note 1: Management system elements can include strategic planning, decision making and other processes for dealing with risks.</p> <p>Note 2: The culture of an organisation is reflected in its risk management system.</p>
Stakeholder/shareholder	<p>Any individual, group or organisation that can affect, be affected by or perceive itself to be effected by, a risk.</p> <p>Note 1: The decision-maker is also a stakeholder.</p>

**SIGNIFICANCE AND MATERIALITY
FRAMEWORK**

2018/2019

Between

THE DEPARTMENT OF COMMUNICATIONS

And

**THE SOUTH AFRICAN BROADCASTING
CORPORATION**

SIGNIFICANCE AND MATERIALITY FRAMEWORK FOR THE SOUTH AFRICAN BROADCASTING CORPORATION

1. 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 section 55(2) of the PFMA.

2. 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

3. PURPOSE

The purpose of this framework is to:

- 3.1 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.
 - 3.1.1 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
 - 3.1.2 Setting significance and materiality levels for transactions for the purposes of section 54(2) of the PFMA.
- 3.2 Set out materiality levels for losses for purposes of section 55(2) of the PFMA.

4. BACKGROUND

- 4.1 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.
- 4.2 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.
- 4.3 Paragraph 27.1.10 of the Treasury Regulations (TR) states that the audit committee of a public entity must:
- 4.3.1 report and make recommendations to the accounting authority;
 - 4.3.2 report on the effectiveness of internal controls in the annual report of the entity; and
 - 4.3.3 comment on its evaluation of the financial statements in the annual report.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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"*

5. GENERAL OBLIGATIONS OF THE PARTIES

The parties agree that:

- 5.1 SABC shall follow the procedures as set out in this framework in making an application for approval for significant transactions.
- 5.2 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.
- 5.3 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.

6. PROCEDURE FOR NOTIFICATION OR APPLICATION FOR APPROVAL

6.1 Phase one: Pre-Notification

- 6.1.1 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.
- 6.1.2 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.
- 6.1.3 The letter shall contain the following information:
 - 6.1.3.1 SABC's objectives on wanting to pursue the transaction and its relation to the core business of the entity.
 - 6.1.3.2 The anticipated transaction process, phases, milestones and timelines.
 - 6.1.3.3 The profile of interested parties, sellers, purchasers and information regarding any unsolicited expression of interest received (where applicable).
 - 6.1.3.4 The impact of the transaction on the SABC and Government.
- 6.1.4 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.

6.2 Phase Two: Final application for approval:

- 6.2.1 SABC shall upon finalising the significant transaction's details and structure apply to the Executive Authority in writing for approval of the transaction.
- 6.2.2 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.

6.3 The Department Of Communications shall then determine whether SABC's Board has considered the following:

- 6.3.1 Compliance with applicable laws.
- 6.3.2 Financial viability (i.e. cash flow analysis; estimates of future revenue; investment analysis vs. investment framework; fair value of the transaction).
- 6.3.3 Risks pertaining to the proposed transaction and strategies to mitigate those risks.
- 6.3.4 SABC shall attach the Board resolutions to the final application and submit these directly to the National Treasury.
- 6.3.5 The DOC shall on receipt of the application for final approval consider the following:
 - 6.3.5.1 Whether the Board has complied with the list of considerations outlined above, as well as an applicable legislation in respect of each transaction.
 - 6.3.5.2 Whether, on the basis of the information received, the transactions are financially viable or whether SABC will achieve fair value through the specified transaction.
 - 6.3.5.3 All material liabilities (actual or contingent) and risks resulting from the transactions.
 - 6.3.5.4 Industry and /or sector impact and considerations; and
 - 6.3.5.5 Whether the Board has established strategies and / or measures to mitigate any risk identified in the transaction.
- 6.3.6 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.
- 6.3.7 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.
- 6.3.8 The DOC shall advise SABC in writing whether the application has been approved or not approved.
- 6.3.9 Should approval not be granted, the DOC shall furnish reasons in writing for not approving the transaction.

6.4 Phase Three: Post application principles

- 6.4.1 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.
- 6.4.2 Should the transaction not be concluded within 12 months of approval, SABC should provide the DOC with a report detailing the reasons thereof.
- 6.4.3 Should SABC make an application or submit reports to the regulatory authorities, it will furnish a copy of such to DOC for information purposes.

7. MATERIALITY

- 7.1 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.
- 7.2 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.

8. FACTORS CONSIDERED IN DETERMINING THE MATERIALITY LEVELS

8.1 Nature of the company's business

- 8.1.1 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.
- 8.1.2 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.

8.2 Statutory Requirements

- 8.2.1 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.

8.3 Risk associated with the company's business

- 8.3.1 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

8.4 Quantitative and qualitative factors

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

8.4.2 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.

8.4.3 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%	R44m ⇒ R87m
Total revenue	0.5% - 1%	R33m ⇒ R66m
Surplus / Deficit	2% - 5%	R12m ⇒ R31m

8.4.4 From the SABC's perspective, quantitative materiality is set at **R50 million**.

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

- Every amount in respect of criminal conduct
- R50m and above of irregular fruitless and wasteful expenditure arising from gross negligence.
- R50m and above being 2% of the surplus or deficit for any other irregular, fruitless and wasteful expenditure.

8.4.6 From the SABC's perspective, significance level is set at **R50 million** for every transaction covered in section 54(2) of the PFMA

8.4.7 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, if corrected or disclosed, have a critical impact on the overall view; and
- f. Disclosure requirements – deviations from accepted accounting practices.

8.5 Nature of the transactions

- 8.5.1 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.
- 8.5.2 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.

9. EVALUATING THE FRAMEWORK

9.1 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 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)

No.	Reference	Nature of transaction	Qualitative guidelines	Quantitative guidelines
				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	<ul style="list-style-type: none"> • Acquisition or disposal of assets which are located in a foreign jurisdiction, however excludes office 	Significance level is R50 million

No.	Reference	Nature of transaction	Qualitative guidelines	Quantitative guidelines
		<i>and non-current)</i>	<p>equipment and motor vehicles necessary to conduct business in a foreign jurisdiction; or</p> <ul style="list-style-type: none"> • 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' strategy; or • Commercial agreements which allow for the right of use of a third party of SABC's brand, logo, licences and similar rights, intellectual property; trademark and patents. 	
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 R50 million
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 R50 million

SABC - Corporate Risk Register

2019-06-07



SABC-->Strategic Risks Register: Financial Year 2018_2019

Corporate Objectives	Risk Name / Description	Root Causes	Consequences	Controls	Risk Treatment Plan
Maintain radio audience market share of 71%	Attraction and Retention of Radio Listenership Declining radio listenership	-Lack of qualitative research -Lack of talent attraction and retention strategy -Insufficient marketing budget	-Audience share decline -Revenue loss -Loss of competitive edge	<ul style="list-style-type: none"> Approved Research Budget 	<ul style="list-style-type: none"> Finalise Talent Attraction and Retention Strategy Conduct qualitative audience research for the radio stations
Effective risk management and sufficient internal control functions to ensure compliant governance practices	Board of Directors Effectiveness -SABC Board may not discharge their fiduciary duties -Failure to achieve SABC Strategic objectives	-Lack of independence and Board conflict of interest -Lack of Board cohesiveness -Inferences with Management responsibilities -Inadequate knowledge of Board responsibilities -Inadequate knowledge of SABC business -Lack of appropriate tone set by Board -Board information leaks -Late submission or lack of information by Divisions	<ul style="list-style-type: none"> Board instability Lack of credibility SABC Brand Damage Board Inaction Board Inaction when new members appointed Ineffective Board and its Committees Inability to meet Shareholder expectations 	<ul style="list-style-type: none"> Board Terms of Reference Shareholder compact Board Induction Board Induction when new members appointed Board Charter Rotation of Board Members to Different Committees Rotation of Board Members to Different Committees for knowledge sharing Quarterly Declaration of Interest Board Training on Governance Board training on Governance through CFG Confidentiality Agreement Delegation of Authority. Marketing campaigns 	<ul style="list-style-type: none"> Implement Board Pact: electronic board packs Bi-annual Self, Peer and Board performance evaluation Motivate budget availability to address skills gaps identified during evaluation Motivate budget availability to address skills gaps identified during Bi-annual Self, Peer and Board performance evaluation
Ensure the SABC is financially sustainable organisation through revenue and cost management	Collection of TV Licence Fees Revenue -Ineffective practices to collect licence fees revenue -Increasing non-compliance by licence holders -Inability to communicate with all licence holders -Delays in delivery of key revenue collection projects	-Insufficient funding to introduce novel collection methods -Inadequate personnel to increase internal collections -Absence of mailing services -Lack of legal consequences/recourse -Lack of specialized IT resources	<ul style="list-style-type: none"> Loss of revenue Decline in current (renewal) accounts revenue Increased bad debt Loss of existing customers 	<ul style="list-style-type: none"> Motivate for funding required for different collection methods. Adverse listings with Credit Bureau 	
Embrace diversity in Television broadcasting through the production of Provincial content and marginalised language programming	Compelling Content -Inability for TV to remain competitive and relevant.	-Insufficient content investment -Insufficient research and development -Legislation and regulatory requirements not meeting the needs of content commissioning	<ul style="list-style-type: none"> Loss of audiences Loss of revenue Poor content 	<ul style="list-style-type: none"> Scheduling and Programming Strategy. 	<ul style="list-style-type: none"> Ensure programming summit takes place every year Motivate for a 3 year content investment funding
Effective risk management and sufficient internal control environment to ensure compliant governance practices	Fraud and Corruption -Non-compliance with governance and regulatory prescriptions -Failure to foster ethical culture -Failure to monitor and control unauthorised activities	-Collision -Lack of consequence management -Undermined integrity -Disregard of policies and procedures -Management override of policies and procedures -Management by unlawful instructions -Personal enrichment	<ul style="list-style-type: none"> Reputational damage Litigation Financial loss Bankruptcy Adverse audit findings 	<ul style="list-style-type: none"> Whistle Blowing Policy Anti-Fraud and Corruption Strategy Code of Business Conduct and Ethics Anti-Fraud and Corruption Policy Conflict of Interest Policy 	<ul style="list-style-type: none"> Review Anti-Fraud and Corruption Strategy Conduct bi-annual Fraud awareness campaigns Conduct regular anonymous Fraud and corruption surveys
Ensure that the SABC is financially sustainable through revenue and cost management	Funding Model. -Inappropriate funding model to fulfil public broadcasting mandate -Falling to trade as a going-concern Cost Base Funding Model -Bloated and inefficient cost base not reflective of industry best practices Revenue Generation Model -Advertising Spent in SA is not growing significantly -More competition for an ever reducing pie	-Over commitment on Public mandates in excess of the funding revenue streams -Shareholder and public pressure -Unfavourable Legislative requirements -Breakdown in Governance -Corporation historically not on a continuous basis repositioned to keep track with industry practice and healthy business principles -Revenue generating practices not necessarily developed in response to the fast changing market and being able to keep up. -Lagged innovation in response to market. -A conservative approach to revenue generating opportunities that	<ul style="list-style-type: none"> Irregular, Fruitless and wasteful expenditure Fraud and corruption Financial loss Re-active to respond to market pressures thus becoming an unattractive business partner. Becoming/being uncompetitive Inappropriate pricing models based on appropriate and bloated cost structures Lost Revenue generating opportunities 	<ul style="list-style-type: none"> Borrowing Plan Investment Strategy Corporate Plan Turnaround Strategy 	<ul style="list-style-type: none"> Review of all major cost drivers to reflect best practices, savings and or efficiencies Develop a propensity strategy Develop a propensity strategy Propose Legislative changes Propose Legislative changes that talks to the following <ul style="list-style-type: none"> Public mandate delivery-ICASA TV Licence collections-Changes that enhance collections TV Licence collections-Changes that enhance collections Must carry must pay -Changes that enhance collections



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Corporate Objectives	Risk Name / Description	Root Causes	Consequences	Controls	Risk Treatment Plan
<p>To ensure an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming</p>	<p>Implementation Of Technology Projects -Delay between the approval of business case and the actual implementation of the project.</p>	<p>-Lack of Human resources to implement MTI projects -Lengthy approval process -Unapproved Business Cases -Inefficiencies in Supply Chain Management -Lack of MTI Roadmap -Lack of Business understanding at approval committees</p>	<p>-Continue to broadcast in obsolete Production Studios -Increased expenditure through outsourcing facilities -Continuous use of studios that poses a risk of collapse -TV Broadcast interruptions -Increased exchange rate cost -Increased production cost -Increased maintenance cost -Reduced quality of service</p>	<p>• Long term Capex Plan</p>	<p>Prioritisation of Projects based on available funding -Inability to implement technology projects on time e.g. digital play-out system, studio 1, 2, 3, 4, 5 & 7 upgrade, SAN, digital workflows -Radio Studios A1, 2, 3 etc Upgrades</p> <p>Develop MTI Technology Roadmap</p> <p>Ensure Senior Management is aware of delays in the implementation of project</p> <p>-Highlight to management infrastructure failures will result into revenue decline -Senior Management Integrated Approach -Costs of not implementing projects on time -MTI is responsible for the implementation or execution of Capex projects once they have been approved. -The current projects that are in the pipeline are over R1bn. -The delays are emanating from exchange rate fluctuations, changes in technology and delays in approvals and sourcing the appropriate vendor.</p>
<p>To assist with contract development, to manage litigation, to protect the SABC's valuable intellectual property, and to promote awareness of compliance and compliance related issues throughout the SABC</p>	<p>Legal Advice -Inaccurate legal advice provided to business -Business units ignoring legal advice or opinion provided -Abuse of processes or transfer of responsibilities by Business Units e.g. Business Units want Legal Services to make business decisions on their behalf by requesting legal opinions</p>	<p>-Insufficient and inaccurate information -Inadequate knowledge and expertise -Lack of supporting documentation -Lack of resources e.g. poorly resourced library</p>	<p>-Litigation -Reputational damage -Penalties and Fines -Wrong decision making</p>	<p>• Review process</p>	<p>Equitable Distribution of Capex Funding</p> <p>Provide job specific training for the Legal team</p> <p>Motivate for the Legal library online licence</p>
<p>Ensure that the SABC is able to meet its financial obligations through adequate cash management</p>	<p>Liquidity, -Inadequate cash flow-working capital and longer term capital requirements</p>	<p>-Poor financial discipline -Inadequate management discipline -Poor Corporate Governance -Stakeholder influence -Sports -News -Content -Strategic implementation -Insufficient review and monitoring of commercial viability -Mismanagement of funds -Irregularities and Fruitless and Wasteful</p>	<p>-Fraud and corruption -Undesired audit findings e.g. Current year disclaimer -Inability to trade -Threat to Going Concern assumptions for the preparation of AFS. -In ability to settle debt when due? -In ability to maintain/invest in infrastructure and equipment/ technology -Contravention of legislation as a result of not being able to invest when required? -Inability to procure content that is attractive and of high quality -Threats of liquidation/demands of advance payments</p>	<p>• Payments Committee • Reporting and oversight • Forecastings • Cash Management Plan • Stakeholder Engagements Stakeholder engagements -Trade Creditors -Producers -National Treasury -DOC -SANEF -Other -Department of Sport/Education</p>	<p>Recovery of IFWE where possible. Recovery of IFWE where possible.</p> <p>Commercial rationalisation on sports rights acquisition Commercial rationalisation on sports rights acquisition</p> <p>Continuous engagement with Financial institution Continuous engagement with Financial institution</p> <p>Implement and monitor austerity measures Continuous implementation of austerity measures to be inline with the financial status of the organisation</p> <p>Review the TRC terms of reference to include Review the trc terms of reference to include -Key group executive member -To influence executive decision making</p>

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Corporate Objectives	Risk Name / Description	Root Causes	Consequences	Controls	Risk Treatment Plan
	<p>Logistics Management</p> <ul style="list-style-type: none"> -Unreliability of lifts & escalators,aircon and generally all support systems (water, sewage, back ups, power etc) -Insufficient fire protection systems in the buildings -Low building maintenance and huge backlogs 	<ul style="list-style-type: none"> -Poor Governance -Age of and inefficiencies old and equipment/infrastructure -Historical neglect and poor maintenance -Escalating maintenance costs -Historical wear & tear -Lack of Management support for OHS requirements and initiatives -Lack of skilled and qualified personnel 	<ul style="list-style-type: none"> -Non compliance with SMS specifications -Fines and lawsuits -Injuries -Loss of life -Loss of business continuity -Litigation exposure -Contravention of various applicable legislation as a result of in ability to invest/maintain/train or appoint 	<ul style="list-style-type: none"> • Technician on site Where possible but generally acting and people accepting additional work • Ad hoc contracting of service providers on an as and when basis • Maintenance Contract 	<p>Ensure that there is sufficient budget available for an integrated fire system</p> <ul style="list-style-type: none"> -Ensure that there is sufficient budget available for an integrated fire system <p>Explore other funding options and possibly PPPs</p> <ul style="list-style-type: none"> Explore other funding options and possibly PPPs <p>Provide funding for the replacement of entire lifts in Auckland Park</p> <ul style="list-style-type: none"> Provide funding for the replacement of entire lifts in Auckland Park <p>Provide funding for Preventative maintenance plan</p> <ul style="list-style-type: none"> Provide funding for Preventative maintenance plan
To produce content that is editorially independent, credible, relevant and trustworthy	<p>News Editorial Independence</p> <ul style="list-style-type: none"> -Failure to maintain and achieve editorial independence 	<ul style="list-style-type: none"> -Excessive and non-executive editorial interference -Lack of originality and creativity (of) TV -Non adherence to Editorial Policy -Lack of visionary Management and acceptance of mediocrity and complacency 	<ul style="list-style-type: none"> -Declining Audience -Possible Revenue -Perceived Credibility -Perception of being a propaganda tool -Conflict in the News room -Litigation 	<ul style="list-style-type: none"> • BCCSA Code of Conduct • Editorial Code of Conduct • Editorial Policy. 	<p>Develop, review and update SOP's and Editorial Style Guide/s</p> <ul style="list-style-type: none"> Radio, TV, Digital News, <p>Develop a repository of Information Management</p> <ul style="list-style-type: none"> -No central place where information can be obtained <p>Develop and implement E-learning modules and training</p> <ul style="list-style-type: none"> Editorial Policy, BCCSA Code of Conduct <p>Conduct workshops on SOP's and Editorial Policy to News staff members</p>
Ensure the SABC is financially sustainable organisation through revenue and cost management	<p>Revenue Target</p> <ul style="list-style-type: none"> -Inability to meet revenue target 	<ul style="list-style-type: none"> -Failure to turnaround underperforming channels -Inability to produce quality News Content -Insufficient investment in content for audience attraction 	<ul style="list-style-type: none"> -Audience Loss -Revenue decline -Loss of Leadership in TV market (Market) T 	<ul style="list-style-type: none"> • Operational Summit • TV Programme Summit • (Share Dominance) 	<p>Develop turnaround plan for SABC 3 and SABC 2 schedule.</p> <ul style="list-style-type: none"> Long term investment in content to support Channel Strategy.
To develop and maintain an innovative, sustainable, rights and content portfolio to meet mandate and platforms needs. Entering into long term rights contracts with federations for schedule stability and maximisation of revenue	<p>Sports Rights</p> <ul style="list-style-type: none"> -Inability to acquire sports rights -Lack of independence in acquiring sports rights 	<ul style="list-style-type: none"> -Lack of long term planning strategy on sports rights acquisition -Lack of a Corporate sports rights acquisition model: To secure buy-in from business -Changes in the broadcasting landscape -High costs of acquiring sports rights -Lack of/or different knowledge on sport of national interest -Relationship instability impacting on decision making -Insufficiently funded sport mandate -Absence of a sports acquisition policy -Poor planning by business 	<ul style="list-style-type: none"> -Financial loss -Loss of audiences -Loss of credibility -Loss of competitive edge 	<ul style="list-style-type: none"> • Programming roll out plan -Three year roll out plan, which is in line with the Corporate Plan and MTEF, that is funded year on year. 	<p>Develop a business case to enter into long term contracts</p> <ul style="list-style-type: none"> Revise the current sports acquisition strategy and submit for approval



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Corporate Objectives	Risk Name / Description	Root Causes	Consequences	Controls	Risk Treatment Plan
<p>Ensure that the SABC is able to meet its financial obligations through revenue and cost management</p>	<p>Supply Chain Management -Inability to deliver goods and services when required in a cost effective, timely, transparent, fair and equitable manner.</p>	<ul style="list-style-type: none"> -Lack of consequence management -Inadequate review, design, training and awareness on policies -Fraud and corruption -Management override of controls -Undue pressure -Intimidation (reported to SCOPA during FY 2018) -Lack of understanding of SOP -Lack of skilled and qualified personnel -Lack of monitoring and oversight -No Annual Procurement Plan 	<ul style="list-style-type: none"> -Irregular expenditure (R4.9 Billion total 31 FY 2018) -Fruitless and wasteful expenditure (R230) FY 2018 -Fraud and corruption -Unethical behaviour -Adverse audit opinion -Inability of the Corporation to deliver on its obligations -Inability to deliver on goods and services required to do so as and when required 	<p>Supply Chain Management Policy Awareness and Training Professional registration of SCM practitioners</p>	<p>Conduct ongoing training and roadshow to familiarize business with the SOP Conduct ongoing training and roadshow to familiarize business with the SOP</p> <p>Implement the APP Reporting Implement the APP Reporting Performance Contracting and reporting against baselines holding Business accountable</p> <p>Review and update Supply Chain Policy an procedures Review and update Supply Chain Policy an procedures</p> <p>Investigate , recover and take corrective measures timeously Investigate , recover and take corrective measures timeously</p>



