



SOUTH AFRICAN BROADCASTING CORPORATION

Reg no: 2003/023915/30

**CORPORATE PLAN
FY2016/17 to FY2018/19**



CHAIRPERSON'S FOREWORD

The SABC is immensely proud of its achievements in 2015. Against the backdrop of a broadcasting environment fundamentally reshaped by digital technology, the SABC looks forward to its continued resurgence in 2016.

At the end of 2015, the first South Africans received Digital Terrestrial Television transmissions. Over the next few years, the rollout of DTT will dramatically transform the nature of television broadcasting and South African viewers will have more choice and enjoy a greater diversity of programming than ever before.

The Corporation has been instrumental in ensuring the smooth launch of the digital migration programme, and will continue to be at the forefront of efforts to ensure its success.

The SABC regards itself first and foremost as a public service broadcaster and is committed to its vision of inspiring change through enriching, credible, relevant and compelling content that is accessible by all.

The Corporation's single-minded mission has been to educate, inform and entertain all audiences accessing SABC services. For the SABC, this means that programming is created for audiences in the language of their choice, and regardless of where they live in South Africa.

In 2015 the SABC once again exceeded its public service mandates by a considerable margin for both radio and television, and expects to do so again in 2016. 80% of the SABC's television programming is produced locally, and the continued successes of its African-language radio stations are achievements of which the SABC is justifiably proud.

That it continues to exceed its public service mandates, despite having to rely predominantly on commercial funding, makes this achievement even more significant. Unlike other state-owned enterprises, the SABC receives minimal funding from the fiscus, and licence fee revenue has declined in real terms over the last five years. Competing with commercial broadcasters and media businesses in a highly competitive media environment for advertising revenue to fund public broadcasting is a challenge the SABC has embraced - growing advertising revenues in excess of the industry average.

Hand in hand with increasing funding has been the SABC's relentless focus on managing costs in order to ensure that it remains a financially sustainable organisation.

In looking forward to the next three years, the SABC will have to embrace and manage various forecasted macro socio-economic factors, which make its unique role as a public broadcaster funded largely through commercial revenue increasingly challenging to sustain. The slower than anticipated economic growth rate, job creation and growing inflation all contribute to a slowdown in advertising spend, while the depreciation of the currency dramatically increases the cost of international content and sports rights.

In particular, the costs of licensing and broadcasting the extensive list of sports of national interest, will become even more challenging over the coming years. The cost of sports rights will continue to grow exponentially, driven by the need of pay-television companies to retain subscribers in the face of competition from video-on-demand and piracy. Nonetheless, the SABC will continue to prioritise sports of national importance as it understands the pivotal role sport plays in nation-building, social cohesion and creating role models for the youth.

The local and global media environment in which it operates is undergoing a fundamental transformation due to the rapid growth of digital technologies, which have rendered traditional systems and business models obsolete. Advertising spend, on which the SABC depends for the vast majority of its revenue, is shifting to online channels; audiences now expect to watch their favourite shows anytime, anywhere and on any device; and new forms of entertainment are emerging to challenge the traditional role of television.

The 2016 Local Government Elections will be a significant event. As the public broadcaster, the SABC will provide election coverage and results information in all official languages across its traditional radio and television platforms, as well as on new digital platforms, ensuring that all South Africans remain informed about their democratic rights.

The SABC's success in delivering on the ambitious goals outlined in its 2016/17 – 2018/19 Corporate Plan is dependent on the continued commitment of its employees and key stakeholders. The SABC Board thanks them for their dedication. It would also like to thank the Shareholder and our network of partners for their unwavering support in shaping the SABC's strategy and vision for the future. With their continued assistance we have no doubt that the SABC will contribute to building a free and democratic South Africa in which all its people are able to play a role.

PROF MO MAGUVHE

CHAIRPERSON: SABC BOARD

OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Plan:

Was developed by the management of the SABC under the guidance of the SABC 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 2016/17 to 2018/19.

Jimi Matthews

Chief Executive Officer (Acting)

Signature: _____

James Aguma

Chief Financial Officer

Signature: _____

Hlaudi Motsoeneng

Chief Operating Officer

Signature: _____

Prof MO Maguvhe

Chairperson of the SABC Board

Signature: _____

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GLOSSARY OF TERMS

BER	Bureau for Economic Research
BBBEE	Broad Based Black Economic Empowerment
DAB	Digital Audio Broadcast
DAF	Delegation of Authority Framework
DIRCO	Department of International Relations and Cooperation
DMB	Digital Mobile Broadcast
DOC	Department of Communications
DTPS	Department of Telecommunications and Postal Services
DTT	Digital Terrestrial Television
DTH	Direct To Home
ERM	Enterprise-wide Risk Management
EU	European Union
EVP	Employee Value Plan
FPB	Film and Publication Board
GDP	Gross Domestic Product
HD	High Definition
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IP	Internet Protocol
NDP	National Development Plan
OHSA	Occupational Health and Safety
OTT	Over-the-top
PBS	Public Broadcasting Service
PCS	Public Commercial Service
PFMA	Public Finance Management Act
PVR	Personal Video Recorder
PWC	<i>PriceWaterhouseCoopers</i>
PWD	People with Disabilities
RAMS	Radio Audience Measurement Survey information.
ROI	Return on Investment

RFP	Request for Proposal
SABC	South African Broadcasting Corporation
SAN	Storage Area Network
STB	Set-Top Box
TAMS	Television Audience Measurement Survey
US	United States
WSP	Workplace Skills Plan

PART A: COMPANY PURPOSE AND STRATEGIC OVERVIEW

The SABC is mandated to deliver an unparalleled public value proposition of educating, informing and entertaining all South Africans in all official languages, by means of 18 radio stations (and an additional 19th station, *Channel Africa*, hosted on behalf of the *Department of International Relations and Cooperation*) and five television channels including the SABC News channel and recently launched SABC Encore which is dedicated to providing nostalgic content from the 80s and 90s.

The ability to provide content in all official languages, in multiple genres ranging from children's and educational programmes, drama, documentaries, news and current affairs, to the top-revenue-grossing soap operas, continues to position the SABC as the most trusted broadcast media group in South Africa. The SABC remains the only broadcaster serving the information, educational and entertainment needs of millions of citizens who rely on its radio and television services for access to reliable content in languages of their choice.

Radio, being the most accessible and affordable medium to produce content for, takes pride of place as an SABC-unique selling proposition, with a combined audience – on a weekly basis – of 28.1¹ million listeners aged 15 years and older.

Television remains the medium of choice for most South Africans – not only is television penetration high – the engagement with television is quite profound. The average South African adult watches 3 hours and 22 minutes of television a day². The public broadcaster's four television channels attract, on average, 29.4 million, 27.6 million, 21.3 million and 2.3 million viewers per week on SABC1, SABC2, SABC3 and SABC News respectively³.

The SABC's newest channel currently hosted on a subscription satellite platform, SABC Encore reaches on average, half a million viewers per week⁴.

The media world is changing on an almost daily basis. New players are entering the market with offerings that are constantly evolving and new technology is changing the way in which content is consumed. Nonetheless, the necessity of the public broadcaster to provide compelling and accessible content spanning a range of genres and meeting mandate objectives at the same time, remains paramount.

1. VISION

The SABC inspires change through enriching, credible, relevant and compelling content that is accessible by all.

2. MISSION

To educate, inform and entertain all audiences accessing SABC services.

¹ Source: RAMS Apr/Sep 2015

² Source: TAMS, Week 42/15

³ Source: AMPS Jul 2014-Jun 21015

⁴ Source: TAMS, Week 42/15

3. CORPORATE VALUES

- Conversations and partnerships
- Restoration of human dignity
- Building a common future

4. LEGISLATIVE AND OTHER MANDATES

4.1 SABC MANDATE

The mandate of the South African Broadcasting Corporation (SABC) as a public broadcaster is defined in legislation as well as in regulations, policies, codes of conduct and licensing conditions, *inter alia* 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 Code of Governance for South Africa 2009 (King III);*
- *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)* 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 for the SABC's strategy in 2016 and future years.

Local Content Regulations published by ICASA	Increased local content quotas for TV and Radio services. New conditions on the commissioning of content from independent production companies. New reporting periods for compliance conditions. New steep penalties for non-compliance.
Broadcasting Policy Review	An overhaul of the broadcasting services policy in line with digital environment.
Review of Must Carry Regulations	An obligation to carry pay TV services free of charge in line with the regulations.
Review of Sports Broadcasting Rights Regulations	An obligation to broadcast listed sports events in line with the regulations.
Ban on Alcohol Advertising	The Department of Trade and Industry (DTI) has published the draft national liquor policy which proposes the ban of alcohol advertising on all forms of media.
Ban on advertising of unhealthy foods	The Department of Health (DoH) has published draft regulations which ban the advertising of unhealthy foods on TV and Radio platforms between 06H00 and 21H00.
Subscription broadcasting services regulations	Review of the current subscription broadcasting services regulatory framework.
Digital Terrestrial Television	Compliance with the digital migration regulations.
Broadcasting Amendment Bill	Proposed amendments of the structure of SABC Board and executive committee.
FPB Online Content Regulation/Policy	All online content must be classified in line with the Film and Publication Board (FPB) regulations.
Copyright Amendment Bill	Promotion of broadcasting of local content.
South African Combat Sport Bill	Broadcasting of combat sport and registration of broadcasting network.

5. SITUATIONAL ANALYSIS

The SABC operates in the context of one of the most rapidly changing business environments in the world. The global media sector is experiencing fundamental changes due to the growth of digital technology and the convergence of media, technology and telecommunications.

The SABC also operates in a developing South African economy which has felt the impacts of a global slowdown, and is susceptible to foreign exchange fluctuations which have a significant impact on its core business.

Finally, as a commercially-funded, state-owned enterprise, the SABC operates within a unique internal environment - one in which it must move with agility to compete with commercial competitors, yet still comply with public sector operating guidelines.

5.1 MEDIA ENVIRONMENT

The global media environment has been dominated by a number of key trends which are set to continue to have a dramatic impact over the next few years. Until recently, South Africa has largely been shielded from many of these developments. After a long hiatus, the South African media environment is beginning to show signs of the massive digital-driven change which has affected media economies in other parts of the world.

The key changes impacting on the South African media sector include:

- Changes in the regulatory environment with the licensing of new broadcasters, and especially the launch of Digital Terrestrial Television (DTT);
- The launch of several Over-The-Top (OTT) streaming Video-On-Demand (VOD) services offering access to local and international movies and television series via the Internet;
- The rise of multi-platform television access, where viewers now expect to be able to view traditional television content on mobile, gaming and desktop devices as well as on TV sets;
- The popularity of new forms of video content - especially short-format user-generated video on social media platforms.

The impact of these changes will be profound. In the next five years, the South African media environment will look markedly different

- South African audiences will have greater choice of content and media services on more devices than ever before;
- Competition for audiences and advertising revenue is increasing with significant new players, many of whom operate on a global-scale;
- Population demographics will change over the next number of years – public broadcasters must find a way to reach and connect with all audiences;

- Audience expectations are changing from a passive reception experience to more active content discovery and interaction, and content service providers must adapt to this new dynamic;
- A wealth of new devices suggests content will be available anytime, anywhere, yet audiences consume different types of content on certain devices and this varies with different age groups and broadband availability;
- The enabling regulatory frameworks are adapting at a slower pace than technology, thereby curbing audience growth potential for the SABC.

Digital Terrestrial Television

The migration from analogue to digital television is the biggest change in South African broadcast environment since the transmission of the first colour television transmission 40 years ago. This will completely transform the nature of broadcasting in South Africa.

The SABC will continue to work closely with the Department of Communications on the GO DIGITAL SOUTH AFRICA awareness campaign to educate and inform South Africans about this journey of taking our television broadcasting into a new era of digital broadcasting with exceptional picture and sound clarity.

The SABC has been preparing for the migration and has five television channels on the launch DTT bouquet along with 19 radio stations. The SABC plans to launch additional television channels on the DTT platform in future years. To date, the Corporation achieved the following:

- obtained channel authorisation from ICASA to broadcast 2 incentive television services and 19 radio stations;
- implemented the infrastructure to provide content on the DTT platform consisting of SABC 1, SABC 2, SABC 3, News, and Encore;
- created an industry standard digital technical infrastructure to enable multi-channel broadcast (10 streams) on the DTT platform;
- implemented the technical infrastructure to provide 19 domestic radio stations on the multiplexer;
- launched SABC News and Encore as new television channels, incubated on the Multichoice DTH platform in preparation for the launch of DTT

New Over-the-Top broadcasters

The 2015 international media environment was dominated by the emergence of Netflix and an increasing number of premium content-focused over-the-top video services. These OTT services have accelerated the unbundling of decades-old pay TV packages and business models as their numbers grew significantly faster this

year than most expected. They have also had a significant impact on traditional free-to-air television as higher-income viewers have migrated to the new services, reducing the reach of television advertising to these audiences. The emergence of these new digital broadcasters has also increased competition for content, thereby increasing prices.

Multi-platform viewing

The rise of OTT streaming video services has also driven consumer demand for multi-platform television access. Viewers now expect to be able to watch television content on their PCs, laptops, mobile phones, tablets and gaming consoles as well as on traditional television sets. While the affordability of data and the expense of smartphones and tablets have restricted this demand in South Africa, this is changing rapidly.

Rising digital share of advertising revenue

In 2010, digital revenues accounted for only 16% of total revenue for the sector, and in 2014 for 33% of the entertainment and media sector. By 2020, PwC estimate that digital revenues could account for the majority of overall entertainment and media revenues. This change will have an enormous impact, particularly for media organisations such as the SABC which has depended on television advertising for the vast majority of its earnings.

The commercial success of the SABC has been based on being able to offer mass audiences to advertisers. As viewership fragments in terms of content, time and place thanks to multiscreen devices and video-on-demand (VOD) services, and advertising revenues migrate to digital channels, the SABC will find it increasingly challenging to grow traditional advertising revenues.

5.2 ECONOMIC ENVIRONMENT

As a public broadcaster largely dependent on commercial advertising revenue to fund its operations, the SABC is particularly susceptible to adverse changes in the South African economic environment. South Africa's economic performance is expected to be even weaker in 2016 than it was in 2015.

South Africa's economy expanded by only 1.5% in 2015, and the National Treasury expects it to grow by only 1.7% in real terms in the forthcoming year. However, external analysts at the World Bank and IMF expect growth to be even slower in 2016.

This prognosis is not expected to change over the next few years with lower commodity prices, slow growth among our major trading partners and volatility in global capital flows directly affecting South Africa.

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 2016.

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.

With inflation expected to increase from 4.8% to 5.6% and interest rates also expected to rise again in 2016, the SABC will also have to take account of a more restrictive fiscal policy, constraining public spending to stabilise public debt. This will impact on the Corporation's ability to seek additional public funding for its public mandate.

5.3 OTHER MACRO-ENVIRONMENTAL FACTORS

The SABC also expects the following macro-environmental factors to impact on its operations in 2016. The Corporation will continue to monitor and manage these developments in order to effectively implement its strategy.

Political

The envisaged legislation banning alcohol advertising, advertising of fast foods and advertising to children is expected soon. It is estimated that the removal of alcohol advertising alone will result in an annual loss of R537m.

The Broadcasting Amendment Bill was tabled on 4 December 2015. This will lead to changes in the governance structures of the SABC.

Shareholder's expectations for the SABC's financial sustainability and public mandate may also change. As a result, the SABC's funding model may need to change and align with different shareholder priorities.

Social

Expanded public service delivery outweighs commercial airtime. Many advertisers perceive public service content not to be commercially attractive and increased expectations for public service delivery might reduce commercial revenue margins, particularly in prime time. The youth are driving changing media consumption behaviour. The SABC will lose audience share if it does not embrace new media platforms like YouTube, Twitter and Facebook.

Competition

New entrants to the media sector will compete for advertising revenue.

- Video and audio streaming and podcast technology make it easier for content providers to reach audiences directly in a cost effective manner;
- Entry barriers are high for new broadcasters but relatively low for additional stations. As a result new 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.

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.

6. ORGANISATIONAL ENVIRONMENT

The SABC is governed by a Board of Directors appointed by the President on recommendation from the National Assembly. The SABC Board consists of twelve (12) non-executive Directors and three (3) Executive Directors and oversees the work of the SABC Executive, led by the CEO, COO and CFO and a number of Board Committees.

Following the dismissal and resignation of Board members in 2015, the SABC Board currently consists of the following members.

6.1 COMPOSITION OF THE BOARD OF DIRECTORS

The non-executive directors are:

- Prof Mbulaheni Obert Maguvhe (Chairperson)
- Ms Leah Thabisile Khumalo
- Mr Vusumuzi Goodman Moses Mavuso
- Ms Nomvuyo Memory Mhlakaza
- Mr Krish Naidoo
- Dr Ndivhoniswani Aaron Tshidzumba
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Executive Directors are:

- Jimi Matthews (Acting Group Chief Executive Officer)
- Hlaudi Motsoeneng (Chief Operations Officer)
- James Aguma (Chief Financial Officer)

6.2 THE COMMITTEES OF THE BOARD

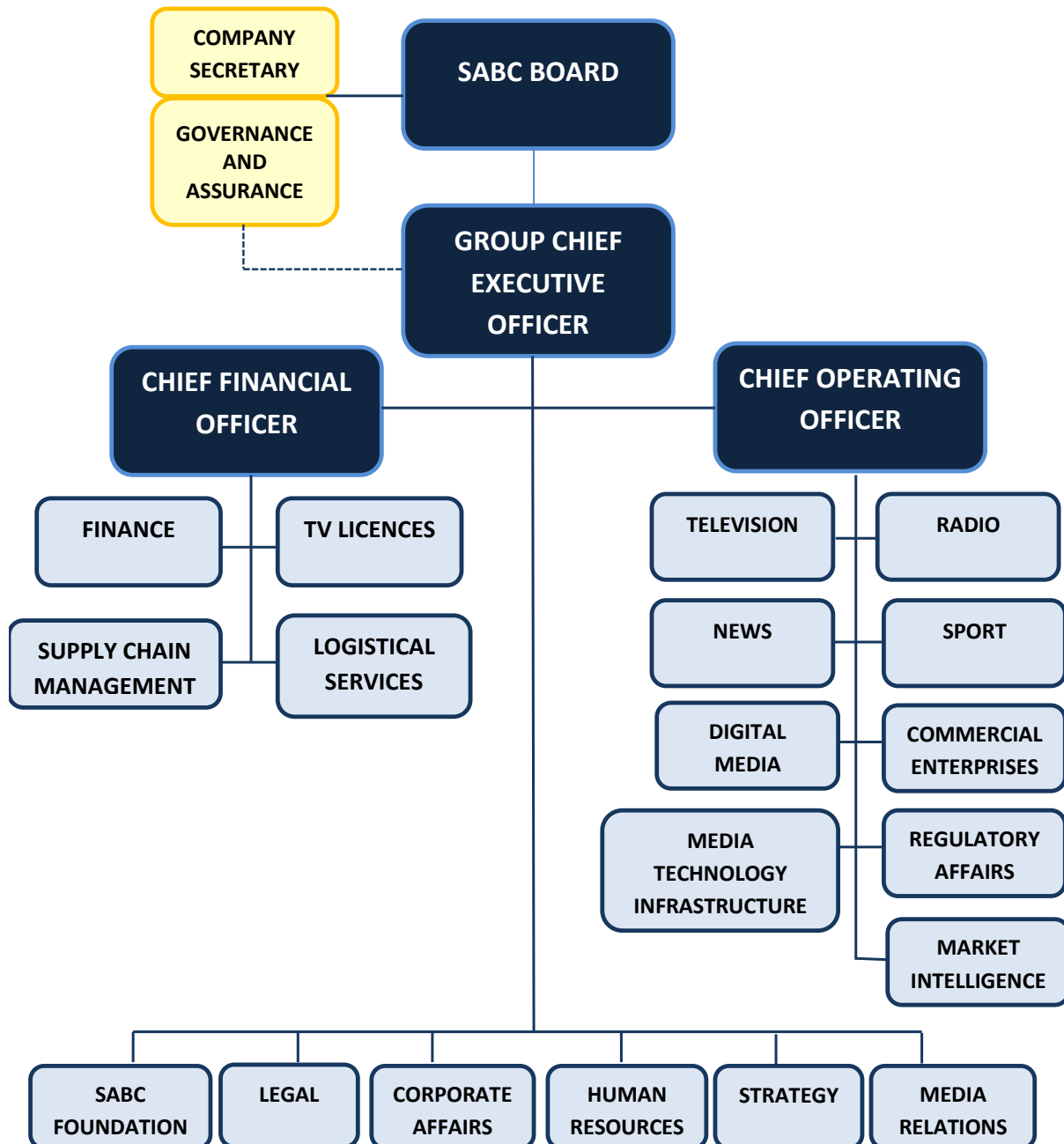
The establishment of the following Committees was approved in October 2013 and have been operational since then:

- Audit;
- Governance and Nominations;
- Human Resources & Remuneration;
- Public Broadcasting Services;

- Public Commercial Services;
- Risk; and
- Social & Ethics.

6.3 ORGANISATIONAL STRUCTURE

The SABC's organisational structure is as follows:



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. 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.

RADIO STATION	LANGUAGE OF SERVICE
Ikwewezi FM	Isindebele
Lesedi FM	Sesotho
Ligwalagwala FM	siSwati
Lotus FM	Mainly English and languages of Indian origin
Motsweding FM	Setswana
Munghana Lonene FM	xiTsonga
Phalaphala FM	Tshivenda
Radio 2000	Mainly English
RSG	Afrikaans
SAFM	English
Tru FM	Mainly English
Ukhozi FM	isiZulu
Umhlobo Wenene FM	isiXhosa
X-K FM	!Xun and Khwedam
Thobela FM	Sepedi
5 FM	English
Metro FM	English
Good Hope FM	English

7.2 SABC TV CHANNELS

Television remains the medium of choice for most South Africans. The public broadcaster's main television channels attract, on average, 29.4 million, 27.6 million, 21.3 million and 2.3 million viewers per week on SABC1, SABC2, SABC3 and SABC News respectively. The SABC's News channel and the newly introduced SABC Encore channel are delivered through the satellite platform.

SABC's News channel has grown its weekly viewership by 1 million in the past year, while SABC Encore reaches half a million viewers per week.

SABC1 is a full spectrum, free-to-air channel that speaks to a general youthful South African irrespective of race, language, geography and creed. Content relates to values, lifestyle, positive choices and an evolving culture. The channel is aimed at uplifting, empowering, encouraging and affirming youth to face life with confidence. Coverage via the terrestrial transmitter network accounts for 91.2% of the viewers. The channel is also available via satellite on the DStv and Vivid direct-to-home (DTH) digital satellite platforms.

Average weekly audience: 29.4 million.

SABC2 is a full spectrum, free-to-air channel, defined by a focus on cultural customs and traditions. Of importance to the channel is emphasis on community and family values with content that speaks to South African families in their diversity, family and societal values, espousing the African philosophy of Ubuntu. SABC2 provides inspiring and enabling content that encourages responsible, accountable and ethical citizens that contributes to the improvement of people's conditions. It further fosters patriotism and national pride in bringing the nation together. 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 weekly audience: 27.6 million.

SABC3 is a full spectrum, free-to-air channel providing lifestyle content rooted in South African culture and social trends. The channel offers inspirational content that reflects aspirations, high impact and mainstream entertainment that drives mass audiences. Coverage via the terrestrial transmitter network covers 82.1% of the viewers. The channel is also available via satellite on the DStv and Vivid DTH digital satellite platforms.

Average weekly audience: 21.3 million.

SABC's 24 Hour News Channel was launched on DStv Channel 404 in August 2013. The channel offers continuous news updates and current affairs. It is a seamless fusion of live journalism and current affairs programming throughout the day. Since its launch the channel has produced more than 16 304 minutes of news and 6 336 minutes of current affairs. The channel broadcasts mainly in English, with African

language bulletins provided for in the evening slots. In 2015, the channel became a truly Pan-African platform and covers the whole of Sub-Saharan Africa.

Average weekly audience: 2.3 million.

SABC Encore was launched on DStv's channel 156 in the first quarter of 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.

Average weekly audience: 525,000.

7.3 DIGITAL MEDIA

The SABC is currently consolidating its digital media strategy with the intention to position itself with increasing competition posed by digital media. The SABC has an active digital media presence across the World Wide Web, 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.

World Wide Web (www)

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

Podcasts & streaming

All radio stations offer live audio streaming via their own dedicated websites as well as via the SABC portal. Most 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 such as Generations, Isidingo, Skeem Saam, 7de Laan and Top Billing. The SABC News channel on YouTube has more than 86 000 viewers and is the most popular and prolific YouTube news channel in South Africa.

Mobile

The SABC has piloted the use of mobile applications with stations such as 5fm, whose Apple, Android and Blackberry apps lead the way.

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

Owing to the profound transformation broadcasters are undergoing locally and globally and taking into account the changes in the world economy, new technologies, changes in audience behaviour and increasingly complex competitive environments, the SABC reviewed and revised its previous FY2015/16 – 2017/18 Corporate Plan.

The SABC undertook an Environmental Scanning process which provided the input required to develop an informed Corporate Plan taking into account relevant internal and external factors. The SABC's Corporate Plan is further mirrored by its Predetermined Objectives for the period FY2016/17 to FY2018/19. The Corporation has, through Senior Management, engaged various entities, members of the public and staff members – particularly in provinces other than Gauteng – to solicit their views about their needs and expectations of the Corporation.

Consolidated outcomes per Division and taking into account the overall organisational ideals were used to provide feedback during the Operations Summit session and the Group Executive session, opening the Divisional strategic thinking to scrutiny and discussion.

The Operations Summit further developed the ideal strategic goals, resources and budget plans. This also allowed for facilitated discussions around the required structures and forums essential for achieving these goals.

The strategic approach followed can be divided into three areas:

1. Gathering an understanding of the current “As-Is” environments, both externally and internally. The external broadcasting and stakeholder environment served as a guide for building an understanding of how the internal capacity of the organisation must be structured and resourced. This allowed comprehension on where the SABC currently sits with regard to its current Strategic Plan, understanding what changes may have already taken place within the Organisation and how a new strategic direction will fit in with current processes.
2. The second phase involved facilitated sessions with various levels of staff so as to develop a new strategic direction with clear goals. This guided the development of a “To-Be” plan to reach the ideal through detailed budget interrogation, clear critical success factors and a detailed implementation plan.
3. The final phase turned strategic thinking and discussion into clear strategic business plans and operational tactics.

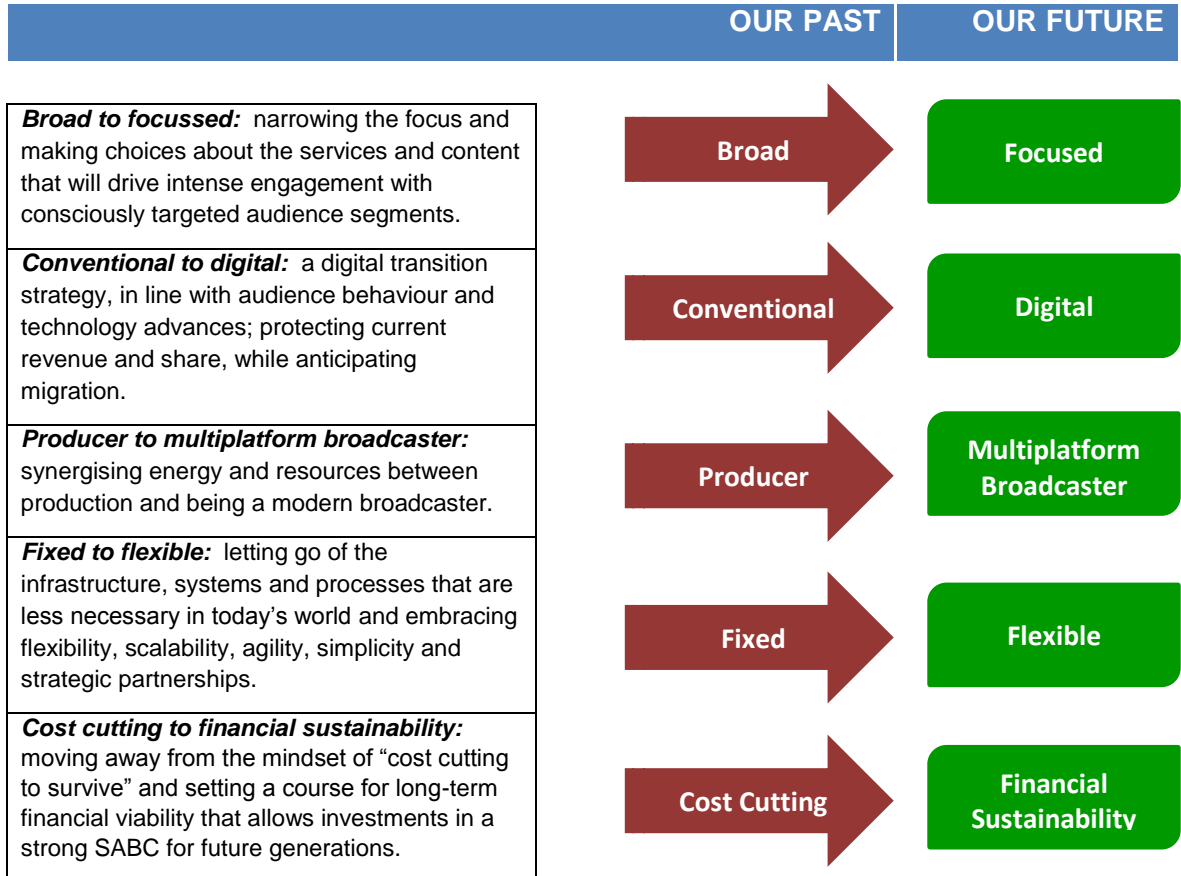
PART B DELIVERY ON STRATEGY

9. STRATEGY FY2016/17 TO 2018/19

Change is an opportunity to renew the public broadcaster’s relationship with the citizens of South Africa. The SABC intends to offer more services on more platforms than ever before, and with its strategy, the SABC will become more South African, more provincial and more digital. This is in spite of decreasing public funding and a more challenging commercial environment.

The SABC has set a course to ensure its long-term future. It’s the start of a fundamental transformation to reposition the public broadcaster. The Corporation’s strategy aims to better position the public broadcaster to meet the vital shifts that are transforming the media universe, and consequently how it connects with South Africans. The SABC will deepen its relationship with South Africans; work in partnership with the creative community to showcase the breadth and depth of South Africa’s reality; and set the Corporation on a clear course to long-term financial sustainability.

The SABC’s strategy is about modernising the public broadcaster as well as bringing it closer to South Africans and audiences. The goal is to be relevant, to engage South Africans intensely, while modernising ways of working and ensuring long-term financial sustainability. It is a challenging but exciting transition from past to future.



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

In order to fulfil and successfully deliver on the strategy, the SABC will place emphasis on the following key focus areas: Financial Health, Audiences, Content and Platforms, Technology and Infrastructure, Human Resources and Governance. Strategic goals have been developed for each of these key focus areas as detailed below.

PILLAR	STRATEGIC GOALS
FINANCIAL SUSTAINABILITY	To be a financially sustainable organisation.
CONTENT AND PLATFORMS	To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms.
HUMAN RESOURCES	To develop a dynamic and motivated fit-for-purpose workforce that embraces learning and is sufficiently adaptable to migrate into the digital age.
GOVERNANCE	To ensure compliant governance practices complemented by effective risk management and internal controls.

10. FINANCIAL SUSTAINABILITY

Goal 1: *To be a financially sustainable organisation*

The SABC's main goal 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. Since profits earned from the SABC's commercial ventures are reinvested in achieving its public service mandate, growing profit is not the SABC's key objective. Rather, it is focused on ensuring the Corporation maintains liquidity and is continually able to fund its mandate. The SABC is currently funded from a number of sources: Public funding (television licence fees); Commercial Revenue (advertising, commercial and strategic partnerships); government funding (primarily for educational programmes).

To achieve the goal of financial sustainability the following strategic objectives and performance indicators are relevant.

Table 1: Financial Sustainability

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	OBJECTIVE PURPOSE
SO 1: Ensure the SABC is profitable.	Net Profit before Tax	Net profit provides an indication of the organisation's operational efficiencies and at year-end how much can be distributed / allocated to the following year's budget items.
SO 2: Ensure the SABC is able to meet its financial obligations.	Maintain a minimum cash and cash equivalents balance of R600m.	The amount of cash and cash equivalents is a large component of the organisation's overall operating strategy. If the SABC has high amounts of cash and cash equivalents it would be better able to get through hard times when revenue collections are low or expenses are particularly high.

To realise the SABC's goal and strategic objectives of financial sustainability the SABC will concentrate on the following key focus areas and intentions.

A) *Diversified Funding Model*

The SABC receives public funding via 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. The Corporation has made significant progress in reducing the costs of collecting TV licences and continues to develop and implement innovative initiatives to improve the collection model and increase revenue derived from this source.

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 models for radio, television and digital media sales are being devised and implemented to ensure optimisation of its commercial inventory.

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, as well as develop viable private-sector partnerships.

B) *Cost Containment Measures on Fixed Cost Base*

The SABC's expenditure is monitored and managed very closely to ensure that the Corporation's total operations are funded, including its expanding mandate. The Corporation has implemented a wide range of improved and aligned policies, procedures and internal controls to ensure cost containment. Specific focus will be placed on the SABC's fixed cost items not exceeding set budget parameters.

C) *Reinvestment in line with Mandate Requirements*

The SABC's mandate derives from the South African Constitution, a range of legislation, and on-going reviews of an increasingly challenging regulatory regime. As the national public broadcaster, the SABC embraces its mandate but also has to operate within the capacity constraints of its funding model. This requires discretion in evaluating the extent to which any particular mandate should be pursued as it is not possible to execute all fully. Additional and/or surplus funding generated by the SABC is and will be ploughed back into mandate requirements in order to educate, inform and entertain the South African public.

D) *Positive Liquidity Status*

The SABC's liquidity status is measured by its Cash and Cash Equivalents at year end. To date, the Corporation was able to show positive cash balances at each of the preceding financial years. Applicable financial ratios also indicate that the Corporation is able to cover all its liabilities on an ongoing basis. The SABC will continue to improve its liquidity status in the next financial year.

Object 1: Financial Sustainability – Key Focus Areas



11. CONTENT AND PLATFORMS

Goal 2: To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms.

Conventional broadcasting is in flux - the media universe is evolving constantly, and media consumption, advertising models and methods of production are changing more quickly than the industry can adapt. As audience behaviours change, so will the means to reach them. The transformation started with an accelerated shift to mobile technology that provided more one-to-one connections than ever before. Tomorrow's technology will provide even more. Whatever the trend, whatever the means through which South Africans choose to be informed and entertained, the public broadcaster will be there.

The SABC is focused on delivering high-quality local programming and content, spanning a range of genres accessible across multiple platforms. 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.

While the impact of the changing broadcasting landscape is felt throughout the business, its effect is most profoundly felt on the technology and infrastructure of the organisation. With a reliable technology infrastructure suited to the digital age, the SABC will actively lead the digital migration process..

Strategic objectives and Performance Indicators for Content and Platforms are as follows:

Table 2: CONTENT AND PLATFORMS

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	OBJECTIVE PURPOSE
SO 3: Meet local content requirements of SABC licences	Meet ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial channel licence conditions as reported by SABC Policy & Regulatory	Local content is a critical aspect of mandate delivery. This measures SABC delivery against clearly defined ICASA targets.
SO 4: Diversify content by supporting and including production of provincial content.	Number of provincial properties & inserts broadcast.	Geographic diversity in terms of content that is carried on television (primarily insert targets). Industry development is promoted outside the traditional production nodes (primarily programme targets).
SO 5: Increase number of programmes/productions that will allow people with disabilities (PWD) access to public	Number of properties broadcast with sign language.	To ensure that the SABC's content accessible to People With Disabilities (PWDs).
	Number of companies	Ensuring that that the SABC is

broadcasting.	controlled or owned by PWDs from which content was procured.	creating opportunities for companies owned by PWDs to participate in the production industry. Contributing to job creation for PWDs.
SO 6: Launch SABC channels on DTT.	Additional channels to be carried on the DTT transmitter network	Ensuring that SABC is positioned to remain relevant in the transition to digital terrestrial broadcasting through efficient utilisation of the MUX.
SO 7: Distribute SABC programming over the internet	Number of programmes and radio stations distributed over web-based platforms.	Ensuring that more SABC content is accessible to audiences via digital platforms. Content consumption preferences are rapidly changing and consumer prefer to access content via digital platforms and devices as opposed to traditional or linear broadcasting methods.
	Growth of total social media followers.	Content has the potential to create communities of like-minded people who make use of social media platforms to share their views or enter into discussion about the content. The SABC realises the critical importance of social media and embraces it as part of its broadcasting mandate.
SO 8: Provide balanced, accurate and relevant coverage of local government elections.	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	The role of the public broadcaster is to provide coverage of the elections on all its platforms.
SO 9: Develop and implement digital library worklows and infrastructure for SABC content.	Developed and approved technology project plan for digital library.	The SABC is continuing to upgrade internal and external broadcasting and production facilities to take advantage of the opportunities presented by the launch of Digital Terrestrial Television (DTT). These upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the digital age.
SO 10: Replace radio stations' production play-out system.	Signed contract with service provider and approved project plan	
SO 11: Replace TV FCC (<i>final control centre</i>) play-out automation.	Completed user requirement and evaluation of RFI responses. RFP response evaluation and awarding of contract. Approved project plan.	
SO 12: Upgrade production studios to digital.	Developed and approved plan. Cost gathering via RFI and approved CAPEX budget.	

Achievement of the above goal and strategic objectives are realised through the following key focus areas and intentions:

A) *Programmes, services and partnerships to bring the most SABC content to the most people.*

The launch of Digital Terrestrial Television in South Africa is possibly the most significant change in broadcasting since the launch of television. As such, the focus of the SABC's portfolio expansion is located in this space. The SABC has been piloting two television channels on the DStv bouquet for rollout on DTT when it launches in 2016.

- SABC Encore is an entertainment channel utilising the SABC's extensive archive of local productions to broadcast popular library content.
- SABC News is a 24 hour News channel, which currently broadcasts live for 18 hours a day.

The Corporation is committed to launching additional television channels and radio stations on the DTT platform and is seeking innovative funding mechanisms to achieve this objective.

The SABC News channel continues to grow its audience on the DStv platform. It has grown its average daily audience by 39% over the last year and expanded its footprint to reach the whole of sub-Saharan Africa. The News channel now broadcasts live for 18 hours a day. In 2016, it will become the first new SABC channel on the DTT bouquet along with SABC Encore. SABC Digital News offers breaking stories and the best of Radio and TV coverage on a variety of on-line and social media platforms, continuously updated 16 hours per day. SABC News is the most prolific online distributor of South African news video and the SABC News YouTube channel is South Africa's leading online news channel with a growing presence on social media networks. In 2016 it aims to provide live streaming of news events on the Internet.

In the previous national, provincial and local elections the SABC established a strong track record for comprehensive special coverage before, during and after the elections. In 2016 the SABC will build on this record with even more extensive coverage of the Local Government Elections. The role of the SABC during elections is to educate South Africans about their right to vote and to inform them of the political choices, views and policy positions of various political formations in the country. The SABC achieves this objective through special programming on television, radio and digital media. This plan allows for SABC's presence at national and provincial Election Commission (IEC) election centres, as well as, broadcast points across the country in villages, towns and cities.

Since the last elections, the SABC has launched a 24 hour news channel and this expanded its presence across all platforms. Its network of international bureaus and cross media journalists will enable SABC News to provide unrivalled coverage of

election events and breaking news in the country. The programmes are hosted throughout South Africa and are aimed at stimulating public interest in the elections and to serve as part of voter education.

B) *Diversified content, services and opportunities for Provincial Audiences and People With Disabilities*

SABC Television is committed to ensure that all genres reflect life from beyond the metropolitan provinces and is diversifying the source of content by developing content hubs in non-metropolitan provinces, acquiring content in marginalised languages and from persons with disabilities.

As a public service broadcaster, a key focus has been on ensuring that the dominance of the metropolitan provinces in terms commissioned programming is addressed and that the distribution of work among the provinces is more equitable. This has been done to make sure that the process is inclusive of all South Africans and includes those diverse and never-been-told stories.

The SABC is also giving special attention to delivering more programmes with sign-language, procuring productions from companies owned by people with disabilities as well as procuring provincial productions in different languages. This is in line with the National Development Plan that seeks to involve communities, the youth, workers, the unemployed and business in partnership with a capable state. The aim is to develop the capabilities of individuals and of the country, creating opportunities for all.

In 2015, the SABC became the first broadcaster in the world to provide audio descriptions to blind viewers on an analogue platform with its isiZulu description of the drama series *Sticks and Stones*. The SABC continues to be committed to increasing the accessibility of its content to people with disabilities.

SABC Sport has embarked on a regional recruitment drive, where key crews that are provincially based have been appointed to cover events taking place in their respective provinces, as well as being given the required training and support.

In the upcoming fiscal, Sport's role in providing a platform for Indigenous Games will be reinforced. More inserts leading up to the Annual Indigenous Games will be featured across the different magazine shows across Radio and TV.

The SABC's News and Current Affairs will increase the current broadcast proportion of provincial news from two stories per province to three stories flighted across our platforms. Current Affairs programmes on radio will within budget limitations convene two (2) town hall broadcast per month to discuss provincial issues with ordinary citizens in their provinces. Current Affairs programmes on television will feature sign language interpreters across programmes and the free to air programmes will convene outside broadcast discussions with targeted audiences once in every quarter.

C) *Dominant Audience Share*

The SABC is transforming its mainstream services by making its content freely accessible to all South Africans by distributing streaming video over the Internet. Some of the nation's most popular shows - including Muvhango, Skeem Saam, Generations, The Legacy, 7de Laan and i-Identity are available on the SABC's YouTube channels. Television, Radio, Sport and News services are all developing a variety of content formats that has a much wider appeal to the diverse audiences the public broadcaster serve. The SABC will further continue to seek distribution partnerships with commercial partners who are able to facilitate the Corporation's goal of providing universal access to its content. By increasing its content contribution from new producers as well as producers from provinces outside of the major urban areas, it aims to broaden the geographic appeal of SABC content.

The SABC also recognises that digital channels have enormous potential to enhance the development of the diversity of South Africa's languages and cultures, and that, as a public broadcaster, it has an obligation to invest in ensuring that the Internet is fully inclusive of all South Africans.

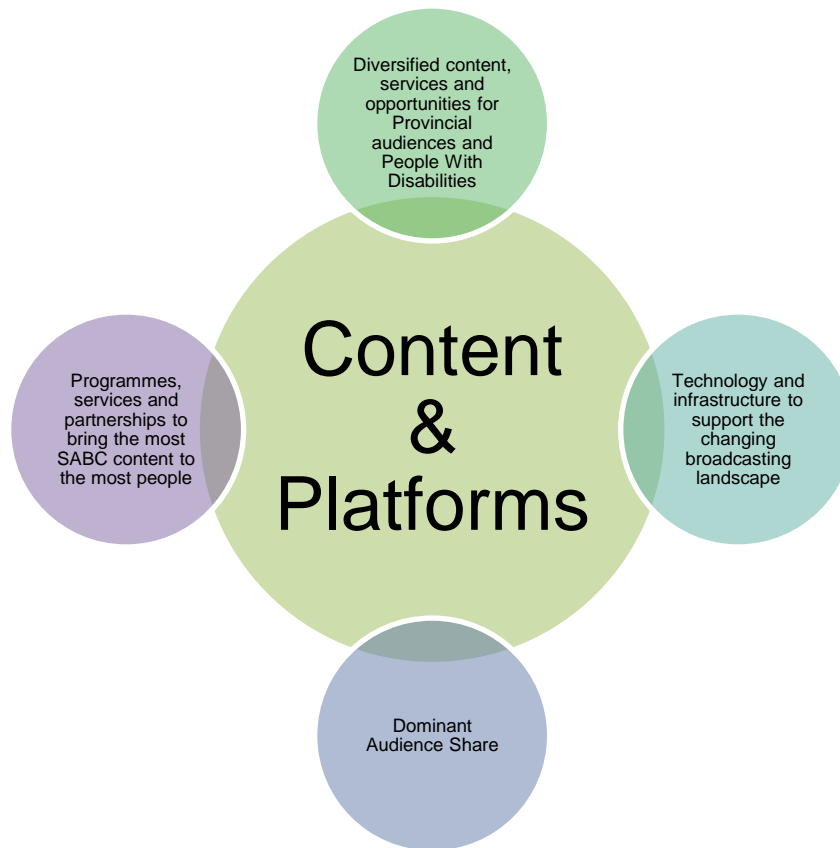
D) *Technology and infrastructure to support the changing broadcasting landscape*

The SABC is continuing to upgrade internal and external broadcasting and production facilities to take advantage of the opportunities presented by the launch of Digital Terrestrial Television (DTT), the rapid rollout of broadband Internet connectivity, the rise of alternative mobile entertainment options such as Video-on-Demand, and the emergence of Over-The-Top (OTT) broadcast services. These upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the digital age.

The popularity of SABC content means that opportunities have emerged for the Corporation to distribute its programming on new on-demand digital platforms and therefore the necessary technology platforms will be put in place. The SABC has seen great success with its YouTube channel, with several shows proving very popular via online streaming, and the SABC News channel remaining one of the most popular channels in South Africa. Continuing to expand the reach of SABC programming through these online channels will be possible when the appropriate technology in place. Internet growth, combined with the increase in smartphone penetration mean that the modernising of the SABC's websites, and continued development in the distribution of content to mobile devices and tablets are key priorities for 2016.

The Corporation will continue to implement new technologies and business processes to keep pace with the rapid changes in the industry while also continuing to support the business on all levels.

Object 2: CONTENT AND PLATFORMS – Key Focus Areas



12. HUMAN RESOURCES

Goal 3: To develop a dynamic and motivated fit-for-purpose workforce that embraces learning and is sufficiently adaptable to migrate into the digital age.

It is the talent, passion and commitment of SABC employees that continue to drive its ability to achieve its goals. People thus remain a priority of the Corporation and Human Resources forges the path to ensure that the SABC is a progressive and diverse workplace, enabling a high performance culture of dedicated, innovative and highly skilled professionals.

Strategic objectives and Performance Indicators for Human Resources are as follows:

Table 3: Human Resources

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	OBJECTIVE PURPOSE
SO 13: Attracting and Retaining Talent.	Workforce Plan approved and implemented.	The Workforce Plan is aimed at attracting and retaining talent and skills to enable the organisation to be competitive in the market.
SO 14: Embedding a high performance culture.	Approved Performance Management implementation plan and performance contracts in place for all staff. Quarterly reviews conducted.	To align individual and divisional performance to organisational goals, reward excellence and to instill a culture of high performance. Position the SABC as an employer of choice for talent.
SO 15: Optimise Learning & Development.	Scarce and critical training needs identified and addressed through WSP	The Workplace Skills Plan reflects the organisation's strategic intent, and is linked to the Workforce Plan. The WSP is a check and balance system to gather valuable information with regards to scarce and critical skills shortages in the organisation and within the industry. This plan will over the next 3 years cater for the acquisition and transfer of key technical skills and competencies for digital migration.

Achievement of the above goal and strategic objectives are realised through the following key focus areas and intentions:

A) *Performance Management*

To establish a pay-for-performance culture, there must be a consistent and objective methodology for evaluating performance. Participation of all employees in the annual performance contracting should be ensured. High performers should be rewarded. Low performers should have performance improvement plans with a specified time period for improvement – with no improvement they should be reassessed for fitness for the positions in the SABC. Once the methodology is understood and consistency is achieved, the SABC can move to a pay-for-performance programme

B) *Enhancing talent through learning and development*

The SABC aims to revolutionise learning in the organisation by way of developing a Workforce Skills Plan and building a “Learning Anywhere, Anytime” culture and infrastructure. The aim is to provide learning-on-demand with just-in-time skills sourced and provided, improved accessibility to learning, and fit for purpose, cost effective learning interventions.

While there a wide range of skills required to be built in the SABC, the focus will be biased towards enhancing strategic capability in the leadership and management levels and building critical technical skills supporting digitisation.

The SABC’s migration from analogue to digital will impact the skills used during the different stages of content production. Technical skills will remain important, because digitisation will increase the technical content of the SABC’s processes, products and services.

The other learning interventions will enhance governance and positive culture building learning interventions such as PFMA, IFRS, OHSA, Induction and On-Boarding Programme and Ethics.

For the coming fiscal the focus will be on the following strategies:

Development of Mid-Managers and Professionals will develop high-performing employees with the potential for leadership and critical roles.

Executive Development Strategy aims to build top leadership through development and strengthening of the strategic orientation capability.

Skills for Digital Migration: a deliberate bias towards development and enhancement of digital skills in all areas of the business. There will be an establishment of Digital/Broadcast Curriculum and programmes.

C) *Integrated workforce planning*

The SABC will formulate and implement an integrated workforce plan and solution that addresses current and future business goals. The Workforce Planning solution is aimed at assisting the Corporation to determine adequate supply and demand projections for the critical workforce segments and ensure that the SABC has the

optimal number of capable people performing the right roles, at the right time and in the right place.

Further, the HR team will ensure that it develops recruitment and selection solutions that are quicker, efficient and effective but still observe governance requirements.

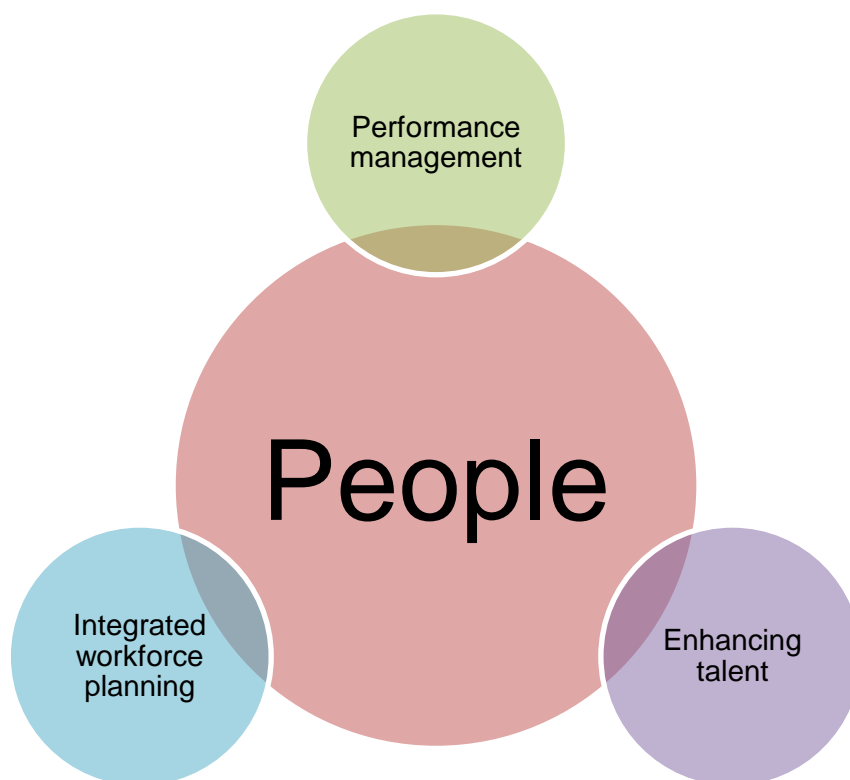
The Corporation will also develop programmes that enhance capability and flexibility for the future. These include:

Succession Planning: Emerging Leaders will be identified through a new pilot project that assesses competencies and growth potential and provides coaching to ensure a continuous flow of qualified candidates to fill critical positions.

Dual Career Tracks will be accelerated to retain and energise talented professionals who may not have an interest in management roles.

Critical roles will be identified via talent management and readiness assessment and developmental plans that are business orientated will be implemented for managers, leaders and successors.

Object 3: Human Resources – Key Focus Areas



13. GOVERNANCE

Goal 4: To ensure compliant governance practices complemented by effective risk management and internal controls.

The SABC is committed to ensuring the highest standards of compliance with not only the letter, but also the spirit of relevant governance codes. To do this, the SABC ensures that its processes and practices are reviewed on an on-going basis to ensure compliance with relevant legal requirements, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices that are continually benchmarked to be in line with the risk management framework issued by National Treasury.

Strategic objectives and Performance Indicators for Human Resources are as follows:

Table 4: Governance

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	OBJECTIVE PURPOSE
SO 16: Develop and maintain an efficient, effective and transparent system of risk management and internal controls.	Self-assessment to ensure that key internal controls documented in SAP are being performed.	Compliance with Public Finance Management Act, Effective and Efficient Governance and Competitive Advantage.

A) **Enterprise-wide Risk Management and Internal Control Environment**

The SABC has developed and adopted a Risk Management Framework that ensures both Compliance to the PFMA and Treasury Regulations and Competitive Advantage in the Market and Industry.

The SABC's strategy is defined in the context of the risk environment in which it operates. Effective strategic risk management is built around a clear understanding of how much risk the Corporation is prepared to take to deliver its objectives, and a timely and reliable evaluation of how much risk it is actually taking.

The SABC Risk Management Framework is designed to identify potential events that may negatively affect the achievement of the organisation's objectives.

It does this by instituting internal controls designed to:

- Safeguard its assets and resources;
- Deter and detect errors, fraud, and theft;
- Ensure accuracy and completeness of its accounting data;

- Produce reliable and timely financial and management information;
- Ensure adherence to policies and procedures; and
- Ensure compliance with legislation, the SABC's broadcasting mandate and licensing conditions to ICASA.

The SABC recognises that possessing a formal risk management structure will allow the organisation to benefit from having a portfolio view of its risks and enhanced ability to leverage these insights to help navigate the complexities of its mission.

To this end the SABC has committed to the implementation of Governance, Risk and Compliance (GRC) technology in order to improve the effectiveness of its ERM programs through increased efficiency and transparency of risk based information.

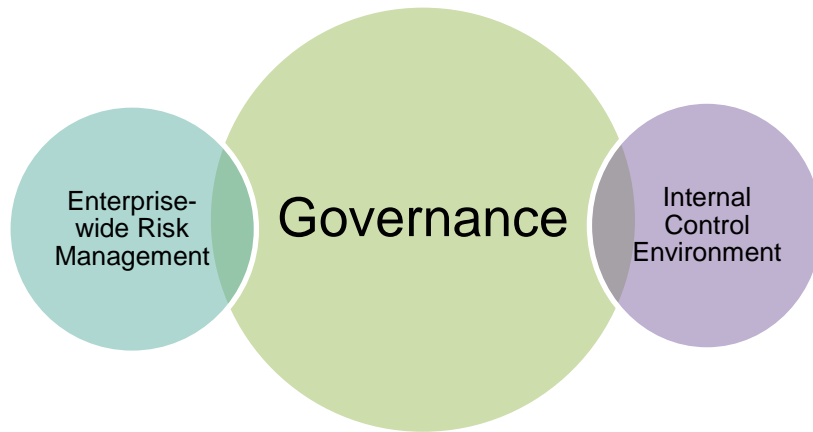
The SABC's intent with regard to risk management includes:

- Bringing Enterprise-wide Risk Management (ERM) into the forefront of strategic decision making and execution, providing the SABC with an opportunity for competitive advantage.
- Augmenting robust governance founded on decisions based on information, evidence and shared values; process that is fair and transparent, cultivating responsibility and accountability; and ensuring that strategic objectives are effectively, efficiently, ethically and equitably met.
- Ensuring that the SABC has effective, efficient and transparent systems of enterprise-wide risk management by implementing GRC technology.

The SABC aims to further enhance its governance protocols by implementing a number of steps, including:

- Integrating business risk management with strategy formulation and business planning processes.
- Ensuring that risk management processes, ownership, roles, responsibilities and accountabilities are properly communicated and understood.
- Regular monitoring and reassessments of strategic and business risks. Identifying gaps in the management of these risks, based on changes in business objectives and in the external and internal operating environment.
- Continuously monitoring and reporting to Group Exco and Board Risk Committee in order to assist in management of strategic risks to provide objective assurance.

Object 4: Governance – Key Focus Areas



14. 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 indicated the Corporation's alignment with these goals and strategic objectives:

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 18: 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; • 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 1: Ensure the SABC is profitable. <ul style="list-style-type: none"> • Net Profit before Tax SO 2: Ensure the SABC is able to meet its financial obligations. <ul style="list-style-type: none"> • Maintain a minimum cash and cash equivalents balance of R600m
2. A responsive	SO 2.1: Improve universal access	Increase universal access to

DEPARTMENT OF COMMUNICATIONS		SABC ALIGNMENT
STRATEGIC GOALS	STRATEGIC OBJECTIVES	STRATEGIC OBJECTIVES AND KEY PERFORMANCE AREAS / ACTIVITIES
communications policy and regulatory environment.	to broadcasting services by 2019.	public service broadcasting. <ul style="list-style-type: none"> Achieve milestones for FM radio transmitter expansion project.
	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 5: Exceed local content requirements of SABC licences. Meet and exceed ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial channel licence conditions. SO 6: Diversify content by supporting and including production of provincial content. SO 9: Distribute SABC programming over the internet. <ul style="list-style-type: none"> Number of programmes and radio stations distributed over web-based platforms Growth of total social media followers SO 10: Provide balanced, accurate and relevant coverage of local government elections. <ul style="list-style-type: none"> Compliance with the approved elections broadcast plan and regulatory and legislative requirements.
	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 communications sector.	SO 4.1: Support the growth and development of the creative industries by 2019.	SO 7: Increase number of programmes/productions that will allow people with disabilities (PWD) access to public broadcasting. <ul style="list-style-type: none"> Number of properties broadcast with sign language Number of companies controlled or owned by PWDs from which content was procured. SO 6: Diversify content by supporting and including production of provincial content. <ul style="list-style-type: none"> Number of provincial properties & inserts broadcast
	SO 4.2: Manage digital broadcasting migration by 2018.	SO 8: Launch SABC channels on DTT. <ul style="list-style-type: none"> Additional channels to be carried on the DTT transmitter network

DEPARTMENT OF COMMUNICATIONS		SABC ALIGNMENT
STRATEGIC GOALS	STRATEGIC OBJECTIVES	STRATEGIC OBJECTIVES AND KEY PERFORMANCE AREAS / ACTIVITIES
		<p>SO 11: Build a digital library for SABC content.</p> <p>SO 12: Upgrade radio stations' production playout systems to digital.</p> <p>SO 13: Upgrade playout automation, outside broadcast and production studios to digital.</p>
	SO 4.3: Strengthen support, guidance and interrelations with stakeholders by 2019.	Stakeholder engagement. Brand affinity and reputation management.

15. SABC PREDETERMINED OBJECTIVES – FY2016/17 TO 2018/19

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2016/17	2017/18	2018/19
FINANCIAL SUSTAINABILITY						
Goal: TO BE A FINANCIALLY SUSTAINABLE ORGANISATION						
ENSURE THE SABC IS PROFITABLE	Manage revenue and expenditure in accordance with the approved budget.	Net Profit before Tax	Annual financial statements	R3.4m	R164.2m	R349.5m
ENSURE THE SABC IS ABLE TO MEET ITS FINANCIAL OBLIGATIONS	Manage working capital (i.e. debtors days and creditors days) and manage investments to ensure adequate cash availability at all times.	Maintain a minimum cash and cash equivalents balance of R600m	Annual financial statements	R0,900bn	R0,896bn	R1,032bn

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2016/17	2017/18	2018/19
CONTENT AND PLATFORMS						
Goal: TO ACQUIRE AND SCHEDULE COMPELLING AND QUALITY PROGRAMMING, SPANNING A RANGE OF GENRES, IN ALL OFFICIAL SOUTH AFRICAN LANGUAGES, AND EXCEEDING MANDATE OBJECTIVES ACROSS TRADITIONAL AND DIGITAL MEDIA PLATFORMS.						
MEET LOCAL CONTENT REQUIREMENTS OF SABC LICENCES	Contributing to nation-building by creating the space for South Africans to reflect the South African experience on SABC television platform.	Meet ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial television channel licence conditions.	Quarterly ICASA licensing conditions report.	SABC 1 70% SABC 2 60% SABC 3 40%	Network-based target to be based on revised ICASA local content quotas.	Network-based target to be based on revised ICASA local content quotas.
INCREASE NUMBER OF PROPERTIES THAT WILL ALLOW PEOPLE WITH DISABILITIES (PWD) ACCESS TO PUBLIC BROADCASTING.	Increase number of properties that will allow People With Disabilities (PWD) access to public broadcasting.	Number of properties broadcast with sign language ³	Broadcasting schedule	3	4	6
		Number of companies controlled or owned by PWDs from which content was procured.	BBBEE Reports Contracts	2	4	6
DIVERSIFY CONTENT BY SUPPORTING AND INCLUDING PRODUCTION OF PROVINCIAL CONTENT.	Increase the number of properties & inserts of provincial content.	Number of provincial properties & inserts broadcast ⁴ .	Broadcasting schedule	360 inserts 2 properties	400 inserts 4 properties	8 properties

³ A total of three programmes must incorporate sign language during the year. In any given quarter two of those productions must be on-air.

⁴ A total of two properties must be sourced from production houses based in non-metropolitan provinces for the year. In any given quarter one of those productions must be on-air

LAUNCH SABC CHANNELS ON DTT	Television division to deliver additional channels to the current three licenced terrestrial channels.	Additional channels to be carried on the DTT transmitter network.	Broadcast schedules	2 new channels (SABC News Encore)	1 new channel	1 new channel
DISTRIBUTE SABC CONTENT OVER THE INTERNET	Produce, encode and stream TV programmes and radio stations digitally.	Number of programmes and radio stations distributed over web-based platforms	Streaming reports from web-based platforms	25 programmes; 19 radio stations	40 programmes; 19 radio stations	50 programmes; 19 radio stations
	Integrate social media into programming.	Growth of total social media followers	Social media subscriptions and followers	15%	15%	15%
PROVIDE BALANCED, ACCURATE AND RELEVANT COVERAGE OF LOCAL GOVERNMENT ELECTIONS.	Production and coverage of Local and General Elections on all platforms.	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	Broadcasting elections plan, Monthly Reports and Complaints Reports at ICASA.	Broadcast local government elections (including pre and post-election programming) as per the elections broadcast plan and regulatory and legislative requirements. (1 April to 31 August 2016)	No elections	Broadcast General Elections as per the elections broadcast plan and regulatory and legislative requirements.
DEVELOP AND IMPLEMENT DIGITAL LIBRARY WORKFLOWS AND INFRASTRUCTURE FOR SABC CONTENT	Determine business requirements, identify and evaluate vendors, procure suppliers, design, build and operationalize technology projects.	Developed and approved technology project plan for digital library.	CAPEX spend report, approved business cases, sign off certificates, processed payments	Review business requirements, issue RFI and RFP.	Commence implementing the digital library	Complete implementing the digital library

<p>REPLACE RADIO STATIONS' PRODUCTION PLAY-OUT SYSTEM</p>	<p>Service provider contract finalisation, Approval of project rollout plan.</p>	<p>Signed contract with service provider and approved project plan</p>	<p>Project implementation in line with project milestones</p>	<p>Implement operational and system requirement milestones, User interface between Landmark and production system</p>	<p>Continue implementation in line with project plan</p>	<p>Complete roll out of radio production and play-out system</p>
<p>UPGRADE/REPLACE TV FCC (final control centre) PLAY-OUT AUTOMATION</p>	<p>Determine business requirements, identify and evaluate vendors, procure suppliers, design, build and operationalize FCC</p>	<p>Complete user requirement and evaluation of RFI responses. RFP response evaluation and awarding of contract. Approved project plan</p>	<p>RFP award , contract sign off with service provider, approved project plan, CAPEX spend report, project COA (Certificate of acceptance)</p>	<p>RFP award , contract sign off with service provider, approved project plan,</p>	<p>Complete project by COA (Certificate of acceptance)</p>	<p>N/A</p>
<p>UPGRADE PRODUCTION STUDIOS TO DIGITAL</p>	<p>Develop, approve and implement TV production studio digitization plan</p>	<p>Developed and approved plan. Cost gathering via RFI Approved CAPEX budget</p>	<p>Approved upgrade plan and CAPEX business case.</p>	<p>Develop upgrade plan and seek CAPEX approval</p>	<p>Publish RFP, evaluate tender and award contract</p>	<p>Commence implementation.</p>

Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2016/17	2017/18	2018/19
HUMAN CAPITAL						
Goal: DEVELOP A DYNAMIC AND MOTIVATED FIT-FOR-PURPOSE WORKFORCE THAT EMBRACES LEARNING AND IS SUFFICIENTLY ADAPTABLE TO MIGRATE INTO THE DIGITAL AGE						
Attracting and Retaining Talent	Determining adequate supply and demand projections for the critical workforce segments and ensures that the corporation has the optimal number of capable people performing the right roles, at the right time and in the right place.	Workforce Plan approved and implemented	Approved Plan	Workforce Plan Approved and implemented	100% of positions approved for the year filled	100% of positions approved for the year filled
Embedding a high performance culture	Institutionalise Performance Management Policy with revised tool including thresholds and stretch targets.	Approved Performance Management implementation plan and performance contracts in place for all staff. Quarterly reviews conducted.	Signed Off Performance contracts Performance review documentation	Entrenchment of Performance Management by 31 March 2016. 100% signed off performance contracts for all employees by 30 April 2016. 4 performance conversations per employee by 7 July, 7 October, 7 January & 7 April	100% signed off performance contracts for all employees by 30 April 2017. 4 performance conversations per employee by 7 July, 7 October, 7 January & 7 April	100% signed off performance contracts for all employees by 30 April 2018. 4 performance conversations per employee by 7 July, 7 October, 7 January & 7 April

Optimise Learning & Development	Develop a Workplace Skills Plan (WSP) and Operational Training Plan that is aligned to the Skills Audit report and digital migration requirements.	Scarce and critical training needs identified and addressed through WSP	Annual Training Report (ATR) Seta Audit report	80% of Scarce and Critical skills needs (WSP) achieved	90% of Scarce and Critical Skills needs (WSP) achieved	90% of Scarce and Critical skills needs (WSP) achieved
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Strategic Objective	Key Activities	Performance Indicator(s)	Measurement Tools/ Evidence	Targets		
				2016/17	2017/18	2018/19
GOVERNANCE						
Goal: ENSURE COMPLIANT GOVERNANCE PRACTICES COMPLEMENTED BY EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT.						
DEVELOP AND MAINTAIN AN EFFICIENT, EFFECTIVE AND TRANSPARENT SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS	Assess, revise and document internal controls.	Self-assessment to ensure that key internal controls documented in SAP are being performed.	Project sign off documentation	Finalise installation of the SAP GRC module	N/A	N/A
			Control assessment reports	Identification of key controls and related gaps, as per project Qinisa, for: <ul style="list-style-type: none"> - Procurement - financial processes: <ul style="list-style-type: none"> > Accounts Payable. > Accounts Receivable. > Fixed Assets. > Financial Statement Close Process - Revenue - Content Inventory Management 	Identification of key controls and related gaps, as per project Qinisa, for: <ul style="list-style-type: none"> - Technology - Television - Radio 	Identification of key controls and related gaps, as per project Qinisa, for: <ul style="list-style-type: none"> - News - Sport - Digital

			System report	<p>Self-assessment to ensure that key internal controls documented in SAP are being performed for:</p> <ul style="list-style-type: none"> - HR - Procurement 	<p>Self-assessment to ensure that key internal controls documented in SAP are being performed for critical financial processes:</p> <ul style="list-style-type: none"> > Accounts Payable. > Accounts Receivable. > Fixed Assets. > Financial Statement Close Process <ul style="list-style-type: none"> - Revenue - Content Inventory Management 	<p>Self-assessment to ensure that key internal controls documented in SAP are being performed for</p> <ul style="list-style-type: none"> - Technology - Television - Radio
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16. SABC PREDETERMINED OBJECTIVES – FY2016/17 QUARTERLY TARGETS

Strategic Objective	Key Activities	Performance Indicators	FY2016/17 Target	Targets			
				Q1	Q2	Q3	Q4
FINANCIAL SUSTAINABILITY							
Goal: TO BE A FINANCIALLY SUSTAINABLE ORGANISATION							
ENSURE THE SABC IS PROFITABLE	Manage revenue and expenditure in accordance with the approved budget.	Net Profit before Tax	R3.4m	R642 000	R1,2m	R2,8m	R3,4m
ENSURE THE SABC IS ABLE TO MEET ITS FINANCIAL OBLIGATIONS	Manage working capital (i.e. debtors days and creditors days) and manage investments to ensure adequate cash availability at all times.	Maintain a minimum cash and cash equivalents balance of R600m	R900m	R600m	R600m	R600m	R900m

Strategic Objective	Key Activities	Performance Indicators	FY2016/17 Target	Targets			
				Q1	Q2	Q3	Q4
CONTENT AND PLATFORMS							
Goal: TO ACQUIRE AND SCHEDULE COMPELLING AND QUALITY PROGRAMMING, SPANNING A RANGE OF GENRES AND EXCEEDING MANDATE OBJECTIVES ACROSS TRADITIONAL AND EMERGING BROADCAST AND DIGITAL MEDIA PLATFORMS.							
MEET LOCAL CONTENT REQUIREMENT S OF SABC LICENCES	Contributing to nation-building by creating the space for South Africans to reflect the South African experience on SABC television platform.	Meet ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial television channel licence conditions.	SABC 1 70% SABC 2 60% SABC 3 40%	S1 70% S2 60% S3 40%	S1 70% S2 60% S3 40%	S1 70% S2 60% S3 40%	S1 70% S2 60% S3 40%
INCREASE NUMBER OF PROPERTIES THAT WILL ALLOW PEOPLE WITH DISABILITIES (PWD) ACCESS TO PUBLIC BROADCASTING.	Increase number of properties that will allow People With Disabilities (PWD) access to public broadcasting.	Number of properties broadcast with sign language ⁵	3*	2 properties from total annual target of 3	2 properties from total annual target of 3	2 properties from total annual target of 3	2 properties from total annual target of 3
		Number of companies controlled or owned by PWDs from which content was procured.	2	0	0	0	2

⁵ * A total of **three** programmes must incorporate sign language during the year. In any given quarter **two** of those productions must be on-air.

DIVERSIFY CONTENT BY SUPPORTING AND INCLUDING PRODUCTION OF PROVINCIAL CONTENT.	Increase the number of properties & inserts of provincial content.	Number of provincial properties & inserts broadcast ⁶ .	360 inserts 2 properties	90 inserts	90 inserts	90 inserts 1 property	90 inserts 1 property
LAUNCH SABC CHANNELS ON DTT	Television division to deliver an additional channel to the current three licenced terrestrial channels	Additional channels to be carried on the DTT transmitter network	2 new channels (SABC News Encore)	0	1 SABC News	0	1 Encore
DISTRIBUTE SABC CONTENT OVER THE INTERNET	Produce, encode and stream TV programmes and radio stations digitally.	Number of programmes and radio stations distributed over web-based platforms	25 programmes; 19 radio stations	Total of 10 programmes; 19 radio stations	Total of 15 programmes; 19 radio stations	Total of 20 programmes; 19 radio stations	Total of 25 programmes; 19 radio stations
	Integrate social media into programming	Growth of total social media followers	15%	2.50%	5%	10%	15%

⁶ A total of two properties must be sourced from production houses based in non-metropolitan provinces for the year. In any given quarter one of those productions must be on-air

PROVIDE BALANCED, ACCURATE AND RELEVANT COVERAGE OF LOCAL GOVERNMENT ELECTIONS.	Production and coverage of Local and General Elections on all platforms	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	Broadcast local government elections (including pre and post-election programming) as per the elections broadcast plan and regulatory and legislative requirements. (1 April to 31 August 2016)	Broadcast of pre-election programmes as per the elections broadcast plan and regulatory and legislative requirements.	Broadcast local government elections (including pre and post-election programming) as per the elections broadcast plan and regulatory and legislative requirements. (1 April to 31 August 2016).	N/A	N/A
DEVELOP AND IMPLEMENT DIGITAL LIBRARY WORKFLOWS AND INFRASTRUCTURE FOR SABC CONTENT	Determine business requirements, identify and evaluate vendors, procure suppliers, design, build and operationalize technology projects.	Developed and approved technology project plan for digital library.	Review business requirements, issue RFI and RFP.	Review business requirements for digital library	Issue and evaluate RFI for digital library	Issue and evaluate RFP for digital library	Appoint vendors for digital library
REPLACE RADIO STATIONS' PRODUCTION PLAY-OUT SYSTEM	Service provider contract finalisation, Approval of project rollout plan.	Signed contract with service provider and approved project plan	Implement operational and system requirement milestones, User interface between Landmark and production system	Finalise Bill of Materials of equipment and services that needs to be delivered	Start procurement process by placing orders	Start installation of equipment	Continue project implementation as per project milestones
UPGRADE/REPLACE TV FCC (final control centre) PLAY-OUT AUTOMATION	Determine business requirements, identify and evaluate vendors, procure suppliers, design, build and operationalize FCC	Complete user requirement and evaluation of RFI responses. RFP response evaluation and awarding of contract. Approved project plan	RFP award , contract sign off with service provider, approved project plan,	Issue RFP(Request for proposal) and start evaluating responses	Award tender and start contract negotiations	Get contract signed between SABC and Service Provider	Issue order for equipment and start installation of equipment and related automation

							software
UPGRADE PRODUCTION STUDIOS TO DIGITAL	Develop, approve and implement TV production studio digitization plan	Developed and approved plan. Cost gathering via RFI Approved CAPEX budget	Develop upgrade plan and seek CAPEX approval	Develop TV production studio digitization plan	Get approval and sign off from clients and stakeholders. Start RFI process.	Evaluate RFI responses and start Business case for request for CAPEX. Start Capex approval process	Complete Capex approval and prepare for RFP process

Strategic Objective	Key Activities	Performance Indicators	FY2016/17 Target	Targets			
				Q1	Q2	Q3	Q4
HUMAN CAPITAL							
Goal: DEVELOP A DYNAMIC AND MOTIVATED FIT-FOR-PURPOSE WORKFORCE THAT EMBRACES LEARNING AND IS SUFFICIENTLY ADAPTABLE TO MIGRATE INTO THE DIGITAL AGE							
Attracting and Retaining Talent	Determining adequate supply and demand projections for the critical workforce segments and ensures that the corporation has the optimal number of capable people performing the right roles, at the right time and in the right place.	Workforce Plan approved and implemented	Workforce Plan Approved and implemented	Finalisation of Workforce Plan by end June 2016	Approval of Workforce Plan by relevant governance bodies by end September 2016	Implementation of Workforce Plan (50%) by end of quarter	Implementation of Workforce Plan (100%) by end of quarter
Embedding a high performance culture	Institutionalise Performance Management Policy with revised tool including thresholds and stretch targets.	Approved Performance Management implementation plan and performance contracts in place for all staff. Quarterly reviews conducted.	Entrenchment of Performance Management by 31 March 2016. 100% signed off performance contracts for all employees by 30 April 2016. 4 performance conversations per employee by 7 July, 7 October, 7 January & 7 April	Entrenchment of Performance Management in business by 7 April 2016 Change communication by 7 April 2016 First performance conversation conducted (100%) by 7 July 2016	Second performance conversation conducted (100%) by 7 October 2016	Third performance conversation conducted (100%) by 7 January 2017	Final performance conversation conducted (100%) and evaluations conducted by 7 April 2017
Optimise Learning & Development	Develop a Workplace Skills Plan (WSP) and Operational Training Plan that is aligned to	Scarce and critical training needs identified and addressed through	80% of Scarce and Critical skills needs (WSP) achieved	WSP submitted and approved by SETA by end	40% achievement of WSP by end of Q2.	60% achievement of WSP by end of Q3.	80% achievement of WSP and reported by

	the Skills Audit report and digital migration requirements.	WSP		April 2016. 20% achievement of WSP by end of Q1			end of Q4.
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Strategic Objective	Key Activities	Performance Indicators	FY2016/17 Target	Targets			
				Q1	Q2	Q3	Q4
GOVERNANCE							
Goal: ENSURE COMPLIANT GOVERNANCE PRACTICES COMPLEMENTED BY EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT.							
DEVELOP AND MAINTAIN AN EFFICIENT, EFFECTIVE AND TRANSPARENT SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS	Assess, revise and document internal controls.	Self-assessment to ensure that key internal controls documented in SAP are being performed	Finalise installation of the SAP GRC module	Finalise installation of the SAP GRC module	N/A	N/A	N/A
			<ul style="list-style-type: none"> Identification of key controls and related gaps, as per project Qinisa, for: <ul style="list-style-type: none"> - Procurement - financial processes: <ul style="list-style-type: none"> > Accounts Payable. > Accounts Receivable. > Fixed Assets. > Financial Statement Close Process - Revenue - Content Inventory Management 	<ul style="list-style-type: none"> Identification of controls and related gaps for: <ul style="list-style-type: none"> - Procurement 	<ul style="list-style-type: none"> Identification of controls and related gaps for: <ul style="list-style-type: none"> - financial processes: <ul style="list-style-type: none"> > Accounts Payable. > Accounts Receivable. 	<ul style="list-style-type: none"> Identification of controls and related gaps for: <ul style="list-style-type: none"> - financial processes: <ul style="list-style-type: none"> > Fixed Assets. > Financial Statement Close Process 	<ul style="list-style-type: none"> Identification of controls and related gaps for: <ul style="list-style-type: none"> - Revenue - Content Inventory Management
			Self-assessment to ensure that key internal controls documented in SAP are being	N/A	N/A	Self-assessment to establish if the key internal controls documented in	Self-assessment to establish if the key internal controls

			performed for: - HR - Procurement			SAP are being performed for: - HR	documented in SAP are being performed for: - HR - Procurement
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PART C FY2016/17 to FY2018/19 BUDGET

17. INTRODUCTION

17.1 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;
- Assess, monitor, and prioritise liabilities,
- Focus on profitable opportunities, and
- Enable regular reassessment of SABC business practices.

Budget preparation is based on input from all the various Divisions within in the Corporation in order to achieve its strategic objectives.

17.2 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.

Paragraph 29.1.3 of the Treasury Regulations issued in terms of the PFMA requires that the entity submit a three-year borrowing plan with their corporate plan to National Treasury.

17.3 BUDGET ASSUMPTIONS

High level budget assumptions 2016/17

ITEM	FY2016/17
Rand/Dollar Exchange rate	R16.61
Rand/Euro Exchange rate	R18.19
Rand/GBP Exchange rate	R25.75
GDP	+ 1.7%
Prime Interest rate	10.25%
Salary increase	7%
CPI	5.5%

These parameters are based on forecasts from various financial institutions as at December 2015.

Forecasting assumptions for 2017/18 and 2018/19

ITEM	2017/18	2018/19
SA CPIX (Annual %)	5.4%	5.0%
Non-Current Employee Benefits Growth (Annual %)	15.0%	15.0%
R/US\$ Exchange Rate	16.35	16.52
Advertising Revenue Growth (Annual %)	10.3%	10.6%
Sponsorship Revenue Growth (Annual %)	5.4%	5.0%
Trade Exchanges Growth (annual %)	3.0%	3.0%
TV Licence Revenue Growth (Annual %)	5.4%	5.0%
Other Commercial Revenue Growth (Annual %)	5.4%	5.0%
Labour Cost Growth (Annual %)	7.4%	7.0%
Head Count Growth Rate (Annual %)	0.0%	0.0%
Programme Cost Growth (Annual %)	10.3%	10.6%
Sports Rights Cost Growth (%)	10.3%	10.6%
Broadcast Growth (Annual %)	3.0%	3.0%
Signal Distribution Cost Growth (Annual %)	6.0%	6.0%
Marketing Cost Growth (Annual %)	5.4%	5.3%
Licence Collection Costs Ratio (%)	17.0%	17.0%
Other Overheads Cost Growth (Annual %)	5.4%	5.3%
Advertising & Sponsorship Collection Cost Ratio (%)	13.0%	13.0%

Interest Rate on Deposits (Annual %)	7.5%	7.5%
Prime Interest Rate (Annual %)	10.5%	10.5%
Interest Rate on Loans (Annual %)	11.5%	11.5%
JIBAR + 1.8% (Annual %)	12.5%	12.5%
Tax Rate	28.0%	28.0%

The assumptions above have been applied on the 2017 budget figures and are based on current and forecast macroeconomic indicators and past trends (e.g. Labour cost growth).

17.4 BUDGET RISKS

The following are the major risks to the budget for 2017:

RISK	MITIGATION
Possible alcohol and food ban that may be enacted in the 2017 financial year could severely hamper advertising revenue.	Engage with Stakeholders to fund shortfall.
Sports rights continue to increase above inflation leading to increased risks of funding.	Negotiate longer term contracts (e.g. 3 year contracts) earlier and agree on extended payment terms over the life of those contracts.
Fluctuating exchange rates that lead to increased costs of sports rights and foreign programming.	Hedge the rand at the upper limit of 75% in terms of the company policy.
The software licence audit that was conducted by KPMG may lead to a substantial claim estimated at about R173m.	Litigation.
Employee cost increases which exceed inflation and the revenue growth potential of the SABC.	Implement headcount strategy and negotiations through multiple year agreements linked to inflation.
Television licence revenue potential declining due to the constrained economic climate.	Initiate stakeholder discussions, including government, on moratorium and annual increases.
Declining revenue growth potential in the Television advertising industry.	Maximise efficiencies within the SABC.
Any unexpected losses in the legal matters under litigation.	Litigation.

The following items have not been included in the budget for 2016/17:

- The budget does not include the potential software licence costs estimated at R173m;
- Potential Revenue losses on the expected alcohol and food ban;

- Foreign exchange gains and losses;
- Launching of the SABC Sports Channel;

17.5 PROFIT AND LOSS BUDGET

INCOME STATEMENT

	2016/17	2017/18	2018/19
	R'000	R'000	R'000
Revenue			
Advertising Revenue	(6 653 465)	(7 338 772)	(8 116 682)
Sponsorship Revenue	(636 088)	(670 437)	(703 959)
Trade Exchange Revenue	(204 485)	(210 620)	(216 939)
TV License Fees	(1 147 000)	(1 208 938)	(1 269 385)
Government Grants	(233 045)	(245 629)	(257 910)
Other Revenue	(191 169)	(201 492)	(211 567)
Content & Commercial Exploitation	(121 664)	(128 234)	(134 646)
Other Income	(36 325)	(38 287)	(40 201)
Revenue & Other Income	(9 223 241)	(10 042 409)	(10 951 289)
Operating Expenditure			
Direct Revenue Collection Costs	1 262 321	1 383 245	1 518 913
Broadcast Costs	840 685	865 906	891 883
Signal Distribution & Linking Costs	690 734	732 178	776 109
Marketing Costs	189 100	199 311	209 874
Remuneration	3 030 478	3 254 733	3 482 564
Professional & Consulting Fees	113 534	119 665	125 648
Other Expenses - Personnel Cost	136 772	146 893	157 176
Other Expenses - Operational	699 600	737 378	776 459
Other Expenses - Administrative	85 029	89 621	94 371
Amortisation of Programme, and Film Rights	1 422 574	1 569 099	1 735 423
Amortisation of Sports Rights	499 284	550 710	609 085
Other Profits/(Loss)	65	-	-
Total Operating Expenditure	8 970 176	9 648 739	10 377 505
EBITDA	(253 065)	(393 670)	(573 784)
Amortisation of Computer Software	52 565	54 736	49 491
Depreciation of PPE	237 473	247 279	223 582
EBIT	36 973	(91 655)	(300 711)
Net Financing Cost/(Income)	(40 394)	(72 533)	(48 750)
Profit Before Tax	(3 421)	(164 188)	(349 461)
Income Tax Expense	-	-	-
Profit After Tax	(3 421)	(164 188)	(349 461)

17.6 FY2016/17 BUDGET KEY POINTS

The SABC is budgeting for a R253m profit before interest, tax, depreciation and amortisation (EBITDA) and a net profit of R3.4m for the 2016/17 financial period. The key issues on the 2016/17 budget are as follows:

- **Commercial revenues-** SABC remains committed to providing its clients with unparalleled reach, a unique audience mix, cost-effective media platforms, unmatched value proposition through strong brands and sought after on-air personalities. Commercial revenues do, however, remain hampered by a number of factors within the industry, including but not limited to: changing or uncertain technological and regulatory environment, increased competition through the arrival of free-to-air DTH platforms and a constrained macro-economic outlook resulting in a reduction of advertising spend.
- **TV licence revenues** have been budgeted at R1.147 billion for 2016/17 budget as planned initiatives are currently underway to meet these targets. This is despite the poor economic outlook, an ageing debtors' book and a lack of tariff increase. There remain internal efficiencies which can be unlocked and yield higher revenues.
- **Programme, film and sports rights** have received budget increases to support the initiatives to improve audiences to ensure delivery of quality content.
- **Broadcast costs** include various initiatives to increase the programme quality and content within radio. It also includes the costs for the Encore channel which was launched on DSTV in the 2015/16 financial year.
- **Other expenses operational** are budgeted at R700m. The main cost drivers are the maintenance costs that are required in line with the ageing building infrastructure at the SABC. Other significant cost drivers are the energy costs, software maintenance and upgrade contracts, and the internet costs.
- **Professional and consulting fees** include audit fees, legal fees (mostly for litigation) and various other initiatives including finance support for dealing with audit findings. These initiatives are outsourced where there are no resources or available skills internally.

FY2017/18 and 2018/19 forecasts

The forecasts for 2017/18 and 2018/19 have been made on the budget assumptions above. Although Revenue will continue to grow at a moderate rate for the next 3 years, the SABC will need to concentrate more on containing costs and ensuring that the budget continues to be in line with cost containment measures.

17.7 REVENUE

Commercial revenue is generated through the exploitation of advertising space across SABC television, radio and website platforms in the form of classic advertising, programme and sports sponsorships. There are also smaller revenue streams from other sources, including content-related sources.

Commercial revenue is the primary enabler of the SABC. Commercial revenue budgets are prepared on the basis of actual audience and revenue performances, competitor performances, the state of the marketing and advertising industry, and the projected outlook for media advertising and the South African economy for the upcoming fiscal.

Classic Advertising - Television

The following factors were incorporated as important matters in the FY2016/17 budget finalisation:

- The total entertainment and media ad spend in South Africa is forecast at 5.5% growth according to the PWC's 2015 -2019 Entertainment and Media Outlook. SABC has budgeted 12.6% growth in television advertising revenue at R4.524 billion with projections at R4.151 billion for the 2015/16 financial year.
- Further market constraint with the 2016 GDP forecast being reduced by the Reserve Bank to 1.7%, and household consumption expenditure at 2.3%.
- The budget is prepared on the assumption that schedule stability will be 95% during prime time.

Advertising - Radio

In calculating the radio revenue budget for F2016/17 it was assumed that radio audiences would remain stable throughout 2016/17 fiscal year. The radio gross classic advertising revenue is budgeted at R2.048 billion. This represents a year on year growth of 3.5% from the previously budgeted R1.978 billion and R1.836 billion projected for the 2016 financial year end.

Television Licences

Revenue from TV licence fees has been budgeted at R1.147 billion for the 2016/17 financial year, reflecting an increase of 10.2% from a prior year budget of R1.040 billion. The TV Licence revenues have come under strain in the 2015/16 financial period with projections at R960m, far lower than the budget at the end of the 2015/16 financial period. The decline in the revenue is attributable to the decline in economic activities compounded by a reduction in the household disposable income.

South Africa has one of the lowest TV licence fees in the world and has seen a number of challenging factors; including government austerity measures, ageing debtors' book and a poor economic outlook, that have led to unattainable budget targets.

Further initiatives to improve collections and cost efficiencies will be explored robustly and implemented in the 2016/17 financial period.

Government grants

Government grant revenues are based on the amounts approved by the National Treasury in the MTEF process.

Other income and revenues

Other income and revenues comprises of revenue from the DSTV contract (Encore channel and News channel), commercial exploitation, digital media income, OB services and rental income.

17.8 EXPENDITURE

Acquisitions of programme and film rights

The crucial aspect of the television business unit is to align all four television channels to the overall strategy, which is to increase audience share and to deliver on its mandate. The audience needs and viewing patterns are rapidly changing and investment into audience research is needed to ensure that these needs are understood and the right content is produced in line with viewers' expectation and needs.

The budget request is essential to fund new channel schedules, removal of repeats during prime time, increasing the number of local content and build up the structure in the core business areas. Minimal investment is also required in the support units to ensure that the business processes are efficient and effective.

The TV Channels requested a budget increase of 14% (R176m) on programme cost compared to the 2015/16 forecast of R1.246 billion. The 14% increase is in line with the Channels' strategy of reducing repeats during prime time by 17%, introducing new titles to the channel schedules and increasing local content on the network.

Acquisitions of sport rights and productions

As part of its public service mandate the SABC must include sport 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 Sport Broadcasting Services Regulations published in the Government Gazette of 7 April 2010. These events are of national interest (popularity) and enjoy widespread public recognition (participation), with a particular focus on culture, nation building, the African agenda and restoring of human dignity.

The following are the criteria which are used to determine the national sporting events that are of public interest:

- (a) a confederation sporting event involving a national team or an individual;
- (b) a semi-final and final of a national knockout competition;
- (c) an opening game, semi-final and final of a confederation sporting event;

- (d) any new sporting event that falls within the criteria mentioned above shall be considered for listing.

Funding of these events still remains a challenge for the SABC with cash flow being constrained by the high increases in the cost of sports rights, coupled by a volatile exchange rate. Initiatives to obtain additional funds will continue to be pursued.

The SABC remains under pressure from Government and the public to broadcast all of these events and the cash flow model for 2016/17 and future years includes the cost of all mandated events.

The budget for Sports of mandated events is R499m and for non-mandated events is R68m.

Broadcast costs

Radio is planning on increasing the drama content and to also increase the sound quality of the stations, which includes jingles, imaging and international airliners that are in line with the strategy of providing compelling content to drive audiences. SAMRO, music royalty fees and MIT advertising levies are included as well, calculated as stipulated in terms of contracts which are driven by revenue.

Included within broadcast costs for television are a number of expenses, namely: royalty fees, repeat fees, production expenses, and audience research expenditure. With the launch of the Encore channel on DSTV in the current financial year, the royalty fees and in-house production costs have increased.

Signal distribution and linking costs

With the increase in number of radio licenses that ICASA has issued, SABC saw an opportunity to increase the number of transmitters in places and to expand to areas where the SABC could not reach before. For the next financial year ICASA has approved 12 new transmitters for SABC which will cost around R20m.

The SABC is in the process of replacing the Wide Area Network (WAN), moving from the redundant Telkom ATM infrastructure to Metro Ethernet. At the same time bandwidth is being increased from 12Mbps to 100Mbps. The WAN provides for news contributions from provinces and provides business functions linking all SABC locations with services such as email, SAP and Landmark. It is estimated that the new WAN will be implemented by 1st of April 2016. A budget of R25m has been proposed for the Metro Ethernet.

Sentech fees have been budgeted at an increase of 6.5%.

Employee compensation and benefit expenses

A 7% increase has been included for permanent staff, board fees, freelancers and various temporary staff requirements. All new vacancies will be approved by a committee set up by the Executive Committee. An allowance of R25m has been

budgeted for vacancies. R34m has also been included as salary benchmarking for certain salary scales.

Depreciation of Property, Plant and Equipment

The depreciation budget for existing assets was simulated on SAP. Additional budget provision has been made for new capital investments.

Marketing

Due to the weakened revenue growth forecast for the 2016/17 financial period, marketing cost has been budgeted at R189m.

Direct Revenue collection costs

Direct revenue collection costs are linked to the commercial and TV licence revenue streams. The collection ratio for TV licences is currently maintained at 17%. Commercial revenue collection costs have also been maintained at their respective ratios.

Professional and consulting fees

Professional and consulting fees include a number of outsourced projects to help the SABC resolve some of its challenges where the skill and resources are not available within the organisation. Professional and consulting fees are also made up of audit fees, legal costs and other professional consulting fees.

Other expenses

Included in other expenses is a budget for maintenance and repairs of R59m (2015/16: R36 million) to fast track the maintenance of the ageing Auckland Park building and the implementation of new energy saving initiatives; R11m for new software contracts relating to Capital Expenditure projects that have been implemented, namely: TS Broadcast software support, DTT head-end support and maintenance, and broadcast automation replacement. In addition the AVID ISIS support contract has increased from 2015/16 due to increased capacity to cover SABC Encore and two additional mix suites.

R20m has also been budgeted for internet services. This is an increase of 25% from the previous year.

17.9 FINANCE COSTS

Interest income is calculated on expected cash flow balances. Foreign exchange gains/losses have however not been budgeted for. The SABC is exposed to a foreign exchange risk through its acquisition of programme, film and sports rights; and property, plant and equipment. The current hedging policy permits for the

SABC to hedge between 35% and 75% of its firm commitments at the discretion of the internal treasury and finance team.

Current commitments in programme, film and sports rights for the 2017 financial period amount to \$32 million. Current commitments for acquisition in technology for the 2017 amount to \$512 000, €183 000 and £539 160. Every 1% movement in the exchange rates will have a R5.5m impact on profitability for the SABC.

17.10 TAXATION

Income tax has not been budgeted for since the SABC is currently in an assessed loss situation and is not expecting taxable income in 2017.

17.11 CASH FLOW STATEMENT

	2016/17	2017/18	2018/19
	R'000	R'000	R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	(9 118 317)	(9 921 811)	(10 815 902)
Cash Paid to Suppliers and Employees	8 970 176	9 648 739	10 377 505
Net Interest Paid/(Received)	(40 394)	(72 533)	(48 750)
Income Taxes Paid (Refunded)	-	-	-
Net Cash (Inflow)/Outflow from Operating Activities	(188 535)	(345 605)	(487 147)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	432 155	450 000	406 876
Proceeds on Disposal of Fixed Assets	(8 541)	-	-
(Increase) / Decrease in Other Assets	-	-	-
(Increase) / Decrease in the LT Loan Receivable	-	-	-
Net Cash Flow from Investing Activities	423 614	450 000	406 876
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase) / Decrease in LT Borrowings	-	-	-
(Increase) / Decrease in Other LT Liabilities	(32 155)	(20 000)	(20 000)
Proceeds from Government Grant	(50 000)	(80 000)	(36 876)
Net Cash Flow from Financing Activities	(82 155)	(100 000)	(56 876)
Net Decrease (Increase) in Cash and Cash Equivalents	152 924	4 395	(137 147)
Cash and Cash Equivalents - beginning of year	(1 052 956)	(900 032)	(895 637)
Cash and Cash Equivalents - end of year	(900 032)	(895 637)	(1 032 784)

The three year forecast above is based on the budget assumptions above and indicates the following:

- Cash resources will decrease by R152m in 2016/17;
- It will increase by R4.3m in 2017/18 and increase again in 2018/19 by R137m. The entity will not need borrowing facilities to fund operations in the forecast periods.

17.12 FINANCIAL POSITION BUDGET

	2017	2018	2019
	R'000	R'000	R'000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	1 582 566	1 785 287	1 968 581
Computer Software	220 990	171 499	122 008
Investment Properties	8 692	8 475	8 258
Available for Sale Financial Assets	13 833	15 327	16 860
Prepayments	158 737	175 087	193 646
Non-Current Assets	1 984 818	2 155 675	2 309 353
Current Assets			
Programme, Film & Sports Rights	777 410	857 483	948 376
Inventories	8 764	9 237	9 699
Trade and Other Receivables	1 360 318	1 491 834	1 639 613
Current Prepayments	116 612	128 623	142 257
Cash and Cash Equivalents	900 032	895 637	1 032 784
Current Assets	3 163 136	3 382 814	3 772 729
ASSETS	5 147 954	5 538 489	6 082 082
EQUITY AND LIABILITIES			
Equity			
Share Capital	1	1	1
Fair Value Adjustment Reserve	11 805	13 299	14 832
Retained Earnings	2 001 331	2 051 075	2 387 540
EQUITY	2 013 137	2 064 375	2 402 373
Non-Current Liabilities			
Perpetual Debt Instrument	27 390	27 390	27 390
Non-current Interest Bearing Loans and Borrowings	32 155	52 155	72 155
Non-Current Derivative Financial Instruments	-	-	-
Non-Current Deferred Government Grant	157 031	118 663	48 514
Defined benefit liability	413 460	695 825	774 939
Non-Current Employee Benefits	1 219 909	1 301 310	1 392 402
Other Non-Current Liabilities	-	-	-
Excess Long-Term Debt (*HSF)	-	-	-
Non-Current Liabilities	1 849 945	2 195 343	2 315 400
Current Liabilities			
Trade and Other Payables	737 275	793 047	852 946
Current Employee Benefits	187 931	201 838	215 967
Deferred Income	105 992	116 910	129 302
Current Interest Bearing Loans and Borrowings	-	-	-
Current Deferred Government Grant	113 674	118 368	107 025
Provisions	140 000	48 608	59 069
Current Liabilities	1 284 872	1 278 771	1 364 309
LIABILITIES	3 134 817	3 474 114	3 679 709
TOTAL EQUITY & LIABILITIES	5 147 954	5 538 489	6 082 082

17.13 CAPITAL EXPENDITURE PROGRAMME

Capital Expenditure (Capex) is based on the long term Capex plan. Cash investments of R350m from internal funds were allowed for in the budget. This should be seen against the failure of recent years to invest more than R250m a year in new Capex projects. In addition to internal funding, Government funding is available for digital migration projects, and the company has access to asset based financing facilities with its bankers.

Below is the budgeted and projected cost of the various segments in the Technology Division:

LONG TERM CAPEX PLAN	2016/17	2017/18	2018/19
	R000's	R000's	R000's
TVOB	119 191	50 600	148 526
HENLEY	175 605	336 153	177 509
RBF	49 088	64 864	88 450
IT	91 688	171 280	95 564
LOGISTICAL SERVICES	98 729	189 561	124 485
CORPORATE AFFAIRS - PROVINCES	208 094	230 880	283 042
NEWS	-	21 400	-
OTHER DIVISIONS	31 361	23,896	10 000
MINOR CAPITAL	26 900	28 510	30 210
TOTAL	800 656	1 117 144	957 786
CAPITAL WORK IN PROGRESS	584 574	238 490	153 203

Below is the proposed funding plan for the above projects:

LONG TERM CAPEX PLAN	2016/17	2017/18	2018/19
	R000's	R000's	R000's
FUNDING			
GOVERNMENT FUNDING FOR RS88 (SAN)	50 000	80 000	36 876
ASSET BASED FINANCE	32 155	20 000	20 000
INTERNAL FUNDING	350 000	350 000	350 000
	432 155	450 000	406 876
(Shortage)/surplus in funding	(368 501)	(667 144)	(550 910)

The table above points to the shortfalls in Capex funding and this will result in cash flow pressures when trying to clear the backlog of projects in the long-term Capex replacement and upgrade plan.

The finalisation of the procurement process needs to be carefully managed in order to avoid a situation where there are a large number of projects that need to be paid off in one financial year. Currently there is a large value of internally funded Capex projects that are in the procurement/contract pipeline and a backlog in projects may also create a “bubble” in terms of projects still to be approved.

The budget request for Henley TV Facilities includes provision of R177m for the digital library project, the bulk of which is projected for expenditure in 2017/18. Expenditure for Information Technology in 2017/18 reflects an increase due to the impact of the Storage Area Network project which is projected to commence during 2016/17 with the bulk of expenditure flowing in 2017/18. Logistical Services and Corporate Affairs (Provinces) carry the buildings, mechanical and electrical plant for Auckland Park and all the Provincial locations, all of which require significant investment as a result of underspends on capex in the past. Facilities for News are mostly provided for by TV Outside Broadcast, Henley TV Facilities and Radio Broadcast Facilities.

17.14 PROGRAMME, FILM AND SPORTS RIGHTS

Refer above for narrative on acquisitions of programme, film and sports rights.

17.15 WORKING CAPITAL

The budget reflects a debtor's days target of 65 days in 2017 and 2018. The budget reflects a creditor's days target of 30 days over the three fiscal periods. This is not ideal and the business should move towards collecting debt more efficiently in order to maximise cash flows.

17.16 RESTRICTED CASH

Government grants received for SABC's digital migration capital expenditure projects are placed in a separate bank account and are ring-fenced for that purpose. It is expected that the projects will continue beyond the FY2016/17 financial period. The funding plan for long- term Capex indicates these amounts for 2017/18 and 2018/19.

17.17 PROVISIONS

The SABC is involved in various legal matters and litigation and which may result in large financial losses if unexpected results occur. Provisions have been raised and are estimated in instances where losses are probable.

17.18 THREE YEAR BORROWING PLAN

The SABC has facilities for capital expenditure but has actively reduced the facilities for short term cash shortages (overnight accounts) due to the cash surpluses which were in the bank in the past two to three fiscal periods as these had a significant cost attached to them. The existing facilities include asset based finance (see above narrative on Property, Plant and Equipment).

17.19 DIVIDEND

The SABC has not budgeted for any dividend pay-outs as any and all profits are reinvested into funding its programming and technological infrastructure.

SABC RISK MANAGEMENT FRAMEWORK

09 September 2013

POLICY/Framework NO:	GR/004/11
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TITLE:	SABC RISK MANAGEMENT FRAMEWORK
CUSTODIAN AREA:	Risk and Governance
PREPARED BY:	Risk and Governance
DATE APPROVED:	
EFFECTIVE DATE:	01 October 2013
APPROVED BY:	SABC Board
CHAIRPERSON'S SIGNATURE	
REVISION:	April 2014

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1. INTRODUCTION

The South African Broadcasting Corporation Limited (SABC) is committed to the optimal management of risk in order to achieve its vision, strategy and key objectives and to protect its core values. The SABC Board is committed to ensuring that risk is managed effectively through an on-going process for identifying, evaluating and managing significant risks and opportunities to meet the business objectives. To assist with this requirement, this SABC Enterprise Risk Management Policy, Framework and Strategy are aligned to the principles of the King III Report on Corporate Governance of 2009, ISO31000 (2009), the Australian /New Zealand 4360: 1999 Risk Management and the Public Sector Risk Management Framework as published by National Treasury in 2008; and detail the minimum requirements applicable to all SABC personnel for the identification, evaluation and management of the risks and opportunities that they face

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

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

An enterprise wide approach to risk management (ERM) is adopted by SABC, which means that every key risk across the organisation as a whole is included in a structured and systematic process of risk management. All key risks are managed within a unitary framework that is aligned to SABC's corporate governance responsibilities.

The risk management processes need to be embedded in the organisation's systems and processes, to ensure that the SABC responses to risk remain current and dynamic. All key risks associated with major changes and significant actions by the SABC form part of the processes of risk management.

The Risk Management Policy provides guidance on SABC's philosophy and approach to the identification, management and monitoring of risk. It provides a sound basis for strategic planning, helps to minimise costly surprises, leads to better outcomes in terms of efficiency and effectiveness, and supports management decision making on a daily basis.

2. PURPOSE

The Risk Management Framework is a high level view of the SABC's risk management process and procedures to assist in implementing and embedding the risk management discipline in the organisation. The purpose of this framework is to describe the SABC's risk management philosophy, approach, process, reporting and guide the implementation of the risk management process in a uniform manner across the SABC.

3. BACKGROUND

The SABC acknowledges the importance of embedding risk management and corporate governance principles in the organisation. Risk is an intrinsic part of all activities undertaken by the SABC. The organisation is exposed to certain peculiar risks that are influenced by its specific choices and actions. Furthermore, it also has to comply with a legislative mandate.

This framework was derived from, Section 51(1)(a)(i) of the Public Finance Management Act 2001 as amended by Act 29 of 1999 and read with Treasury Regulation 27.2.1, it prescribes that the accounting officer must ensure that the institution has, and maintains effective, efficient and transparent systems of financial and risk management. This framework was further derived from best practices, both locally and internationally.

The King report on Corporate Governance for South Africa 2002 (King II), while not being legislation, enjoys quasi-legal status and its recommendations have been accepted as best practice by the National Treasurer thus King II report dealing with Risk Management report has been included in this Framework.

The risk management framework ensures that key risks are identified, assessed and managed. Risk management is a central part of strategy development, implementation and management. Risk management should increase the probability of success, and reduce both the failure potential and the uncertainty associated with achieving the SABC's overall objectives.

The enterprise risk management framework (as depicted below) is driven by a risk management culture and awareness that needs to permeate throughout the SABC. The management of risks is the responsibility of management and risk owners use this framework to assist in identifying, responding to, measuring, managing, monitoring and reporting on risk.

Risk Management Framework



The objectives of ERM are to assist in the achievement of a sustainable organisation through rigorous, organisation wide risk management system that is fully aligned to organisational values, strategic objectives, business initiatives and processes.

4. THE CONCEPT OF RISK AND RISK MANAGEMENT

Risk is an uncertain future event that could influence the achievement of the SABC's strategic and business objectives.

Risk Management is a continuous, proactive and systematic process, affected by the SABC's accounting authority (the Board), accounting officer (Group Chief Executive Officer), management, and other personnel. It is designed to identify potential events that may positively or negatively affect the achievement of the SABC's strategic and business objectives, to manage risks within the SABC's risk tolerance, and to provide reasonable assurance regarding the achievement of objectives.

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

5. COMMON RISK MANAGEMENT DEFINITIONS

A common risk management language facilitates the building and standardisation of an effective SABC risk culture and the creation of risk awareness. Common risk management definitions are included as *Annexure A*.

6. RISK MANAGEMENT POLICY

See Risk Management Policy

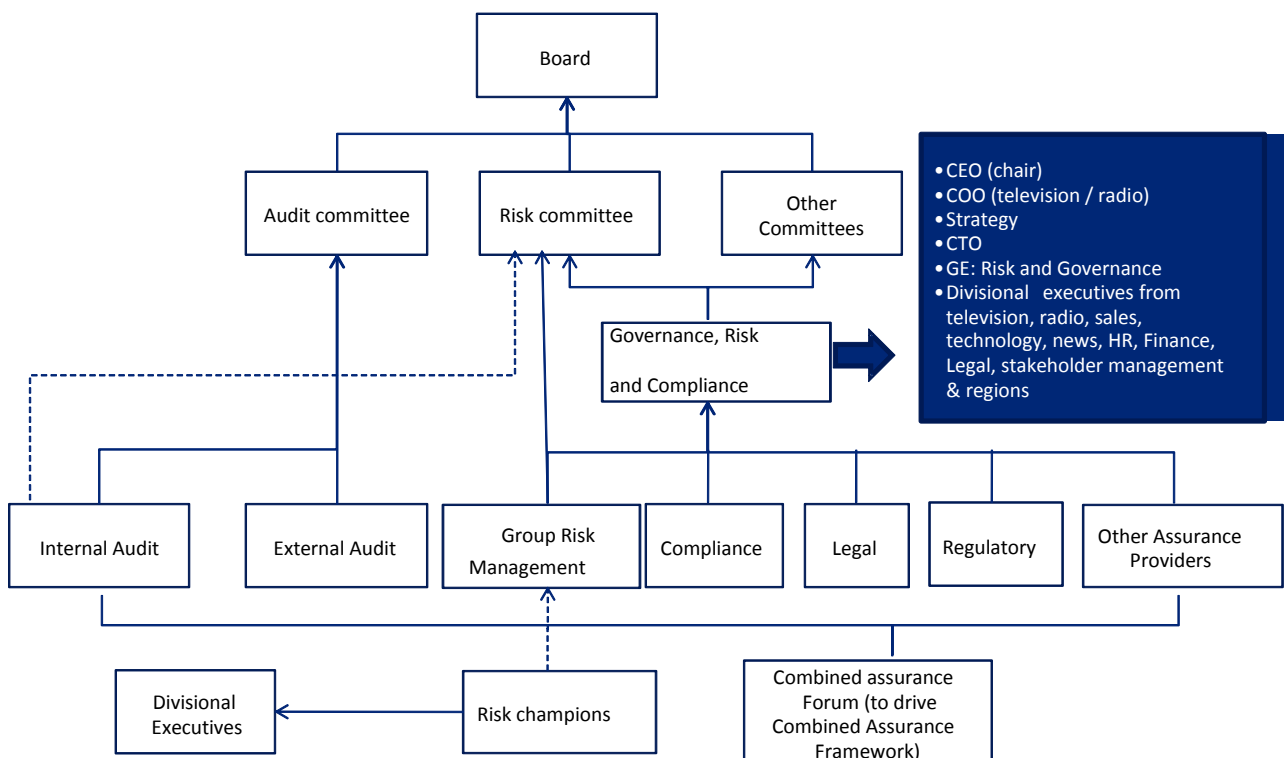
7. ROLES AND RESPONSIBILITIES

ERM is most effective when performance expectations are clearly defined, communicated and integrated into performance agreements (scorecards). To ensure that accountability and responsibility is built into the ERM framework; it is important that all SABC personnel understand their roles and responsibilities towards risk management.

The Risk Management Framework automatically allows accountability and responsibility to implement risk management.

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

The diagram below documents the roles and responsibility structure for risk management within the SABC. The risk management function is a distinct function that is set up independent of Internal Audit and the GE: Governance, Risk and Compliance (GRC) reports functionally to the Risk Committee with an administrative reporting line to the Group Chief Executive Officer (GCEO).



7.1 THE RESPONSIBILITIES FOR ERM ARE DEFINED BELOW:

7.1.1 The Executive Authority

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

7.1.2 The Board

The Board is ultimately responsible for the governance and oversight of risk management activities within the SABC. The Board approves the risk management policy, framework, strategy and provides leadership and guidance for implementation. The Board is accountable to the Executive Authority to form an assurance on the effectiveness of the risk management process.

7.1.2.1 Specific Responsibilities Include:

- i. Accountability for the risk management policy and framework and management of corporation strategic risks;
- ii. Ensuring that an adequate and effective risk management system is in place, which includes a fraud risk management strategy and business continuity plans;
- iii. Deciding on the SABC's risk appetite and levels of risk tolerance;
- iv. Approving the risk framework and strategy in liaison with the Board Risk Committee, Group Chief Executive Officer (GCEO) and executive management;
- v. Promote risk management culture and reinforcing the commitment to sound risk management policies, practices, standards, models and techniques;
- vi. Ensuring that risk management is part of the business strategy and planning process;
- vii. Ensuring that risk assessments are performed on a continual basis to identify key and emerging risks to the SABC and a formal, systematic risk assessment is documented at least once a year;
- viii. Establishing a Board Risk Committee and the development and approval of the Committee's terms of reference and responsibilities related to risk management;
- ix. Ensuring that all Board Committees are accountable for the oversight of risks in their area of responsibility;
- x. Demonstrating that the Board has dealt comprehensively with the issues of risk management and control;
- xi. Be appraised of the most significant risks and whether management is responding appropriately; and
- xii. Approving the risk management disclosures in the annual report.

7.1.3 The Board Risk Committee

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

- i. Forming an opinion on the effectiveness of the risk management process;
- ii. Overseeing the development of a risk management strategy to enable the SABC to mitigate its key risks;
- iii. Assisting the Board to regularly evaluate the status of key risks facing the SABC;

- iv. Assisting in determination of the SABC's risk appetite and ensuring that an appropriate risk management framework and strategy are prepared and presented to the Board for approval;
- v. Reviewing the effectiveness of the SABC's system of internal control (documented in Risk and Control Matrices) to mitigate risk, in conjunction with the Audit Committee;
- vi. Immediately conveying any concern or issues of significance to the Board which in the view of the Committee may impact negatively on the SABC, and provide guidance to the Board on how the issue must be dealt with; and
- vii. Reviewing and approving the directors' statements on risk management and internal control in the Annual Report before presenting to the Board for final approval.

7.1.4 Other Board Committees

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

7.1.5 The Group Chief Executive Officer (GCEO)

THE GCEO is responsible for:

- i. Designing, implementing and monitoring the risk management framework and strategy, and ensuring that it is integrated into the day-to-day activities of the SABC;
- ii. Ensuring that the SABC management has identified and considered how it will respond to the identified key risks and implemented appropriate risk mitigation actions;
- iii. Implementing a process to monitor the key risks and the risk management process; and
- iv. Ensuring that reliable risk reporting to the Board takes place on a regular basis.

Although the GCEO has appointed a Group Executive: Risk and Governance (GE: RISK and Governance), the accountability to the Board remains with the GCEO.

7.1.6 The Executive Committee (EXCO)

The Exco is responsible for establishing a process of risk monitoring that may impact achievement of strategic objectives. The Exco must oversee the implementation of ERM in the SABC and set the tone for the risk culture in the SABC. They must report all significant risk events or exposures to the Board through the Audit or Risk Committees on a timely basis.

7.1.7 Executive Management

The Group Executives owns the risks and therefore takes accountability for the management of the SABC's risks. The GCEO is accountable to the Board for the identification of strategic risks, managing, implementing and monitoring the process of risk management. The GCEO is also responsible for the embedment of risk management into day-to-day activities of SABC to enhance the achievement of objectives. The GCEO is responsible to provide the Board with a balanced assessment of the strategic risks facing the SABC and the status of the actions put in place to mitigate these risks.

7.1.8 THE GROUP EXECUTIVE: Risk and Governance

The Group Executive: Risk and Governance is responsible for facilitating the risk management process and ensuring that the risk management framework is implemented throughout the organisation. The GE: Risk and Governance is the custodian of the ERM framework, Risk Policy, Fraud and Corruption and Whistle Blowing Policy.

7.1.9 Divisional Operational Committees

The Divisional Operational Committee as part of the operational mandate are specifically responsible for risk management as follows:

- i. Ensure the implementation of risk management structures and processes in line with the SABC ERM Framework, and ensure optimal effectiveness of the ERM process in the Division;
- ii. Monitor the status of key risks in the division and the risk process at strategic, management and operational level in the business;
- iii. Promote a process of ERM and internal control in the Division that results in more robust business operations;
- iv. Ensure that all elements of the ERM process are diligently adhered to at an operational level;
- v. Identify, evaluate and review Divisional business risks, assessing their impact and likelihood, assign risk owners and define mitigating actions to address the risks;
- vi. Update and analyse individual business unit risk registers and report on these to Divisional Risk Committee and the Governance, Risk and Compliance Committee; and
- vii. Report any significant/material risks that could have a direct or indirect impact on the strategy of the Group/Business Unit to the Exco.

7.1.10 Operational Risk Management Committee

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

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

7.1.11 The Risk Champion

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

- i. Integrating risk management into the day-to-day activities of the Division;

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

The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.

7.1.12 SABC Employees

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

7.1.13 Internal Audit

Internal audit plays a key role in the evaluation, monitoring and providing assurance on the process of ERM as per the International Standards for the Professional Practice of Internal Auditing as published by the Institute for Internal Auditors (IIA). The risk management and internal audit processes should be aligned for purposes of ensuring that:

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

8. RISK CATEGORISATION

The objective of the development of a risk categorisation and language for the SABC is to ensure the consistent definition of risks identified within clearly defined risk classes. The risk categorisation forms an integral part of the Enterprise Risk Management framework of SABC, which has the overall objective of ensuring the appropriate management of all risks faced by SABC, through appropriate risk management processes and tools. The Risk categories provide a primary and standardised classification system for the sorting, reporting and management of risks and are used for reporting purposes.

The overall risk categories are Strategic, Operational, Financial and Project. These are further defined and sub-divided below.

8.1 Strategic Risks

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

8.1.1 Corporate Governance

Risks relating to ethical conduct in connection with bribery, illegal payments, discrimination, pollution etc that could result in penalties, reputational impact or changed stakeholder risks.

8.1.2 Sustainability

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

8.1.3 Stakeholder

Risk that can impact stakeholder relations and communication and not meeting stakeholder expectations. These could result in damage to the SABC's reputation if not managed properly.

8.1.4 Clients

Risks to our ability to meet the changing needs of our clients on a sustainable basis.

8.1.5 Product Technology and Innovation Risk

Risk relating to outdated technology, products and lack of ongoing innovation.

8.1.6 Communication

Risks that could result from not communication to the right people at the right time.

8.2 Operational Risks

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

8.2.1 Supply Chain Risk

Risk of inadequate selection or engagement process for suppliers, defaulting reinsurers or their suboptimal performance. This could also include fraud and collusion risks.

8.2.2 Compliance Risk

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

8.2.3 Information Technology

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

8.2.4 Legal Risk

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

8.2.5 Human Resource Risk

The risks arising from inadequate human resource practise, policies and processes which lead to the inability and failure to attract, recruit, develop and retain competent resources/staff who perform as per expectations to achieve the company's objectives.

8.2.6 External

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

8.3 Financial Risks

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

8.3.1 Market/Investment Risk

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

8.3.2 Currency Risk

The risk of adverse financial impact due to unexpected movements in the exchange rate.

8.3.3 Equity Risk

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

8.3.4 Interest Rate Risk

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

8.3.5 Insurance Risk

The risk of financial loss as a result of inadequate insurance of assets and other insurance risks.

8.3.6 Credit/Counterparty Risk

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

8.3.7 Liquidity Risk

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

8.3.8 Commodity Price Risk

Risks referring to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities.

8.4 Project Risks

Project risks are those risks that can influence and prevent the achievement of project goals and objectives.

9. RISK STRATEGY

The risk strategy defines how the enterprise risk management process will be implemented in the SABC. A brief summary of the risk management process has been outlined below. A procedure manual will be developed to assist in ensuring the successful implementation of the ERM strategy and process:

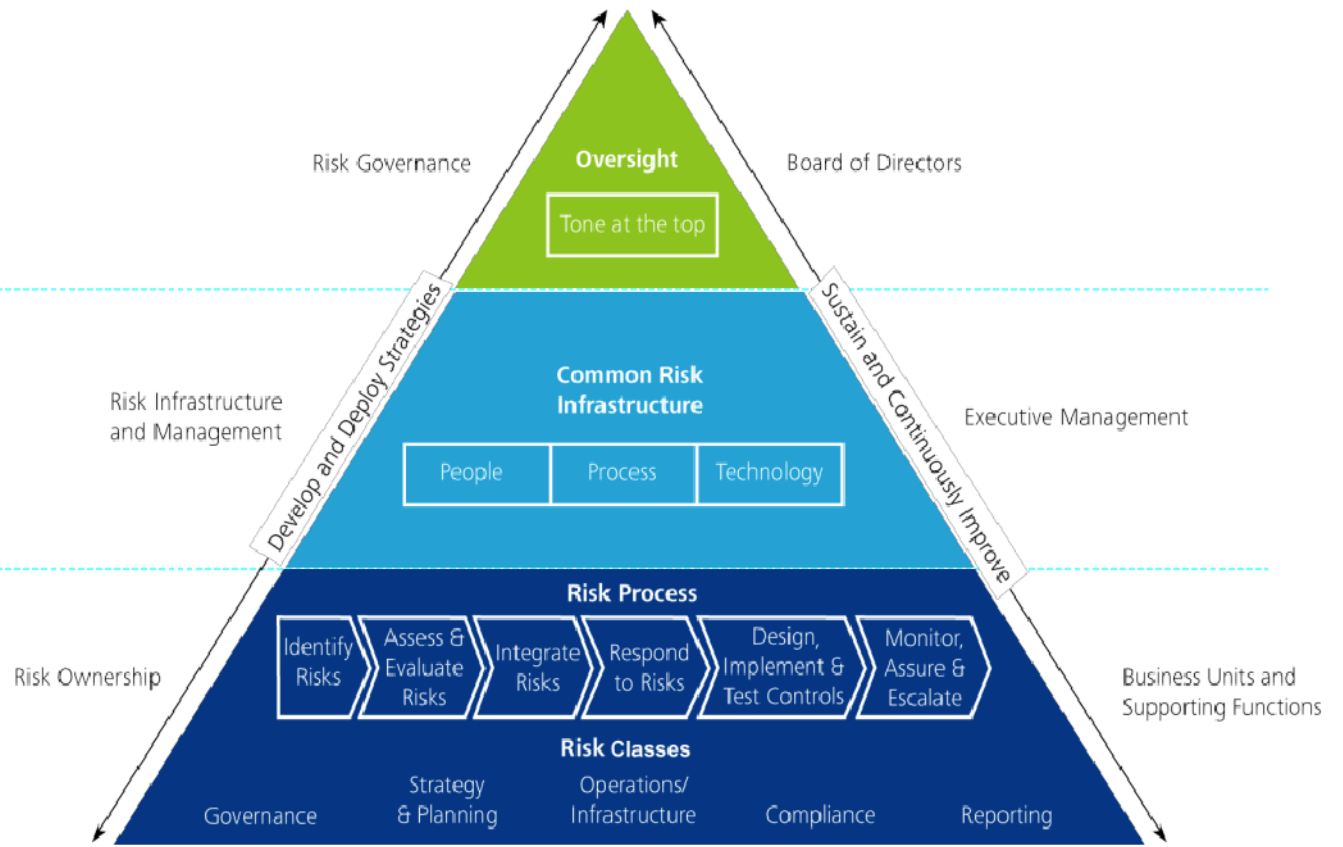
Nine Principles for Building a Risk Intelligent Enterprise

- Governing Bodies Responsibility**
- Roles & Responsibilities**
- Common Definition of Risk**
- Common Risk Framework**

- Common Risk Infrastructure**
- Executive Management Responsibility**
- Objective Assurance and Monitoring**

- Business Unit Responsibility**
- Support of Pervasive Functions**

The Risk Intelligent Enterprise



RISK MANAGEMENT PROCESS

Risk Assessment

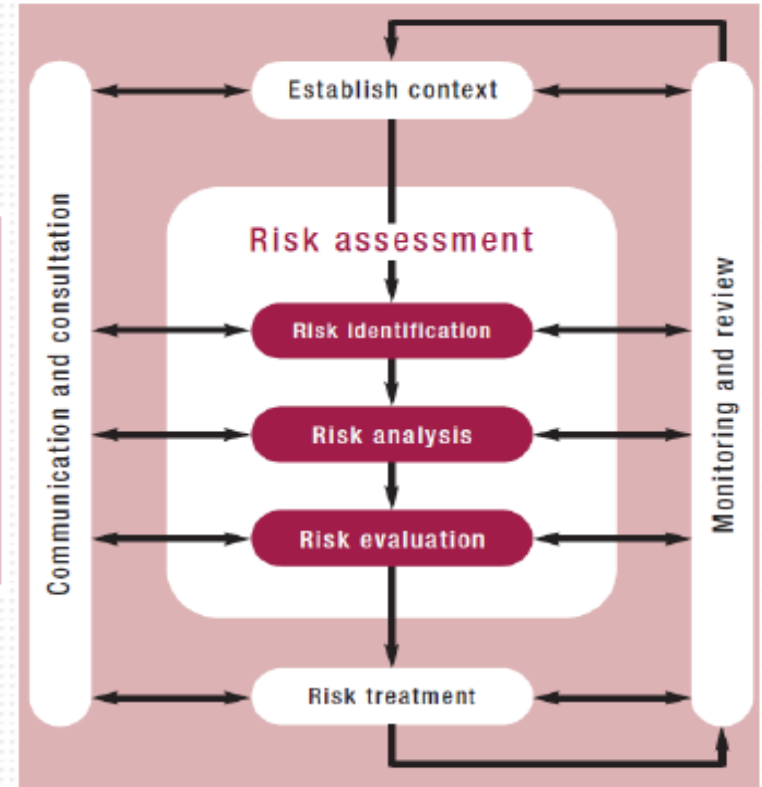
- Risk Identification establishes exposure of the organisation to risk and uncertainty
- Allows for development of risk profile
- Allows for priority of risk control actions

Risk Treatment

- Implement appropriate control measures to modify risk
- Allows for risk avoidance, transfer and risk financing
- Provide for efficient and effective risk controls
- Allows to implement a system that achieves compliance

Feedback Mechanisms

- Monitoring and review ensures organisation monitors risk performance
- Communication and consultation will allow for the supporting the framework or policy



10. CONTEXT

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

10.1.1 Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the organisation's key risks. The objective of risk identification is to understand what is at risk within the context of the organisation's objectives and to generate a comprehensive risk register based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.

The Risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the organisation. The risk identification should be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning, process and systems reviews. Project risks should be identified for all major projects, covering the whole lifecycle; and for long term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks.

10.1.2 Risk Analysis

Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that have been identified and to estimate the level of risk. It is also used to study the consequences of risk that can materialise and to examine the controls that currently exist. Understanding the cause and effect of risks across different divisions of the SABC; and understanding the root causes for risks and those factors that will contribute to a risk occurring.

10.1.3 Risk Evaluation

Risk evaluation is a process that is used to compare risk analysis results with risk criteria in order to determine whether or not a specified level of risk is acceptable or tolerable. The identified risks are mapped using their respective ratings in terms of impact and likelihood expressed as a combination of these two components.

The objective of the analysis is to prioritise and rank in order of risk exposure and timely treatment. The table in *Annexure B* is the criteria used for assessing impact and likelihood of risks. Risks are assessed at an inherent (before consideration of controls) and residual (after consideration of controls) level.

10.1.4 Risk Treatment and Controls

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

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

Once a treatment strategy has been determined, controls or mitigating actions need to be considered to manage risks to an acceptable residual level. The effect of the control on the risk will determine the residual risk. A cost benefit analysis of controls to be implemented needs to take place before implementation.

Identification of risk owners, actions required and due dates to implement actions needs to be documented and the effectiveness of current controls needs to be assessed.

11. RISK MONITORING AND REVIEW

The monitoring of risk is a continuous process, which forms an integral part of the management of risks. In order to ensure an appropriate and timely response, the organisation's has implemented a technology solution called Cura, which has *risk register and reporting mechanism* to allow the organisation to monitor its risks.

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

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

- i. Monitors the qualitative assessments and quantitative measurements of risk exposures;
- ii. Assesses the quality and appropriateness of mitigating actions, including the extent to which risks can be transferred;
- iii. Ensures that adequate internal controls, processes and systems are in place to identify and address risks on a proactive basis;
- iv. Ensures the optimum risk management process and ensure that the cost of risk does not exceed the risk reward;
- v. Ensures efficient reporting of risk management information;
- vi. Ensures the efficiency of risk management systems; and
- vii. Ensures the efficiency of the risk management strategy.

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

The main objective of risk monitoring is the evaluation of the effectiveness of the risk management process. The aim is the provision, for management, of timely

information on any shortcomings and deficiencies that could negatively influence the achievement of the business objectives so that these can be addressed. A shortcoming in the execution of the risk management process could have an adverse effect on the achievement of these objectives, and lead to unnecessary loss.

12. REPORTING

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

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

A tiered structure of risk reporting has been implemented:

- i. The Board Risk Management Committee will submit a risk management report to the Board on a quarterly basis regarding SABC's strategic risks and its management;
- ii. The Exco / GE: Risk and Governance reports to the Board Risk Committee on a quarterly basis. The Executive Management are required to action risks that are not adequately mitigated and controlled;
- iii. The GE: Risk and Governance will draft a risk management submission to the Exco on a monthly basis; and
- iv. Each of the Divisional Risk Committees will draft a risk management submission to the GE: Risk and Governance on a monthly basis, reflecting the top risks facing each of the departments reporting to them. This submission will form an integral part of the monthly reporting pack for discussion at the Divisional Risk Committees.

The risk registers should indicate how often a key risk should be monitored and reviewed. In the realm of financial risk the exposures should be monitored on a continual real-time basis. Other risks such as regulatory change may only need formal review once a year. For the majority of risks it is prudent to choose monitoring periods that span between 1 - 3 months. Risks with an unknown pattern and risks that are new to SABC should receive more frequent attention.

Incident reports will be generated for unacceptable loss. This is an internal management function and will form part of the enterprise risk management framework. The destination of incident reports will be determined by the nature of the loss, but a loss that originates from risks contained in the key risk registers must always be elevated to higher levels of management. Variance reports are incorporated into routine management reporting processes. The inclusions of risk-related variances are to be incorporated.

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

13. ASSURANCE FRAMEWORK FOR RISK OVERSIGHT AND INDEPENDENT ASSURANCE

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

The risk management framework and the management of risk across the SABC serve as a direct input to internal audit in considering the annual internal audit coverage plan.

The primary role of internal audit is providing assurance over the risk management framework and includes the following:

- i. Annual assessment and independent validation of the adequacy and effectiveness of the risk management process across the SABC and the effective implementation of the risk management framework, in line with requirements embodied in ISO 3100, King III and other best practice;
- ii. Development of a risk based approach to assurance, based on the significant risks across the SABC;
- iii. Review and validation of the completeness of risks identified by management and assessment on the appropriateness of the rating of individual key risks (impact and likelihood), as well as the level of exposure of risks identified based on internal audit's own assessment of risk and current loss experience rating to specific risks;
- iv. Assurance over the adequacy and effectiveness of controls identified by management to mitigate key risks;
- v. Review of the accuracy of the key risk indicators utilised by management to monitor key risks; and
- vi. Report to management any additional risks identified by internal audit.

Internal Audit should maintain an ongoing close interaction with Risk Management (including compliance) in order to share relevant information regarding the risk and control environment across the group.

Assurance regarding the management of key risks in the SABC is provided by numerous assurance providers in line with the combined assurance model recommended by King III. Where gaps in assurance are noted, the best way to gain assurance regarding the mitigation of these key risks needs to be determined and implemented.

References

1. Committee of Sponsoring Organisations (COSO) Risk Management Framework, 2004
2. The King Report on Governance in South Africa 2009 (King III) - published by The Institute of Directors in South Africa
3. Australian/New Zealand 4360: 2004 Risk Management (Adopted as an official guideline by the SABS)
4. Public Finance Management Act 1, 1999
5. Public Sector Risk Management Framework, 2008

6. ISO 31000 Risk Management Code of Practice 2009 – published by British Standards (BSI)

ANNEXURE A (OF D) –RISK DEFINITIONS

Term	Definition
Consequence	Outcome or impact of an event.
Cost of risk	Costs associated with: Insurance premiums Self-retained losses (incurred loss) Uninsured losses Risk control expenses including safety, security, property conservation, and quality control programmes etc Maintenance costs Technology/machinery breakdown costs Consulting charges Training Environmental costs Administrative costs (internal and external) including risk management department, internal claims staff, fees paid to brokers, risk management consultants, outside claims and loss control services.
Crisis	An actual event which has significant impact to the SABC's people, business viability, reputation or image, legal and financial responsibilities or ability to operate.
Crisis management	Process by which an organisation manages the wider impact of any incident until it is either under control or contained without impact to the organisation or until the business continuity plan is invoked. Crisis management entails a comprehensive system that links the components of incident management, disaster recovery, emergency response and contingency plans between operational teams, through country and regional teams with the corporate crisis management team.
Enterprise Risk Management	A formal response to risk, responding to every conceivable type of risk in every part of the organisation. It is a structured and consistent approach across SABC that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that SABC faces to create stakeholder value. It is therefore choices made under conditions of uncertainty, bound by acceptable levels of risk, designed to sustain/maximise shareholder value.
Event	Occurrence of a particular set of circumstances. The event can be certain or uncertain. The event can be a single occurrence or a series of occurrences. The probability associated with the event can be estimated for a given period of time.
Frequency	A measure of the number of occurrences per unit of time.
Hazard	A source of potential harm or exposure to danger.
Incident	An undesired event as a result of at risk behaviour, or high-risk conditions, without resulting in loss, but has the potential for loss.
Inherent Risk	This is the measure of the probability of occurrence and the impact of the outcome, prior to consideration of control measures.

Term	Definition
Key risks	Risks that the group perceives to be its most significant risks. Typically these would be the 'red' and 'orange' risks after treatment as defined by use of the risk matrix and are above the group risk acceptance threshold.
Key risk indicators	Key Risk Indicator is a measure used by management to indicate how risky an activity is, and could also be expressed as a quantitative measure of both financial and non-financial performance objectives of the business.
Monitor	To check, supervise, observe critically or measure the progress of an activity, action or system on a regular basis in order to identify change from the performance level required or expected.
Opportunity	'Upside' or 'positive' risk; an uncertain, beneficial event or condition that, should it occur, will result in a favourable outcome(s).
Probability	The extent to which an event is likely to occur. Frequency (the probability of an event occurring at intervals) rather than probability (the relatively likelihood of an event happening) maybe used in describing risk
Process	Structured set of activities within an organisation, designed to produce a specified output.
Residual risk	Residual risk / exposure is the measure of inherent risk and consideration of the control effectiveness. In other words the risk level remaining after current controls are taken into consideration.
Rewarded risks	Risks taken deliberately to benefit from its potential upside, (e.g. investing in new markets, products, services, business models).
Risk	<p>An uncertain future event that threatens the achievement of the strategic and business objectives of the organisation.</p> <p>Risk encompasses:</p> <ul style="list-style-type: none"> the possibility of good things not happening (opportunity risk); the threat of bad things happening (risk as hazard); and the potential that actual results will not equal anticipated outcomes (risk as uncertainty). <p>Risk not only includes the possibility of economic or financial loss or gain but also injury or death, physical damage, environmental harm, business interruption and reputational concerns.</p> <p>Risk has the following primary elements:</p> <ul style="list-style-type: none"> the probability of something happening or not happening; and the impact of it happening or not happening.
Risk acceptance	<p>Decision to accept a risk.</p> <p>Risk acceptance depends on the risk criteria.</p>
Risk analysis	Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that have been identified and to estimate the level of risk. It is also used to study the consequences of risk that can materialise and to examine the controls that currently exist. Understanding the cause and effect of risks across different divisions of the SABC; and understanding the root causes for risks and those factors that will contribute to a risk occurring.
Risk appetite	The level of residual risk that the group is prepared or willing to accept without further mitigation action being put into place, or the amount of risk the group is willing to accept in alignment with the strategic objectives and pursuit maximising value to stakeholders

Term	Definition
Risk assessment	<p>The overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.</p> <p>The risk assessment process considers risks that are significant to the achievement of the company's objectives. This is a continuous process, requiring regular reviews, as and when internal and external changes influence the organisation's strategies and objectives.</p>
Risk avoidance	<p>A decision not to become involved in, or to withdraw from, a risk situation.</p> <p>The decision may be taken based upon the result of risk evaluation.</p>
Risk-bearing capacity	<p>Risk-bearing capacity is a prediction of the group's ability to endure losses and the effect such losses may have on the group's value and/ or its ability to continue with its activities.</p> <p>Risk-bearing capacity is a monetary value that is used as a yardstick, measuring the maximum loss the group can endure, without exposing it to the point where its existence and survival is under threat, given an equivalent loss.</p>
Risk categories	<p>Grouping of risks with similar characteristics used in establishing SABC's risk portfolio (see risk portfolio). Ultimately determined by SABC, the characteristics used to define risk categories typically reflect SABC's business model, industry or other factors that drive risk within the organisation.</p> <p>Terms of reference by which the significance of risk is assessed.</p> <p>The risk criteria/ classification is based upon the magnitude of the potential impact on the group values and the likelihood of that impact materialising.</p>
Risk communication	<p>Exchange or sharing of information about risk between the decision-maker and other stakeholders.</p> <p>The information can relate to the existence, nature, form, probability, severity, acceptability, treatment or other aspects of risk.</p>
Risk control	<p>Action taken to minimise inherent risk to an acceptable level.</p>
Risk control owner	<p>A control owner is a person accountable for managing an action that modifies risk.</p> <p>Control owners are accountable for carrying out the risk response plans that have been allocated to them and report back to the risk process owner on progress.</p>
Risk evaluation	<p>Risk evaluation is a process that is used to compare risk analysis results with risk criteria in order to determine whether or not a specified level of risk is acceptable or tolerable. The identified risks are mapped using their respective ratings in terms of impact and likelihood expressed as a combination of these two components.</p> <p>The objective of the analysis is to prioritise and rank in order of risk exposure and timely treatment.</p>
Risk financing	<p>Provision of funds to meet the cost of implementing risk treatment and related costs.</p> <p>In some instances, risk financing refers to funding only the financial consequences related to risk.</p>

Term	Definition
Risk identification	<p>Risk identification is a deliberate and systematic effort to identify and document the organisation's key risks. The objective of risk identification is to understand what is at risk within the context of the organisation's objectives and to generate a comprehensive risk register based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.</p> <p>Project risks should be identified for all major projects, covering the whole lifecycle; and for long term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks</p>
Risk management	Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. (COSO)
Risk management framework	Set of elements of an organisation's management system concerned with managing risk.
Risk management process	<p>The risk management process entails the planning, arranging and controlling of activities and resources to minimise the negative impacts of all risks that can be tolerated by stakeholders whom the board has identified as relevant to the business of the group, as well as to optimise the opportunities, or positive impacts, of all risks.</p> <p>The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.</p>
Risk management system	The risk management system is the overall integrated process consisting of two essential interrelated and overlapping, but conceptually distinct components – risk assessment and risk management.
Risk metrics	The structure of impacts and levels of probability and consequences chosen against which to measure risk.
Risk mitigation	The process of selecting and implementing measure or action to modify risk (encompasses risk tolerance, risk treatment, risk transfer and risk termination).
Risk monitoring	Observations and measurements associated with tracking changes to risk levels. Monitoring enables appropriate interventions to be effected in good time to avoid undesirable consequences or capitalise on desirable consequences.
Risk optimisation	Process, related to a risk, to minimise the negative and to maximise the positive consequences and their respective probabilities.

Term	Definition
Risk owner	<p>The risk owner is the person accountable for managing a particular risk in his/ her area, and must ensure that risks are properly identified and evaluated, treatments/ controls remain effective, risk response plans are implemented by task owners, risks are monitored and progress status regularly reported upwards.</p> <p>In addition, he/ she promotes a risk-aware culture, reviews and signs off on risk assessments for Board reporting purposes.</p> <p>Types of risk owners are process, executive, operational, project and functional.</p>
Risk perception	<p>Way in which a stakeholder views risk based on a set of values or concerns.</p> <p>Risk perception depends upon the stakeholder's needs, issues and knowledge.</p> <p>Risk perception can differ from objective data.</p>
Risk process owner	<p>An Executive with primary accountability for advising on, formulating, overseeing and managing all aspects of the group's risk management system and monitors the group's entire risk profile, ensuring that key risks are identified and reported upwards.</p>
Risk profile	<p>Identification and listing of risks, typically in order of highest to lowest based on a qualitative or quantitative assessment approved by management.</p>
Risk reduction	<p>Actions taken to lessen the likelihood or negative consequences, or both, associated with a risk.</p>
Risk register	<p>A formal listing of risks identified, together with the results of the risk analysis, risk evaluation procedures together with details of risk treatment/ control, and risk response plans consistent with the nature and scale of the risks.</p>
Risk response	<p>The measures / actions that are undertaken to further treat the risk to reduce the risk classification to an acceptable level.</p> <p>Process of selection and implementation of measures to modify risk.</p> <p>Risk response measures can include treating, avoiding optimising, transferring or retaining threats and exploiting, sharing, maximising or enhancing opportunities.</p>
Risk retention	<p>Acceptance of the potential burden of loss, or benefit of gain, from a particular risk.</p> <p>Risk retention includes the acceptance of risks that have not been identified.</p> <p>Risk retention does not include treatments involving insurance, or transfer by other means.</p> <p>There can be variability in the degree of acceptance and dependence on risk criteria.</p>
Risk sharing	<p>Sharing the burden of loss, or benefit of gain from a particular risk with another party</p>
Risk source	<p>Item or activity having potential for a consequence.</p>
Risk strategy	<p>The approach adopted for associating and managing risk based on the enterprise objectives and strategies.</p>
Risk threshold	<p>The level at which certain actions in terms of response, reporting, monitoring, additional analysis and planning are specified.</p>

Term	Definition
Risk tolerance	Risk tolerance is the level and amount of risk that the SABC carries at a particular time, either deliberately or inadvertently if there are unknown risks. The goal of risk management is to properly define and describe the risk levels and, in particular, identify those risks that are higher than the risk thresholds.
Risk tracking	The monitoring of key risks over time to determine whether the level of risk is changing.
Risk transfer	Sharing the burden of loss or benefit of gain for a risk with another party. Risk transfer can be carried out through insurance or other agreements. Risk transfer can create new risks or modify existing risk.
Risk treatment (control)	An existing process, policy, device, practice or other action that acts to minimise negative risk or enhance positive opportunities. Process of selection and implementation of measures to modify risk.
Scenario Planning	Scenario analysis and stress scenarios are a critical part of understanding both future realities and the organisation's ability to respond. Scenarios can be understood as 'Thought Experiments' about the possible development of the future states of the world
Severity	Terms of reference by which the significance of the risk is assessed. This is the magnitude of the impact on the business should the risk actually materialise.
Sensitivity analysis	A sensitivity analysis considers one variable at a time and the effect of change of that value.
Threat	'Downside' or 'negative' risk: an uncertain adverse event or condition that if it occurs will result in an unfavourable outcome(s).
Treatment assessment	Systematic review of processes that ensures that treatments are effective and appropriate.
Upside Risk	Also termed rewarded risks. Risks taken deliberately to benefit from their potential upside, (e.g. investing in new markets, products, services, business models). Also refers to the possibility of good things not happening (opportunity risk) due to management not implementing the correct measures.

ANNEXURE B (OF D) – RISK RATING METRICS

Basis points	Level	Financial loss/gain R (mill)	Outcome description (Business Risk)	Health and Safety	Reputational	Legal and Regulatory	Social and Community	Human Resources	Information Technology
100	Extreme	60m	Disaster with potential to lead to collapse of business and is fundamental to the achievement of objectives.	Multiple Fatalities, Very serious irreversible injury from 10 people and above. May cause multiple deaths	Extreme international public/ media outcry. Social/ legal licence to operate severely threatened	Significant fine/ imprisonment. Breach of mandate	Extreme, widespread social impact. Irreparable damage to highly valued cultural heritage	Strikes at several major divisions for more than a month.	Unrecoverable loss of significant data and/or configurable information that is crucial to operations or for compliance
80	Major	30m	Major event which can be endured but which may have a prolonged negative impact and extensive consequences.	Fatality, Multiple Major injuries or disability, Significant irreversible injuries to up to 10 people. Life threatening affects	Serious adverse national media/ public attention. Social/ legal licence to operate questioned	Major breach of regulation/ major litigation	Persistent social issues. Serious damage to/ infringement to valued cultural heritage	Strikes at several major divisions for more than three weeks but less than four weeks.	Loss of significant data and/or configurable information requiring a restore from backups
60	High	15m	Severe events which can be managed but requires additional resources and management effort.	Single major injury or disabling reportable. Irreversible significant health effects	Concerted attention from media and/ or heightened community concern	Serious breach of regulation with report to authority	On-going social issues. High damage to valued cultural heritage.	Strikes at several major divisions for more than two weeks but less than three weeks. Inability to	Loss of critical systems for a period of more than 8 hours, however with no data loss.

								attract and retain scarce and critical skills at several major divisions.	
35	Moderate	7.5m	Event which can be managed under normal operating conditions.	Minor injuries, lost time. Reversible significant health effects	Moderate, adverse local public media attention/complaints	Minor legal issue/non-compliance/breach of regulation	Moderate medium-term social impact on local population. Moderate damage to heritage	Strikes at several major divisions for more than seven days but less than 14 days. Inability to attract and retain scarce and critical skills at several minor divisions.	Loss of systems for a period of between 4 and 8 hours, however with no significant data loss.
10	Negligible	4m	Not worth worrying about because the effect is minimal	Minor injuries, no lost time. Reversible minor health effects/ Medical treatment case	Public concern restricted to local complaints.	No legal issues but breach of company guidelines	Low-level social or cultural impact. Minor repairable damage to commonplace structures	Strikes at several major divisions for less than a week. Inability to attract and retain scarce and critical skills at a division.	Loss of systems for a period of less than 4 hours, however with no data loss.

Parameters/Criteria: Probability

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

Parameters/Criteria: Control Effectiveness (Current and Desired)

	Level	Description	Factor
	Very good	Controls are totally effective and efficient, totally implemented, user friendly and are "best practice"	0.95
	Good	Most risks are effectively controlled and mitigated	0.75
	Satisfactory	There is room for some improvement in the control system	0.55
	Weak	Some risks appear to be controlled but there are major deficiencies	0.35
	Unsatisfactory	The control system is ineffective	0.10

SABC FRAUD AND CORRUPTION STRATEGY

09 September 2013

TITLE:	SABC Anti-Fraud and Corruption Strategy
CUSTODIAN AREA:	Risk and Governance
PREPARED BY:	Risk and Governance
DATE APPROVED:	
EFFECTIVE DATE:	10 October 2013
APPROVED BY:	SABC Board
CHAIRPERSON 'S SIGNATURE	
REVISION:	April 2014

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 or 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

Index - Part A

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- 2 Anti-Fraud/Corruption Approach
 - 2.1 The Strategic Approach
 - 2.1.1 Responsibilities for fraud and corruption risk management
 - 2.1.2 Assessment of fraud and corruption risk
 - 2.1.3 Employee awareness
 - 2.2 The Operational strategies
 - 2.2.1 Internal controls
 - 2.2.2 The Prevention strategies
 - 2.2.3 The Response strategies
 - 2.3 The Maintenance Approach
 - 2.3.1 Review of the effectiveness of the fraud and corruption strategy and prevention plan
 - 2.3.2 Review and updating the fraud and corruption strategy and prevention plan

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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6. Initiation for a recovery action
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8. Documentation of the results of the investigation
9. Other matters

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 advise
- 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

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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

SIGNIFICANCE AND MATERIALITY FRAMEWORK 2016/2017

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 copy the final application with the Board resolutions 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 six 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
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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 2014/15 AFS (rounded)
Total assets	1% - 2%	R49m ⇌ R98m
Total revenue	0.5% - 1%	R37m ⇌ R74m
Surplus / Deficit	2% - 5%	R8m ⇌ R20m

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
- R1m and above of irregular fruitless and wasteful expenditure arising from gross negligence.
- R8m 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 **R90 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 (includes financial performance guarantee) at any level.
2	54(2)(b)	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.	<ul style="list-style-type: none"> • Partnership, trust, unincorporated joint venture or similar arrangements that is established, located or intended to operate outside the Republic of South Africa; or • SABC’s contribution in a partnership, trust, unincorporated joint venture or similar arrangements includes SABC’s proprietary intellectual property; or 	<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

No.	Reference	Nature of transaction	Qualitative guidelines	Quantitative guidelines
			<ul style="list-style-type: none"> 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. 	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, acquisition or disposal of the number of shares that 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. (<i>NB: for the purpose of this subsection, assets include both current and non-current</i>)	<ul style="list-style-type: none"> Acquisition or disposal of assets which are located in a foreign jurisdiction, however excludes office equipment and motor vehicles necessary to conduct business in a foreign jurisdiction; or Disposal of assets that impact or has a potential impact on the continued ability of SABC to do business or provide its core service; or Disposal of non-core assets in line with SABC's strategy; or Commercial agreements which allow for the right of 	Significance level is R90 million

No.	Reference	Nature of transaction	Qualitative guidelines	Quantitative guidelines
			<p>use of a third party of SABC's brand, logo, licences and similar rights, intellectual property; trademark and patents.</p>	
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 R90 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 R90 million

