Corporate Plan

2021/22-2023/24

SENTECH
connecting You

Abbreviations

ASO	Analogue Switch-Off
ATV	Analogue Television
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CPI	Consumer Price Index
DCDT	Department of Communications and Digital Technologies
DTH-S	Direct-to-Home Satellite
DTT	Digital Terrestrial Television
E&M	Entertainment and Media
ECA	Electronic Communications Act, No. 36 of 2005
ECNS	Electronic Communications Network Services
EXCO	Executive Committee
FM	Frequency Modulation
FY	Financial Year
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
I-ECS	Individual Electronic Communications Services
ITA	Invitation to Apply
KPI	Key Performance Indicator
M&A	Mergers and Acquisitions
Minister	Minister of Communications and Digital Technologies
MTEF	Medium Term Expenditure Framework
MUX	Multiplex
MVNO	Mobile Virtual Network Operators
MW	Medium Wave
PDA	Protected Disclosures Act of 2000
PFMA	Public Finance Management Act, No. 1 of 1999
PRECCA	Prevention and Combating of Corruption Activities Act 12, 2004
R&I	Research and Innovation
SABC	South African Broadcasting Corporation
SENTECH Act	SENTECH Act, 1996 (Act No. 63 of 1996), as amended
SDIC	State Digital Infrastructure Company
SLA	Service Level Agreement
SOE	State-Owned Enterprise
SOC	State-Owned Company
STB	Set-Top-Box
SVOD	Subscription Video On Demand
TV	Television
WOAN	Wireless Open Access Network
WRC	World Radiocommunication Conference

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Chairperson's Statement

The world as we know it has gone through unprecedented disruptions that has challenged the way we live and have known it. The Covid-19 pandemic has disrupted the world's socio-economic fibre and we have seen society display resilience as it sought to adjust to the unknown. The pandemic has left the globe in declining economic growth, surging unemployment, increased government debt and muted business and consumer confidence. Covid-19 has disrupted human and business behaviour and this will require a strategy that is future fit and aligned to the new normal.

The prevailing economic decline has further stretched the government's fiscus as it rallies all available resources in an effort to support the country's ailing health infrastructure. This has resulted in less funding available to the majority of State-Owned Companies (SOCs), exacerbating the negative impact of the pandemic which will no doubt be felt for the long haul.

Not all is lost as governments world-wide are looking to the arrival of a Covid-19 vaccine that is set to be a game-changer. This could see some traction in the markets as the global economy steps into a new normal, bringing hope for market recovery, renewed investor and consumer confidence alike.

This new normal will no doubt expedite SENTECH's strategic response to the Fourth Industrial Revolution and the Department of Communications and Digital Technologies (DCDT's) mandate to enable a connected and digitally transformed society to foster socio-economic growth. In this context, SENTECH will strive to close the prevailing digital divide and support the efforts of the DCDT to ensure a digitally connected society.

Through continued collaboration and engagement with the Shareholder, SENTECH had an opportunity to consider the Shareholder's strategy and key priorities and to evaluate how best it could contribute to the achievement of the overall DCDT mandate.

The Board has ensured that this Strategic Plan is aligned to the policy priorities of government, in particular the DCDT. The Strategic Plan has considered the impact of Covid-19 on the company's sustainability and post-Covid environment in which it is operating. The Board has and will continue to provide direction in the development and implementation of strategic priorities and policies and the alignment thereof with the Shareholder's priorities.

The Board acknowledges and appreciates the leadership and support of the Minister of Communications and Digital Technologies for providing the national Information and Communications Technology (ICT) sector with the strategy, which we are committed to contribute to. The Board presents the Corporate Plan and the Annual Performance Plan and is committed to providing oversight to ensure successful implementation thereof.

Malinga

Dr Sandile Malinga

Board Chairperson

Chief Executive Officer's Statement

SENTECH has developed a Corporate Plan in response to the tough macroeconomic conditions that are likely to remain for the next few years, fuelled by changing customer needs and behaviours that are disrupting traditional business models and placing an immediate demand on organisations to accelerate their digitisation. The pandemic has introduced several complexities too where physical social distancing requires businesses to immediately transition to remote working where virtual engagements is the norm.

SENTECH like many other organisations, has experienced challenges exacerbated by Covid-19, in a protracted period of uncertainty, marred by regulations and trade restrictions. Beyond this point, lies a ray of hope for a recovery phase. Whilst many cannot articulate a turning point, it stands to reason that the challenges and opportunities presented by the pandemic calls for SENTECH to reimagine its business.

The changing industry landscape demands constant alignment of internal organisational capabilities and opportunities in order to transition from the impact of the pandemic and to transform into a SENTECH of the future. These considerations are reflected in our seven strategic pillars of optimisation and growth; innovation and digital readiness; talented people; transformation; brand and reputation; customer centricity and environmental preservation. This will guide SENTECH's efforts to optimise the current operating model to reduce overhead costs; automate key processes and rapidly develop new skills and the desired competency mix. Thus, transitioning the organisational structure into separate business units with a clear focus on growing the Broadband business.

SENTECH aspires to be an agile, successful, resilient, intelligent digital infrastructure and platform company that affordably connects people, devices and information everywhere, all of the time. Therefore, our key initiative is to lead digital migration and contribute to closing broadband access gaps and freeing spectrum for mobile services.

As an organisation we will continue to pursue opportunities to optimise our core business, increasing value-add to broadcasters and focus our investment choices to forge our broadband business to deliver on broadband connectivity in line with the DCDT's priorities.

We acknowledge the commitment and support of the SENTECH Board, our dedicated executive leadership team and staff in developing this Corporate Plan. As the executive leadership and management, we remain resolute to ensure execution of this Annual Performance Plan and in delivering on all the presented key performance indicators.

Mlamli Booi

Chief Executive Officer

Official Sign-Off

It is hereby certified that this Corporate Plan:

- Was developed by the management of SENTECH under the guidance of the Board of SENTECH
- Takes into account relevant policies, legislation and other mandates for which SENTECH is responsible
- Accurately reflects the Impact, Outcomes and Outputs which SENTECH will endeavour to achieve over the five-year period.

[Itumeleng Segaloe] Signature: ____________________________

[Head Official responsible for Planning]

Chief Strategy Officer

[Rudzani Rasikhinya] Signature: ____________________________

Chief Financial Officer (Acting)

[Tebogo Leshope] Signature: ____________________________

Chief Operations Officer

[Mlamli Booi] Signature: ____________________________

Accounting Officer

Chief Executive Officer

Approved by: **[Dr Sandile Malinga]** Signature: ____________________________

Board Chairperson

1. Our Mandate
2. Our Strategic Focus

1. Our Mandate

1.1. Constitutional Mandate

SENTECH derives its mandate from legislation, particularly the SENTECH Act and the Electronic Communications' Act (ECA). In 1992, SENTECH was corporatised as a wholly owned subsidiary of the South African Broadcasting Corporation (SABC). In 1996, SENTECH Act, No. 63 of 1996 was amended, converting SENTECH into a separate public entity responsible for providing broadcasting signal distribution services as a common carrier to licensed television (TV) and radio broadcasters.

In 2002, following the deregulation of the telecommunications sector, SENTECH was granted two additional licences, allowing the Company to provide international voice-based telecommunications and multimedia services. These licences were converted into an Individual Electronic Communications Network Services (I-ECNS) and an Individual Electronic Communications Services (I-ECS), licensed in terms of the ECA.

1.2. Legislative Mandate

SENTECH's legislative foundation is the SENTECH Amendment Act, No. 4 of 1999 and it is incorporated as a State-Owned Company in terms of the Companies Act, No. 71 of 2008. The Public Finance Management Act (PFMA) and National Treasury Regulations published in terms thereof, serve as the Authority for the organisation's financial reporting requirements. Policies have been implemented to ensure that there is compliance with relevant legislation. The organisation is further guided by the principles embodied in the King IV Report on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector, 2002.

1.3. Executive Management

The composition of SENTECH's Executive Management team is as follows:

Name	Date Appointed	Position	Qualification
Mlamli Booi	15 October 2015	Chief Executive Officer and Executive Director	BSc, MSc (Electrical Engineering)
Tebogo Joseph Leshope	1 March 2018	Chief Operations Officer and Executive Director	B. Tech (Electrical Engineering), MBA
Rudzani Rasikhinya	1 May 2020	Acting Chief Financial Officer	CA (SA)
Flenk Mnisi	1 October 2020	Acting Chief Technology and Information Officer	B-Tech (Electrical Engineering), PGD-BM
Itumeleng Segaloe	1 May 2016	Chief Strategy Officer	BA, BAdmin (Hons), MBA
Mmapula Kgari	12 June 2017	Acting Broadband Executive	BCom, MBL
Kopano Thage	18 June 2019	Acting Chief Marketing and Sales Officer	BSc, MBA
Zunaid Adams	7 August 1995	Executive: Legal and Regulatory	BA and BProc
Kereng Motlhabi	15 August 2016	Chief Human Resources Officer	BCom (Hons) Industrial Psychology
Selaelo Portia Matsane	1 November 2018	Company Secretary	B.Iuris and LLB
Marlon Thomas Finnis	8 June 2018	Executive: Operations	B.Tech (Electrical Engineering) MBL
Mabel Manyere	1 June 2020	Acting Executive Finance	B. Acc. Honours, MBL, CIMA Diploma

Table 1: Executive Team Profile

1.4. Organisational Structure

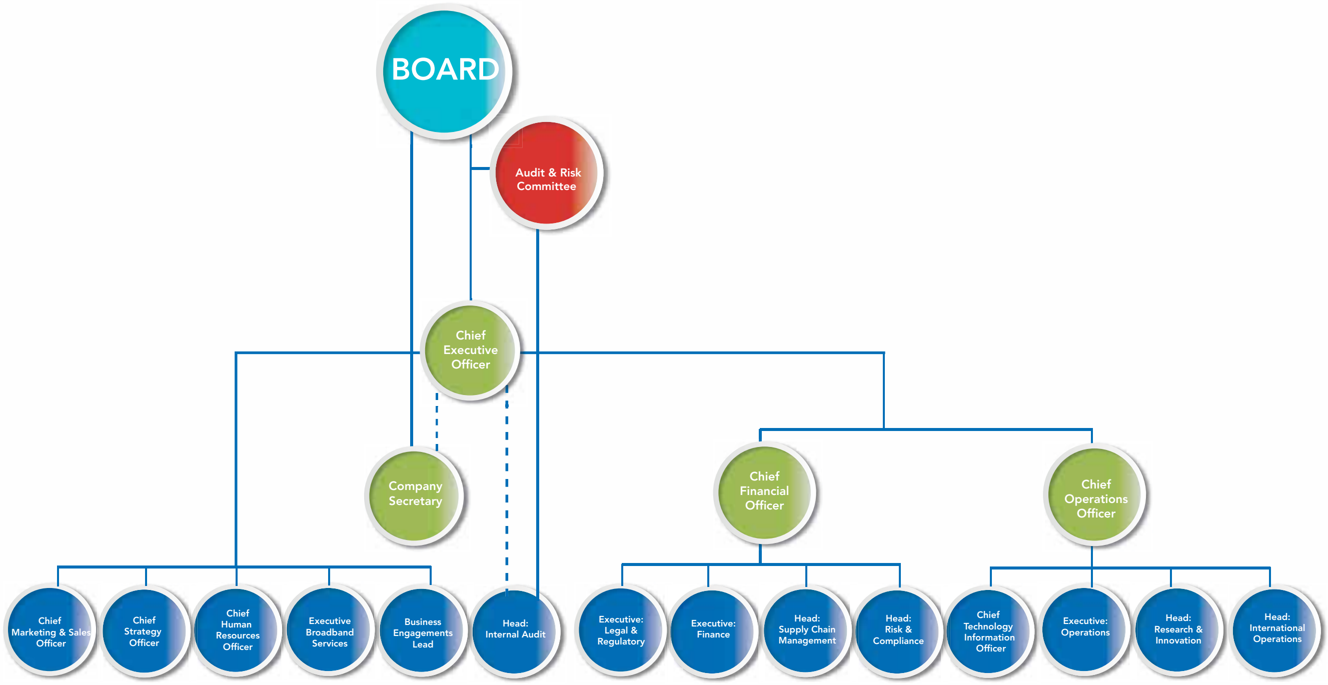


Figure 1: SENTECH Organogram

2. Our Strategic Focus

Our strategy is **optimising** existing products for existing customers (core), **expanding** from existing business into "new to the company" business (adjacent) and **developing and inventing** solutions for the markets that do not exist (transformational).

Figure 2: SENTECH Strategic Focus

2.1. Strategic Pillars

Our strategy execution hinges on the following seven strategic pillars. Each strategic pillar consists of strategic initiatives which are monitored to ensure achievement of strategic goals and outcomes.

Figure 3: Strategic Pillars

2.2. Strategic Projects

- Digital Migration

SENTECH will drive finalisation of the digital migration process to enable South Africa to realise the spectrum efficiency and enhance service quality benefits of migration and to effectively achieve analogue switch-off (ASO) as outlined in the new delivery model. SENTECH is contracted to rollout STBs for the subsidised market and is expected to complete installation of 860 000 STBs by the second quarter of FY2022.

- National Satellite

Technological sovereignty is vital now that the technological impasse is developing across the world. SENTECH is playing a key role in supporting the Shareholder's aspiration of establishing a South African communication satellite.

3. Situational Analysis

3. Situational Analysis

3.1. The Changing Strategic Context

SENTECH operates at the confluence of a number of industries including telecommunications, broadcast signal distribution and electronic media. The most encapsulating term for this point of convergence is 'connectivity'. SENTECH connects people, businesses, public sector entities, devices and machines. It transmits and transforms data and information into intelligence, stories, pictures and actions, thereby opening a window to the world.

It is also the point of convergence in a range of industries undergoing rapid, profound and disruptive change. It is therefore worth reflecting on some of the most significant forces at play and how they are likely to impact on the SENTECH business going forward.

3.2. Policy and Regulatory Environment

The South African ICT regulatory frameworks, supported through policy and legislation, are due for a wholistic review to enable collaborative and evidence-based regulations best suited for the data-driven revolution and envisioned digital economy. Collaborative regulatory frameworks empower digital transformation. The impact of ICT on all sectors impresses on the need for regulations fit for digital economies. To enable greater and sustainable impact when addressing socio-economic challenges, there is a need for regulatory frameworks that are holistic and harmonised. To ensure the achievement of the United Nations (UN) 17 Sustainable Development Goals, regulations for data-driven revolution must support development and inclusion, that is people-centred collaborative regulations.

The National Integrated ICT Policy White Paper seeks to create an inclusive telecommunications industry by addressing barriers to ownership, diffusion of infrastructure, services, devices and digital literacy. The ICT Policy strives to introduce the proliferation of mobile virtual network operators (MVNOs) by reducing the infrastructure barriers of entry through the creation of a wholesale open-access network operator (WOAN). The principle of the WOAN, in turn, faces competition hurdles, as already indicated by the Competition Commission. The Regulator, Independent Communications Authority of South Africa (ICASA), is faced with a challenge of deciding the format of licensing the WOAN while manoeuvring around the threat of facing litigation on a competition basis, resulting in further delays in the licensing of high demand spectrum. The delay in the migration of digital terrestrial television services to below 700 MHz will likely impact on the availability of high demand spectrum.

- High Demand Spectrum

The licensing process for high demand spectrum was initiated in October 2020 by ICASA, with the process earmarked for conclusion by 31 March 2021. The Regulator has indicated that the licensing process, through an auction for the high demand spectrum will include the following radio frequencies: 700, 800, 2600 and 3500 MHz. The Regulator is under pressure to ensure that the licensing process for high demand spectrum not earmarked for the WOAN is concluded by latest 31 March 2021. DCDT has indicated that spectrum allocated to terrestrial 5G (IMT 2020) by the World Radiocommunication Conference (WRC-19) will be addressed through Policy and Policy Directives.

The Competition Commission has raised several competition issues regarding the licensing of high demand spectrum, namely, the timing, type of radio frequency spectrum and subscriber market configuration. The Regulator has taken a decision to issue licences relating to the WOAN a couple of years after licensing high demand spectrum to existing or new entrants. The Invitation to Apply (ITA) for the licensing of high demand spectrum to existing or new entrants includes requirements for the accommodations of MNVOs, contrary to the advice of the Competition Commission. The Regulator's decision is expected to affect the sustainability of the consortium to be licensed as a WOAN.

- Broadcasting Framework

The licensing process for the high demand spectrum will exert immense pressure on terrestrial broadcasting services, audio and visual. The timeframes for the migration of the digital terrestrial television services will impact the auction process concerning time and value of spectrum. The issues of time and cost of the high demand spectrum, 700 and 800 MHz, to be auctioned will be central to the licensing process and procedures. The 700 and 800 MHz radio frequency bands are for extending coverage requirements especially in the rural areas. There is a need to replace the linking equipment, studio to transmitter, for Frequency Modulation (FM) services. The current linking equipment operates in the 800 MHz band and must move operations to the 2100 MHz band as the new designated band.

Migration of services to the Digital Terrestrial Television (DTT) network services will have to be expedited to allow for a smooth vacation of the high demand spectrum bands. It is expected that the completion of this process will, barring any litigation on the licensing of the high demand spectrum, deliver on the much-vaunted digital dividend. It is not clear how the spectrum temporary licences issued as a result of Covid-19 will impact on the long-term licensing of high demand spectrum.

There has been a concerted effort to address the issue of the SENTECH tariff schedule through seeking reduction of coverage provided by the signal distributor. The reduction of DTT coverage will also affect terrestrial radio services because of shared infrastructure. The Public Broadcaster has made submissions to the Portfolio Committee on Communications, DCDT and ICASA on the need to revise digital migration regulations in order to accommodate the business requirements of television broadcasters. The intention by the Public Broadcaster is to be empowered to consider commercial requirements and sustainability issues when deciding on the choice between DTT and DTH free to air services.

- Policy and Regulatory Framework

In October 2020, DCDT published a *Draft policy document titled, "The White Paper on Audio and Audiovisual Content Services Policy Framework: A New Vision for South Africa"*, for public comments. The submission date for comments on audio and audiovisual content services (AAVCS) Draft White Paper is scheduled for February 2021. The Draft White Paper "seeks to create an enabling environment for the provision of inclusive audio and audiovisual content services (AAVCS) to all of South Africa in a manner that promotes social-economic development and investment[1]", including the review of the broadcasting licensing regime.

The Regulator is expected to gazette the effective date for the *Regulations On The Use Of Television White Spaces* in the 2020/21 financial year. The effective date for the regulations will likely be synchronised with the ITA on high demand spectrum. To effect the digital-to-digital migration of terrestrial television services to below 694 MHz, it is a reasonable expectation for ICASA to amend the *Digital Migration Regulations* as the guidelines are limited to addressing the issues relating to analogue-to-digital migration. ICASA published the ITA for terrestrial community broadcasters interested in the unassigned 15% capacity in DTT Mux, the submission date is January 2021.

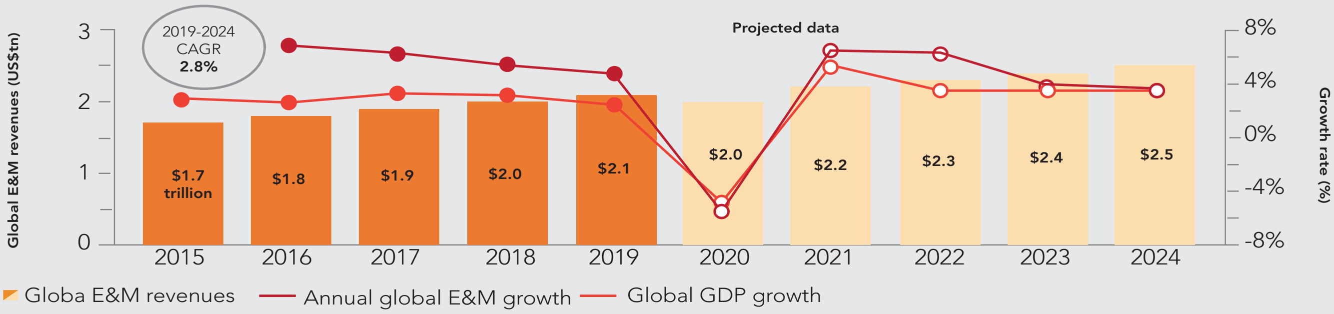
In November 2020, ICASA published the *Draft Digital Sound Broadcasting Services Regulations* for public comments. The Draft Regulations are proposing the introduction of a framework on the implementation of Digital Sound Broadcasting (DSB) services; and "prescribe the procedure for an applicant seeking to provide DSB services[2]".

3.3. Changing Media and Entertainment Landscape

The global entertainment and media industry has experienced steady growth over the past decade, whilst at the same time experiencing significant disruption as technology has advanced and changed the way in which entertainment and media are consumed. This growth has been fuelled largely by consumers in emerging markets who continue to spend more on both traditional and non-traditional media, creating new market segments such as virtual reality, podcasts and e-sports. The industry has also been impacted by structural shifts as new digital platforms and distribution models have gained a larger share of overall revenues at the expense of more traditional market players, such as national broadcasters. Covid-19 has been the wild card that has most disrupted ***Entertainment and Media*** (E&M) in 2020. It is projected that the $2.1 trillion global industry will contract by 5.6% in 2020 although spending is anticipated to bounce back sharply in 2021 and post a 2.8% Compound Annual Growth Rate (CAGR) through to 2024. It is however likely to be a K shaped recovery in which certain sectors recover faster, whilst others lag. The illustration below sets out the anticipated global recovery:

1 Draft The White Paper on Audio and Audiovisual Content Services Policy Framework: A New Vision for South Africa, Government Gazette No. 43797

2 Draft Digital Sound Broadcasting Services Regulations, Government Gazette No. 43900

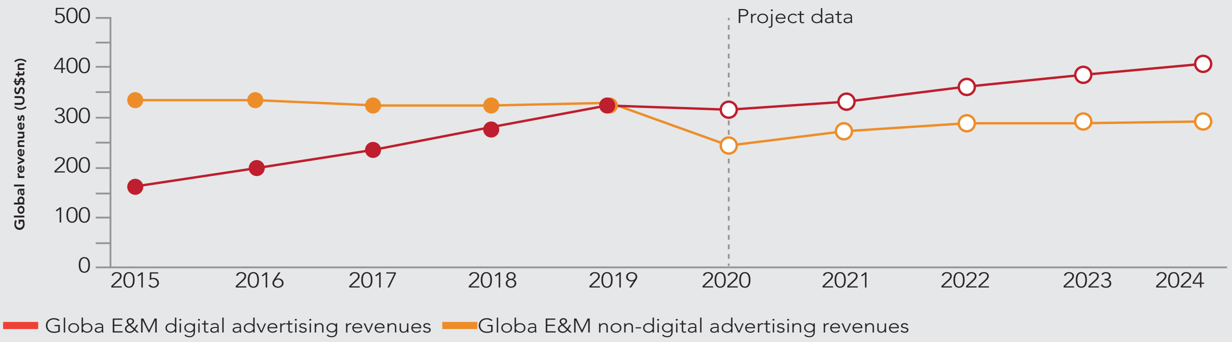


Note: 2019 is the latest available data. 2020-2024 values are forecasts.
Source: *PwC Global Entertainment & Media Outlook 2020-2024* (www.pwc.com/outlook), Omdia, World Bank, IMF

Figure 4: Global E&M revenues recover from a 2020 decline and resume historic growth trend

It is expected that the world will learn to live with Covid-19, supressing it more quickly and learning how to manage the health of those infected. The reality however is that E&M is unlikely to revert back to a pre-2019 world. The first reason is that the industry is in a rapid phase of evolution with trends accelerating rather than slowing down. The second is that the pandemic has brought about lasting changes to consumer behaviour. For example, as recent as 2015, global cinema box office revenue was three times larger than subscription video on demand (SVOD), by 2019 these two sectors were roughly equivalent in size. In 2020, SVOD revenue is projected to be double the size of cinema revenue.

Going forward, consumers of E&M products and services are likely to be at home, will engage differently with content and will expect and demand more of the overall user experience. Those sectors that are resilient to the changes and have the necessary agility and capabilities will thrive and be able to capitalise on emerging opportunities. Successful players will need to be able to meet consumers wherever they may be and match offerings to their most important personal and emotional needs. 'Now the winning formula is content combined with distribution, trustworthiness, the ability to offer new experiences, and the data muscle to manage analytics and recommendation engines.' (Strategy & Business – Forward to Normal – Dan Bunyard and Vikram Dhaliwal, 27 October 2020).



Note: 2019 is the latest available data. 2020-2024 values are forecasts.
Source: *PwC Global Entertainment & Media Outlook 2020-2024* (www.pwc.com/outlook), Omdia

Figure 5: Global E&M digital vs non-digital revenues trends

Advertising in emerging markets will thrive while developed markets will struggle. Growth will be sluggish in established markets in part because of their historic reliance on print, television and radio advertising. Digital advertising revenues first caught up with non-digital advertising revenues in 2019. With the lines having crossed, digital advertising is expected to grow at a 4.8% CAGR through 2024 while non-digital advertising flatlines.

4. Measuring our Performance

4. Measuring our Performance

4.1. Impact Statement

SENTECH's digital solutions empower people by bridging the digital divide, the service access gap and by contributing to knowledge, intelligence and a well-informed society. Through this, we will overcome inequality and enrich lives.

4.2. Alignment with Shareholder Priorities

The SENTECH Board has adopted a set of strategic objectives for the 2021–2025 planning period to ensure that the Company achieves its public service mandate objectives aligned with Shareholder priorities:

Outcomes	DCDT Priorities (2021-2025)	SENTECH Alignment to DCDT Priorities
Outcome 1	**Enabling digital transformation policies and strategies:** • State Digital Infrastructure Company Act • Implementation of Digital Economy Masterplan	• SENTECH will continue availing human capital resources to support the DCDT in establishing a new State Digital Infrastructure Company (SDIC)
Outcome 2	**Increased access to secure digital infrastructure:** • Implementation of Phase 2 broadband connectivity facilitated • 4.1 million household devices installed in all identified households within SA	• SENTECH will play a significant role in supporting broadband initiatives including SA Connect and the rollout of SENTECH CONNECT e-services • SENTECH aims to lead digital migration going forward and to promote receiver (STB) uptake in the short- to medium-term period
Outcome 3	**Transformed digital society** • Implementation of the Digital and Future Skills Strategy facilitated and monitored	• SENTECH continues to invest in digital reskilling and upskilling of its employees to ensure a fit for purpose workforce of the future
Outcome 4	**High performing portfolio to enable achievement of their respective mandates**	• SENTECH will continue ensuring effective and good corporate governance and achievement of strategic objectives and mandate

Table 2: SENTECH's Alignment to the priorities of the DCDT

4.3. Five-Year Strategic Plan FY2020/21–2024/25

Strategic Pillars	Outcomes	Outcome Indicators	Original baseline (FY2019/20)	Forecast FY2020/21	Five-Year Targets
Optimisation and Growth	Revenue growth	Sales Revenue (R)	R1,335m	R1,3bn	R1,8bn
	Optimised Cost Structure	Operating Profit (R)	R261m	R205m	R180m
	Sustainable Digital Infrastructure Business (SOC Rationalisation)	Business Model for State Digital Infrastructure Company (SDIC) developed	Implementation Plan developed	Strategy developed for the SDIC	Sustainable State Digital Infrastructure Company
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	98.38%	90%	100%
Innovation and Digital Readiness	Right technology in the right place at the right time/able to use	Number of digital technologies initiated (Data Analytics, Artificial Intelligence, Internet of Things)	New Indicator	2	4IR technologies applied (Data Analytics, AI, IoT and drones)
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2	2	8 digital products (cumulative)
	Increased broadband network coverage[3]	Number of connected sites	99	200	1000 number of connected sites (cumulative)
Customer Centricity	Satisfied customers Customer loyalty	Customer satisfaction levels (%)	73%	Customer satisfaction levels of baseline +5%	80%
		Weighted average network availability (%)	99.88%	99.80%	99.85%
Transformation	Transformed communities and enterprises	B-BBEE Level score (#)	B-BBEE Level 1	B-BBEE Level 1	B-BBEE Level 1
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2	2	10 sites converted to green energy supply (cumulative)
Brand & Reputation	Effective and corporate governance and citizenry	Clean audit achieved	Clean audit achieved	Clean audit achieved	Clean audit achieved

Table 3: SENTECH's Five-Year Strategic Plan (FY2020/21–2024/25)

3 The target for Increased Network Coverage is in line with SENTECH's Broadband business plan and in support of the DCDT mandate.

4.4. Performance Indicators for the MTEF Period 2021/22-2023/24

Strategic Pillars	Outcomes	Outcomes Indicators (KPIs)	FY21/22	FY22/23	FY23/24
Optimisation and Growth	Sustainable Growth	Sales Revenue (R)	R1,257 million	R1,314 million	R1,384 million
	Optimised Cost Structure	Operating Profit	R154 million	R177 million	R169 million
	Sustainable broadband business (SOC Rationalisation)	Business Model for the State Digital Infrastructure Company (SDIC) developed	Business Model developed for the SDIC	Implementation process to integrate the SDIC	Implementation process to integrate the SDIC
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	90% of planned skills training interventions implemented	100% of planned skills training interventions implemented	100% of planned skills training interventions implemented
Innovation and Digital Readiness	Right technology in the right place at the right time/able to use	Number of 4IR projects initiated	2 4IR technologies initiated	2 4IR technologies initiated	2 4IR technologies initiated
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2 digital products developed	2 digital products developed	2 digital products developed
	Increased broadband network coverage	Number of connected sites	200 connected sites	300 connected sites	400 connected sites (cumulative)
Customer Centricity	Customer loyalty	Percentage customer satisfaction levels	Customer satisfaction levels of baseline +5%	Customer satisfaction levels of baseline +5%	Customer satisfaction levels of baseline +5%
		Weighted average availability based on product revenues	Weighted average availability based on product revenues 99.80%	Weighted average availability based on product revenues 99.80%	Weighted average availability based on product revenues 99.80%
Transformation	Contribution to industry transformation goals	Percentage of allocated budget spend on ESD	100% of allocated budget spend on ESD (R6 million)	100% of allocated budget spend on ESD (R6,5 million)	100% of allocated budget spend on ESD (R7million)
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply
Brand & Reputation	Effective corporate governance	Clean audit achieved	Clean audit achieved	Clean audit achieved	Clean audit achieved

Table 4: Performance Indicators for MTEF Period 2021/22-2023/24

4.5. Annual Performance Plan (FY 2021/22)

Strategic Pillars	Outcomes	Outcomes Indicators (KPIs) [4]	Annual Target
Optimisation and Growth	Revenue growth	Revenue (R)	R1,257 million
	Increased profitability	Operating Profit (R)	R154 million
	Sustainable broadband business (SOC Rationalisation)	Business Model for State Digital Infrastructure Company (SDIC) developed	Business Model for SDIC developed
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	90% of planned digital skills training interventions implemented
Innovation and Digital Readiness	Increased broadband network coverage	Number of connected sites	200 connected sites
	Right technology in the right place at the right time/able to use	Number of Set-Top Box installations	810 000 Set-Top Box installations
	Analogue Switch Off [5]	Number of analogue sites switched off	155 analogues sites switched off
Customer Centricity	Customer Loyalty	Customer satisfaction levels (%)	Customer satisfaction levels of baseline +5%
Transformation	Transformed communities and enterprises	Percentage of allocated budget spent on Enterprise and Supplier Development (ESD)	100% of allocated budget spent (R6 million) on ESD
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply
Brand & Reputation	Effective corporate governance	Clean audit achieved	Clean audit achieved

Table 5: SENTECH's Annual Performance Plan FY 2021/22

4 The targets for 4IR Technologies and Weighted Average Network have been removed from the APP (2021/22) with a view of focusing available resources. It should be noted that the two targets will form part of SENTECH's internal KPIs.

5 The ASO target has been added to the APP 2021/22 in response to the DCDT plans to fully migrate to the DTT network.

4.6. Annual Performance Plan – Quarterly Targets FY2021/22

Quarterly Targets

Strategic Pillars	Outcomes	Outcomes Indicators (KPIs)	Annual Target	Q1	Q2	Q3	Q4
Optimisation and Growth	Revenue growth	Revenue Growth (R)	R1,257 million	R316 million	R617 million (Cumulative)	R915 million (Cumulative)	R1,257 million (Cumulative)
	Increased profitability	Operating Profit (R)	R154 million	R46 million	R76 million (Cumulative)	R1 112 million (Cumulative)	R154 million (Cumulative)
	Sustainable broadband business (SOC Rationalisation)	Business Model for the SDIC developed	Business Model for the SDIC developed	Identification of resources required	Terms of reference and project plan developed	Business Model for the SDIC initial draft developed	Final Business Model for the SDIC developed
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	90% of planned digital skills training interventions implemented	20% of planned digital skills training interventions implemented	45% of planned digital skills training interventions implemented	65% of planned digital skills training interventions implemented	90% of planned digital skills training interventions implemented
Innovation and Digital Readiness	Increased broadband network coverage	Number of connected sites	200 connected sites	50 connected sites	100 connected sites (Cumulative)	150 connected sites (Cumulative)	200 connected sites (Cumulative)
	Right technology in the right place at the right time/able to use	Number of Set-Top Box Installations	810 000 Set-Top Box installations	330 000 Set-Top Box installations	480 000 Set-Top Box installation	Project closure and draft report developed	Project closure final report developed and submitted
	Analogue switch off	Number of analogue sites switched off	155 analogue sites switched off	54 analogue sites switched off	92 analogue sites switched off (Cumulative)	135 analogue sites switched off (Cumulative)	155 analogue sites switched off (Cumulative)
Customer Centricity	Customer loyalty	Customer satisfaction levels (%)	Customer satisfaction levels of baseline +5%	Customer Satisfaction Survey Monitoring Tool developed	Engagements with top 5 Tier 1 customers	Engagements with all Tier 1 customers	(76%+ 5%) baseline (80%) Customer satisfaction levels achieved

Quarterly Targets

Strategic Pillars	Outcomes	Outcomes Indicators (KPIs)	Annual Target	Q1	Q2	Q3	Q4
Transformation	Transformed communities and enterprises	Percentage spend on Enterprise and Supplier Development	Percentage of allocated budget spend (R6m) on Enterprise and Supplier Development (ESD)	Enterprise and Supplier Development Plan completed	Achieve 50% spend of allocated budget for ESD	Achieve 75% spend of allocated budget for ESD	100% of allocated budget spent (R6m) on Enterprise Supplier Development (ESD)
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply	Green energy supply project plan developed for 2 sites	Design and solutions requirements concluded for 2 sites	1 site converted to green energy supply	2 sites converted to green energy supply (Cumulative)
Brand & Reputation	Effective corporate governance	Clean audit achieved	Clean audit achieved	No performance required	No performance required	Reduction of Management Letter Points by 50%	Complete and issue Interim Financial Statements for the 9-month period ending 31 December 2021

Table 6: SENTECH's Annual Performance Plan Quarterly Targets (2021/22)

5. Technical Indicator Descriptions

5. Technical Indicator Descriptions

This section should be read in conjunction with SENTECH's Annual Performance Plan for the 2021/22 financial year. It seeks to highlight the description of impact, outcome and output indicators and targets to outline data collection processes, gathering of portfolio evidence, acceptance level of performance at the beginning of the planning cycle.

Indicator Title	Revenue (R)
Definition	This indicator measures cumulative continuing business revenue i.e. (sales within the three-product portfolio i.e., content and multimedia (ATV; MW; MW and DTH); managed infrastructure services and connectivity. It should be noted that there are instances where consultancy services generate revenue and this cuts across all three product portfolios
Source of Data	SAP system
Method of Calculation/Assessment	Cumulative quarter to quarter
Assumptions	The data stored within the SAP systems is reliable, valid and timely
Calculation Type	Cumulative
Reporting Cycle	Monthly, quarterly and annually
Indicator Responsibility	Marketing and Sales

Table 7: SENTECH's Continuing Business Revenue Technical Indicator

Indicator Title	Operating Profit (R)
Definition	This indicator measures the profits generated from SENTECH's core business functions over a given period
Source of Data	SAP system
Method of Calculation/Assessment	Operating Profit = Gross Profit - Operating Expenses - Depreciation - Amortization
Assumptions	The data stored within the SAP systems is reliable, valid and timely
Calculation Type	Cumulative quarter to quarter
Reporting Cycle	Monthly, quarterly and annually
Indicator Responsibility	Finance

Table 8: SENTECH's Operating Profit Technical Indicator

Indicator Title	Business Model for SDIC Developed
Definition	This indicator measures the development of the SDIC strategy
Source of Data	Terms of Reference and Project Plan
Method of Calculation/Assessment	None
Assumptions	Resource allocation and procurement to deliver the quarterly targets
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Strategy

Table 9: Business Model for SDIC Technical Indicator

Indicator Title	Percentage of planned skills training interventions implemented
Definition	This indicator measures the number of training interventions implemented in line with the Corporate Plan 2020/23 objectives
Source of Data	SENTECH Training Plan
Method of Calculation/Assessment	Number of training intervention for the Year/Total number of training interventions conducted *100
Assumptions	The SENTECH Training Plan is accurate, reliable, valid and timely
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Human Resources

Table 10: SENTECH's Percentage of Planned Skills Training Interventions Implemented Technical Indicator

Indicator Title	Connected Sites
Definition	This indicator measures the number of connected sites i.e. handed over to the customer
Source of Data	Customer Site Handover Report
Method of Calculation/Assessment	Accumulative
Assumptions	The Customer Handover Report is valid, reliable and accurate
Calculation Type	Cumulative quarter to quarter
Reporting Cycle	Quarterly and Annually
Indicator Responsibility	Technology

Table 11: SENTECH's Connected Sites Technical Indicator

Indicator Title	Number of Set-Top-Box Installations
Definition	This indicator is the measure of the number of Set-Top-Box installations over a set period
Source of Data	Set-Top-Box installations Project Plan
Method of Calculation/Assessment	Sum total of the number of Set-Top-Box installations
Assumptions	Procurement possible to secure third party support to deliver and install Set-Top-Boxes
Calculation Type	Cumulative quarter to quarter
Reporting Cycle	Quarterly and Annually
Indicator Responsibility	Operations

Table 12: SENTECH's Number of Set-Top-Boxes Technical Indicator

Indicator Title	Number of analogue sites switched off
Definition	This indicator measures the number of analogue sites that are switched off over a set period
Source of Data	ASO Project Plan
Method of Calculation/Assessment	Sum total of the number of analogue sites switch off.
Assumptions	ASO schedule is rolled out according to plan with minimal interruption.
Calculation Type	Cumulative quarter to quarter
Reporting Cycle	Quarterly and Annually
Indicator Responsibility	Operations

Table 13: SENTECH's Number of Analogue Sites Switched Off Technical Indicator

Indicator Title	Percentage Customer Satisfaction Levels
Definition	This indicator measures the customer satisfaction levels expressed as a baseline from prior year +5% in the current year
Source of Data	Customer Survey Report for the 2019/20 Financial Year
Method of Calculation/Assessment	Baseline i.e. Customer Satisfaction Index 2019/20 Year + 5% [6]
Assumptions	The Customer Survey Report is valid, reliable and accurate
Calculation Type	Annual
Reporting Cycle	Annual
Indicator Responsibility	Marketing & Sales

Table 14: SENTECH's Percentage Customer Satisfaction Levels Technical Indicator

Indicator Title	Percentage of allocated budget spent on (ESD)
Definition	This indicator measures the implementation of B-BBEE elements namely ESD, SED, SD and Preferential Procurement in line with the DTI regulations
Source of Data	B-BBEE Codes for the ICT Industry issued by the Department of Trade and Industry & EXCO Approved ESD (MS Word)
Method of Calculation/Assessment	Percentage spend on allocated budget for Enterprise and Supplier Development
Assumptions	Available allocated budget to spend on ESD
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Strategy

Table 15: SENTECH's Percentage of allocated budget spent on (ESD) Technical Indicator

6 The +5% basis point is added annually to challenge the SENTECH business to improve on the customer satisfaction levels on an ongoing basis.

Indicator Title	Number of sites converted to green energy supply
Definition	This indicator measures the number of sites converted to green energy supply in line with Corporate Plan 2020/25 objectives
Source of Data	Project Plan
Method of Calculation/Assessment	Number of sites converted in a year
Assumptions	Project Plan is accurate, reliable, valid and timely
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Operations

Table 16: Number of Sites Converted into Green Energy Supply Technical Indicator

Indicator Title	Clean Audit Achieved
Definition	This indicator measures the monitoring of activities to ensure that prior year audit findings are not repeated and that there is a sound control environment that detects and prevents misstatements and fraud
Source of Data	Management Letter Points (internal and external) Risk and Compliance Reports Internal Audit Annual Plan
Method of Calculation/Assessment	Number of MLP Resolved/Total Number of MLP * 100
Assumptions	The internal environment limits the occurrences of major breakdowns and controls and is flexible enough to amend or enhance controls
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Finance

Table 17: SENTECH's Clean Audit Technical Indicator

6. Financial Plan

6. Financial Plan

SENTECH's financial plan reflects the company's current and, long-term economic goals, risk tolerance, and future expectations. Having delivered solid financial performance in the 2020 financial year, the Company is going into a period of evolution, focusing on maintaining the position of being a leading provider of broadcast signal distribution infrastructure. This focused view is supported by a strong financial position, and the Company is well-positioned to capitalise on the opportunities ahead. SENTECH is forecasting a cash balance of approximately R1.9 billion by end of March 2021.

These funds will be used to diversify the company's product and services in order to address the customer concentration risk, and several projects will be implemented in this regard. The State Digital Infrastructure Company (SDIC) strategy was developed in FY2021, and a sustainable broadband business (SOC Rationalisation) case will be developed in FY2022, with optimised cost structures for the merged entity to achieve revenue growth with positive EBIT and net profits. Planned digital skills training interventions will be implemented to get talented people who will initiate two 4IR technologies and develop two digital products through innovative products and platforms.

Increased broadband network coverage and 1 000 sites planned to be connected by the end of FY2024 are arrangements earmarked for customer satisfaction, and planned initiatives should improve the customer satisfaction index by 5% year on year during the MTEF period. All funds reserved for ESD will be utilised each year during the MTEF period. Capital funds will be expended to convert two sites per year to green energy supply, thus reducing carbon emissions for environmental preservation. To ensure continued clean audits during the MTEF period, relevant internal control will be enforced to secure complete and accurate financial statements and that business operations are conducted in accordance with the provisions of applicable laws and regulations.

The financial plan shows the financial requirements over the 2022-2024 MTEF period, and how much might be left for saving and investing.

The strategic projects of digital migration and the national satellite as explained in the strategic focus section 2 above are core to this financial plan.These core projects were inspired after a situational analysis described in the strategic focus section highlighting the changing strategic context driven by the policy and regulatory background, high demand spectrum, broadcasting framework and the changing media and entertainment landscape. It is anticipated that these projects will bring about growth opportunies and much-needed revenue streams in response to the changing environment.

This financial plan provides insight into SENTECH's financial position for the near future and presents a reference and framework for decision-making. This budget will be used to control expenditures, evaluate plans, and make better decisions when unexpected changes occur.

A set of realistic and achievable goals were developed when formulating the budget, using data and assumptions based on historical results, management insight, and knowledge of future internal and external events or influences.

The financial plan presented herein focuses on operating budget, capital budget and cash flow budget. The operating budget established the required sales levels, and the required operating expenses to support that level of revenue. The capital budget shows the anticipated costs to acquire, expand and replace Company infrastructure. The cash flow budget shows the company's ability to meet short-term obligations over the MTEF period, and efforts will be put in place to minimise the cost of offering the services to the customers. A detailed benchmarking of tariffs and cost drivers will be completed in the first year of the MTEF period.

6.1. Financial Aspect Summary

Over the MTEF period, SENTECH will continue fighting hard to ride the digital wave and respond to the evolving digital platform and the distinct shift in consumer behaviour and preferences, by working on new innovative solutions collaboratively with customers and key strategic partners. Capital expenditure funded mainly from cash generated from operations will be increased for the expansion of the radio network and improvement of existing infrastructure. All capital expenditure for the Company is evaluated based on business cases which incorporate financial returns that are attractive when compared to competing investment opportunities. This includes investing in projects that have positive Net Present Value (NPV) and Internal Rate of Return (IRR) that is higher than the weighted average cost of capital (WACC).

End-of-life technologies will be replaced with modern, efficient and environmentally friendly technology solutions including infrastructure maintenance, technology replacement, IT security and infrastructure security. Over the MTEF, new platforms for market expansion and possible Mergers and Acquisitions (M&A) transactions and strategic alliances as a growth strategy will be forged to ensure financial sustainability.

By improving efficiencies and better contract management and price negotiation with suppliers, key cost drivers for both direct and indirect costs will be minimised. With the Covid-19 safety precautions, SENTECH will continue implementing the limits on number of people working from the offices. Funds are allocated to ensure that all internal controls are still effective even during these difficult times. There is also an opportunity for SENTECH to rationalise the office space requirements and dispose of some of the underutilised spaces where necessary, resulting in cost reduction.

The financial plan is developed in line with the ASO plan where the revenue is a combination of analogue and digital terrestrial television (DTT). This will result in revenue decreasing substantial with more sites moving to DTT. Discussions are happening with broadcasters wanting to reduce the number of sites covered by DTT. The majority of SENTECH's revenue is from the terrestrial television services, the indication of reduced DTT uptake presents a serious risk to the Company and DTT network built by government. Delays in ASO will result in prolonged dual illumination incremental costs and there are no funds allocated over the MTEF period to cover these extended costs.

Strong financial control will continue, enabling continued positive EBIT despite expected revenue decline following ASO switch off beginning 2022 financial year.

The Company is projecting the following financial metrics over the MTEF period:

DETAILS	FY2020 Actual R 'mil	FY2021 Forecast R 'mil	FY2022 Budget R 'mil	FY2023 Budget R 'mil	FY2024 Budget R 'mil
Revenue	**1,335**	**1,276**	**1,257**	**1,315**	**1,384**
Operating Expenses (total)	(1,220)	(1,239)	(1,264)	(1,170)	(1,216)
Adjustment for dual illumination	146	167	161	32	-
EBIT	**261**	**205**	**154**	**176**	**169**
Cash generated from operations	**442**	**482**	**239**	**386**	**491**
Cash balances	1,516	1,955	1,809	1,647	1,604
Capital expenditure	**(73)**	**(128)**	**(229)**	**(369)**	**(350)**

Table 18: 2020/24 Financial Projections

SENTECH is projecting continuing revenue of R1,257 billion and operating expenditure of R1,264 billion from continuing operations, resulting in an operating profit of R154 million for the 2021/22 financial year. It is projected that the analogue network will be gradually switching off and TV revenues decreasing, and even with the set box installation once-off revenue (R25m) ending in September 2021, resulting in a R19m (1%) decrease on 2020/21 financial year forecasted R1,276m.

The Company ought to generate about R500m new revenues to attain the R1,8 billion goal in the next five years. Operating expenses were increased from the forecasted 2020/21 financial year by the forecasted Consumer Price Index (CPI) on commodities and variable specific contractual agreements.

There is a significant decrease in cash generated from operations in FY2022 compared to FY2021, and in turn reduced cash balances due to there being no dual illumination funding in the outer years of the MTEF period. Additionally, trade debtors cleared balances owed from prior periods in the 2020/21 financial year. Management is positioning the Company for future growth and there will be cash outflows amounting to R200m per year for M&A transactions during FY2023 and FY2024 respectively.

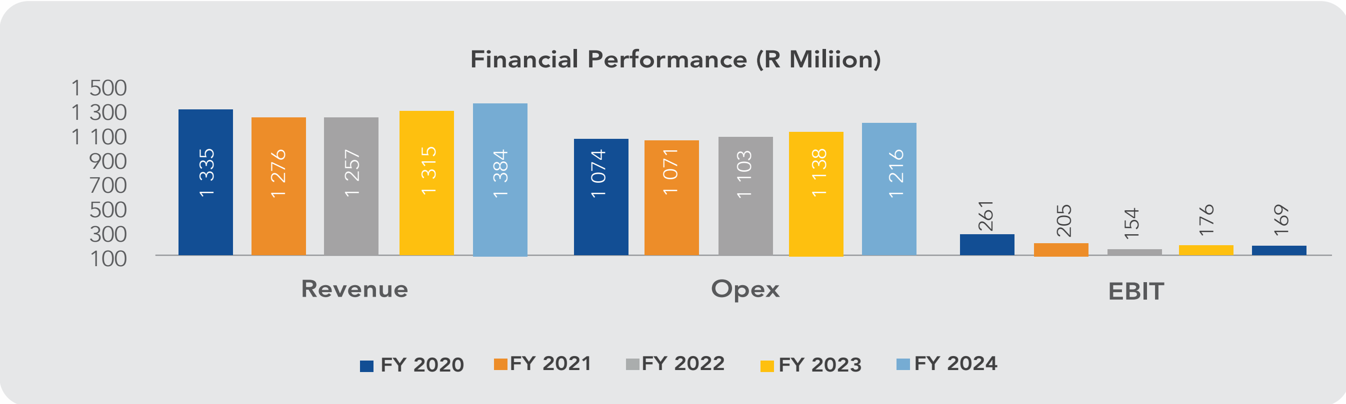


Figure 10: Financial Analysis 2020 to 2024

The 2021/22 financial year operating expenditure incorporates cost containment initiatives and focused initiatives to address revenue stagnation through enhancing the connectivity business solution and evaluation of growth opportunities to drive the acquisitive diversification strategy. Government has funded most of the dual illumination incremental costs since the digital signal was switched on back in 2008, through to FY2021.

Assuming ASO is not completed beyond FY2022, SENTECH will request for assistance with dual illumination incremental costs for the extended period.

6.2. Statement of Profit or Loss and other Comprehensive Income

	FY2020 Actual R'000	FY2021 Forecast R'000	FY2022 Budget R'000	FY2023 Budget R'000	FY2024 Budget R'000	FY2021 vs FY2022 Variance R'000	FY2021 vs FY2022 Variance %
Group and Company							
Revenue	1,480,928	1,443,437	1,418,061	1,346,705	1,384,431	(25,376)	(2%)
Continuing Revenues	1,334,928	1,275,987	1,257,323	1,314,558	1,384,431	(18,664)	(1%)
Grant Funding	146,000	167,450	160,738	32,148	-	(6,711)	(4%)
Other Income	60	66	73	80	88	7	10%
Depreciation & Amortisation	(233,491)	(232,170)	(274,602)	(263,751)	(338,877)	(42,432)	(18%)
Lease Expenses	(31,883)	(93,646)	(77,982)	(46,789)	(47,257)	15,664	17%
Direct Expenses	(267,606)	(238,611)	(265,166)	(327,240)	(330,513)	(26,555)	(11%)
Operating Expenses	(223,043)	(263,073)	(230,198)	(178,828)	(180,616)	32,875	12%
Employee Costs	(463,757)	(411,096)	(416,084)	(353,672)	(318,304)	(4,988)	(1%)
Operating Profit	**261,208**	**204,907**	**154,101**	**176,505**	**168,952**	**(50,806)**	(25%)
Finance Income	83,603	66,859	56,831	45,464	36,372	(10,029)	(15%)
Finance Costs	(161,426)	(206,881)	(184,874)	(188,571)	(192,343)	22,006	11%
Foreign Exchange Loss	(314,502)	-	-	-	-	-	-
Profit before taxation	**(131,117)**	**64,886**	**26,057**	**33,398**	**12,980**	**(38,829)**	**(60%)**
Taxation	58,749	(18,168)	(7,296)	(9,352)	(3,634)	10,872	60%
Profit or loss for the year	**(72,368)**	**46,718**	**18,761**	**24,047**	**9,346**	**(27,957)**	**(60%)**
Other Comprehensive Income	13,218	-	-	-	-	-	-
Total Comprehensive Income	**(59,150)**	**46,718**	**18,761**	**24,047**	**9,346**	**(27,957)**	**(60%)**

Table 19: Statement of Profit or Loss and other Comprehensive Income

6.3. Revenue

The projected 2021/22 financial year revenues were derived from an increase of 3.3% (CPI of October 2020) from forecasted 2021/22 financial year, on the back of a market environment analysis and assessing growth opportunities. Revenue will decrease by R19m (1%) in FY2022 owing to the reduction resulting from ASO and reduced DTT uptake, albeit there being new revenue generated.

Service	FY2021 Forecast	FY2022 Budget	Variance	
	R 'mil	R 'mil	R 'mil	%
TV	659	543	(117)	(18%)
FM	344	334	(9)	(3%)
MW	11	10	(1)	(9%)
DTH	167	161	(6)	(4%)
Connectivity	10	55	45	440%
MIS	84	89	5	6%
STB Installation	-	25	25	100%
Strategic growth	-	40	40	100%
Total	**1,276**	**1,257**	**(19)**	**(1%)**

Table 20: Projected 2021/22 Financial Year Revenues

- **Content and Multimedia Services** Terrestrial broadcasting services are delivered via television and radio in both digital and analogue network platforms. With the country in transition from analogue to digital television, ASO provided by broadcasters as their preferred switch off dates will consider the continued focus within television.

  Medium Wave transmitters provide customers and citizens of South Africa in Gauteng, Eastern Cape and Western Cape with radio coverage services. This network is supported and maintained to ensure continuous service availability.

  The traditional television, radio and digital media services remain the core competence of SENTECH and are projected to remain stable, however there are calls for discounts from major customers to reduce tariffs.

- **Management Infrastructure Services** (MIS) SENTECH rents out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services.

  Increasing competition, along with investments in ever-changing technology has resulted in telecom operators finding new ways of maintaining margins. Market trends continue to prove that new operator business models are leaning towards managed services and leased facilities models, considering that the cost of building and operating infrastructure is huge for operators.

- **Connectivity Services** SENTECH created new broadband capabilities focusing on the South Africa Connect (SA-Connect), public sector and other markets, against the backdrop of pedestrian media services growth. The fee arising from the installation of the STB's and the related accessories will be recognised when the STB's are installed. In terms of IFRS 15, the STB installation transaction is done under the Agency agreement as it is a pass through cost and does not result in income to the entity. Thus no revenue should be recognised by SENTECH.

SENTECH is contracted to project manage STB installations for a total amount of R395m (including VAT). The number of installation is 860 000 STBs and 810 000 will be installed in FY2022. This is an agency transaction and revenue amounting to R25m will be realised in FY2022.

6.4. Operating Expenditure

In accordance with the cost containment plan, MTEF expenditure growth is largely based on forecasted CPI, except for contractual obligations specific items. The following major line items drive operating expenses.

- **Employee Costs:** (R416m) relate to personnel remuneration costs including basic salaries, pension and medical fund contributions, housing subsidy, shift and climbing allowances and other personnel costs, such as recruitment costs, skills development levy, bursaries and courses. In response to the National Treasury note regarding the freeze, there was no increase on personnel costs, except for medical aid. The increase on prior year relates to the medical aid escalation.
- **Lease expenses** (R78m) are for transponder capacity used for distribution and linking of the current analogue and future digital terrestrial broadcasting services; and for the Direct-to-Home Satellite (DTH-S) open access platform service. Satellite capacity costs are primarily driven by exchange rate variations. The descrease in costs from prior year forecast are regarding the expected savings from contracts negotiations that will occur to reduce operating costs in the FY2022.
- **Operating Expenses** (R230m) relate mainly to:
    - communication costs (R25m) are flat in view of working from home expected to continue into the first half of FY2022
    - transport and travelling costs (R49m) increased on prior year to support maintenance catch-up
    - marketing costs (R23m) small increase due to connectivity new revenue initiatives
    - insurance and security (R22m) increased costs due to increased vandalism during lockdown
    - hiring charges (R22m) increase based on contract terms
    - computer services (R20m)
    - professional and professional fees (R34m) no increase, and costs are to support new revenue streams initiatives, and the SOC rationalisation project.
- **Depreciation and Amortisation :** (R275m) charge is regarding the normal depreciation on assets in use and a provision for depreciation on new capital expenditure for products and projects expansion. The increase in depreciation is due to the DTT equipment that is brought into the books for utilisation after ASO.
- **Direct Expenses** (R265m) increases on prior year are mainly regarding:
    - maintenance (R71m) increase on prior year is adjusted for catch-up on prior year lockdown backlogs,
    - line rental (R20m) increase on prior year is regarding contractual increases
    - cost of sales (R34m) include R26m for anticipated organic growth in FY2022,
    - energy costs (R140m) were mainly driven by the electricity annual tariff increase as approved by the energy regulator (NERSA). SENTECH is implementing energy-efficient equipment procurement programmes for environmental preservation.

SENTECH is budgeting to achieve R154 million in earnings before tax (EBIT) for the 2022 financial year, resulting in a 22% (R51m) decrease on the forecasted FY2021. The decrease is mainly caused by by reduced TV revenues due to ASO and reduced DTT uptake.

The FY2022 earnings before tax are impacted mainly by the TV revenue reductions due to analogue switch-off, with operating expenditure cost containment initiatives implemented in response to the general uncertain economic outlook on account of the Covid-19 epidemic.

6.5. Statement of Financial Position

	FY2020 R'000	FY2021 R'000	FY2022 R'000	FY2023 R'000	FY2024 R'000
Group and Company	**Actual**	**Forecast**	**Budget**	**Forecast**	**Forecast**
Assets					
Non-current assets					
Property, plant and equipment	1,107,129	1,002,878	1,011,136	970,246	981,369
Intangible assets	20,824	19,783	20,772	19,733	18,747
Deferred tax	37,504	35,629	-	-	-
M&A transaction deal	-	-	-	200,000	386,667
DTT assets	-	373,332	314,318	264,632	222,800
Right of use assets	1,206,104	1,070,350	935,043	799,737	691,491
	2,371,561	**2,501,972**	**2,281,269**	**2,254,348**	**2,301,074**
Current assets					
Inventories	54,693	55,240	55,792	56,350	56,914
Tax	953	-	-	-	-
Trade and other receivables	343,255	102,976	104,006	105,046	106,097
Cash and cash equivalents	1,516,393	1,955,129	1,809,275	1,646,946	1,604,179
	1,915,294	**2,113,345**	**1,969,073**	**1,808,341**	**1,767,190**
Total assets	**4,286,855**	**4,615,317**	**4,250,343**	**4,062,689**	**4,068,263**
Equity					
Share capital	75,892	75,892	75,892	75,891	75,892
DTT asset contribution	-	373,332	314,318	264,632	222,800
Non-distributable reserves	776,015	776,015	791,535	807,366	823,513
Accumulated profit/(deficit)	1,443,886	1,490,604	1,509,365	1,533,412	1,542,758
	2,295,793	**2,715,843**	**2,691,110**	**2,681,301**	**2,664,963**
Liabilities					
Non-current liabilities					
Employee benefits	11,434	11,434	11,434	11,434	11,434
Deferred tax	-	-	-	-	-
Finance lease liability	1,466,693	1,360,300	1,155,224	1,142,417	1,185,529
	1,478,127	**1,371,734**	**1,166,658**	**1,153,851**	**1,196,963**
Current liabilities					
Trade and other payables	136,927	109,542	82,156	61,617	46,213
Deferred income	214,189	249,330	143,396	-	-
Tax payable	4,518	-	-	-	-
Current portion of lease liability	111,301	108,867	122,022	115,921	110,125
Provisions	46,000	60,000	45,000	50,000	50,000
	512,935	**527,740**	**392,574**	**227,538**	**206,338**
Total liabilities	**1,991,062**	**1,899,473**	**1,559,232**	**1,381,389**	**1,403,300**
Total equity and liabilities	**4,286,855**	**4,615,317**	**4,250,343**	**4,062,689**	**4,068,263**

Table 21: Statement of Financial Position

6.6. Statement of Cash Flows

	FY2020 Actual R'000	FY2021 Forecast R'000	FY2022 Budget R'000	FY2023 Budget R'000	FY2024 Budget R'000
Group and Company					
Operating Activities					
Operating profit	261,206	204,907	154,101	176,505	168,952
Depreciation and amortisation	233,491	232,170	274,602	263,751	338,877
Grant Funds - non-cash items	(146,000)	(167,450)	(160,738)	(32,148)	-
Other adjustments	16,325	-	-	-	-
	365,022	**269,627**	**267,965**	**408,109**	**507,829**
Working capital changes:					
Inventories	11,742	(547)	(552)	(558)	(564)
Trade and other receivables	57,503	240,278	(1,030)	(1,040)	(1,050)
Trade and other payables	7,587	(27,385)	(27,385)	(20,539)	(15,404)
Cash generated from operations	**441,853**	**481,973**	**238,997**	**385,972**	**490,811**
Interest received	83,603	66,859	56,831	45,464	36,372
Interest paid	(158,594)	(143,707)	(134,525)	(125,929)	(117,883)
Taxation paid	(39,413)	(17,215)	(7,296)	(9,352)	(3,634)
Net cash from operating activities	**327,448**	**387,911**	**154,007**	**296,154**	**405,664**
Investing activities					
Investments in property, plant & equipment	(72,922)	(127,918)	(229,000)	(369,000)	(350,000)
Net cash utilised in investing activities	**(72,922)**	**(127,918)**	**(229,000)**	**(369,000)**	**(350,000)**
Financing activities					
Grants received	218,203	230,348	-	-	-
Finance lease payments	(84,879)	(72,578)	(81,348)	(89,483)	(98,431)
Interest on grant funds	16,134	20,974	10,487	-	-
Net cash from financing activities	**149,458**	**178,744**	**(70,861)**	**(89,483)**	**(98,431)**
Total cash movement for the year	403,985	438,736	(145,854)	(162,329)	(42,767)
Cash at the beginning of the year	1,112,407	1,516,393	1,955,129	1,809,275	1,646,946
Cash at the end of the year	**1,516,393**	**1,955,129**	**1,809,275**	**1,646,946**	**1,604,179**

Table 22: Statement of Cash Flows

The decrease in cash generated from operations in FY2022 compared to FY2021 is partly due to there being no dual illumination funding in the outer years of the MTEF period, and in FY2021 trade debtors settled debts owing from prior periods. Management is positioning the Company for future growth and there will be cash outflows for strategic initiatives during FY2023 and FY2024.

6.7. Capital Expenditure

During the MTEF period, the Company will continue investing in core infrastructure, to maintain the unique base and leading position within the industry.The Company is planning successful deliver on major projects including the DTT frequency migration with key coverage and the digital dividend targets expected to be achieved. The capital expenditure is funded mainly from its own funds.

SENTECH will focus on integrated infrastructure management to maintain infrastructure and service integrity aimed at enhancing customer experience, and this will be implemented through various technology enhancement programmes and innovations.

All capital expenditure for the Company is evaluated based on business cases which incorporates financial returns that are attractive when compared to competing investment opportunities.

Funding Source	FY2022	FY2023	FY2024	MTEF
	(R' mil)	(R' mil)	(R' mil)	(R' mil)
Internal funds	175	106	150	431
External funds	54	63	-	117
Strategic initiatives	-	200	200	400
Total	229	369	350	948

Table 23: Capital Expenditure Budget

To ensure service delivery after the pandemic, SENTEH will continue maintaining and expanding service offerings infrastructure from resources generated from operations. The FY2022 MTEF Capital Expenditure budget is aimed at ensuring continued service offering and expanding the infrastructure for new business opportunities.

SENTECH will drive finalisation of the digital migration process to enable South Africa to realise the spectrum efficiency and enhance service quality benefits of migration and to effectively achieve analogue switch-off (ASO). Additionally, SENTECH is contracted to rollout set top boxes for the subsidised market and is expected to complete installation of 860 000 STBs by the second quarter of FY2022.

Technological sovereignty is vital now that the technological impasse is developing across the world. SENTECH is playing a key role in supporting the Shareholder's aspiration of establishing a South African communication satellite.

6.8 Borrowing Plans

Businesses often require external funding to maintain operations and invest in future growth. Debt funding involves borrowing of funds to be repaid later, and the benefit is that allows a business to grow small sums of money into a much larger sums, enabling more rapid growth than might otherwise be possible.

SENTECH's Financial Strategy highlights the appropriateness of a suitable capital structure that incorporates a reasonable amount of borrowing, without placing a significant burden on the financial performance of the Company. Short-term borrowing facilities are in place in case the financing requirements go beyond the capacity of internally generated resources.

Long-term borrowing will be considered for significant investment needs that are supported by attractive business investment opportunities that are aligned to the long-term strategy of the Company. In consultation with the Shareholder and National Treasury, a borrowing facility and Debt Management Plan will be developed in accordance with the guidelines and objectives for financing as prescribed by National Treasury and the Shareholder financial governance rules and regulations. Borrowings will be limited to 40:60 debt equity ratio.

Cognisance of borrowing risk constraints, and the limits determined by legislation, SENTECH established the borrowing requirements after shaping the capital and operational expenditure requirements, including the revenue growth estimates. The difficulty with debt financing is that it is interest bearing, the total amount repaid exceeds the initial sum, and payments on debt must be made regardless of business revenue.

Section 29.1.3 of the Treasury Regulations states that public entities listed in Schedule 2 or 3B must: (a) submit with their Corporate Plan to the National Treasury, a three-year borrowing programme beginning with the first financial year of the Corporate Plan; and submit to the National Treasury, quarterly reports on the borrowing programme, reflecting actual borrowing for that quarter and any update in the borrowing programme.

Borrowings Terms and Conditions

The Company established a borrowing plan necessary to fund the company's capital and operational requirements for the 2021/22 to 2023/24 MTEF period in accordance with the requirements of the Public Finance Management Act and the Treasury Regulations.

The main factors influencing SENTECH's funding plans are political, economic, social demographic changes, and the legal and regulatory matters. SENTECH's MTEF period Corporate Plan incorporates the company's strategic imperatives, and the borrowing plan seeks to ensure the achievement of such imperatives through adequate funding.

The Company currently does not have any debt and all capital and operational activities will be funded from cash and reserves generated from operations.

SENTECH will, in general, seek to limit its dependence on borrowings to minimise future revenue committed to debt servicing and redemption charges. The Company may only borrow funds in support of strategic initiatives for the purpose of acquiring assets, improving facilities or infrastructure needed to stimulate growth. Long-term debt may only be incurred for the purpose of capital expenditure on infrastructure, property, plant, or equipment to be used for the purpose of achieving the strategic or mandate imperatives, having obtained the necessary approvals. The use of external loans should be limited to financing infrastructure where a return can be realised from tariffs to service the debt, with revenue streams evident. The gearing for external loans should not exceed the 40% mark.

The table below illustrates the company's cash reserves and cash generated from operations for the past five years, demonstrating its ability to self-fund both capital and operating activities in the MTEF period. SENTECH has healthy cash reserves and can avoid debt or the need to take on additional loan debt in the MTEF. Loans will only be used to persue strategic initiatives with good returns.

Comment	FY2020 Actual R 'mil	FY2021 Forecast R 'mil	FY2022 Budget R 'mil	FY2023 Budget R 'mil	FY2024 Budget R 'mil
Cash and cash equivalents	1,516	1,955	1,809	1,647	1,604
Cash generated from operating activities	442	482	239	386	491
Cash generated from investing activities	(73)	(128)	(229)	(369)	(350)

Table 24: Cash Reserves and Cash Generated from Operations 2020/24

The cash balance reduction over the MTEF is partly due to there being no dual illumination funding in the outer years of the MTEF. Furthermore, management is positioning the Company for future growth and there will be cash outflows amounting to R200m per year for M&A transactions during FY2023 and FY2024 respectively.

KEY FINANCIAL RATIOS	FY2020	FY2021	FY2022	FY2023	FY2024
	Actual	Forecast	Budget	Budget	Budget
Return on assets	(2.5%)	1.9%	0.8%	1.1%	0.4%
EBIDTA Margin	37.1%	34.3%	34.1%	33.5%	36.7%
EBIT Margin	19.6%	16.1%	12.3%	13.4%	12.2%
Liquidity Ratios					
Current ratio = Current assets/Current liabilities	3.73	4.00	5.02	7.95	8.56
The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its current assets such as cash, accounts receivable, and inventories. The higher the ratio, the better the company's liquidity position.					
Solvency Ratios					
Debt to equity = Total debt/Total equity	0.87	0.70	0.58	0.52	0.53
This ratio indicates the degree of financial leverage being used by the business and includes both short-term and long-term debt. SENTECH's low debt ratio indicates conservative financing with an opportunity to borrow in the future at no significant risk.					

Table 25: Key Financial Ratios 2020/24

The Corporate Plan incorporates the company's strategic imperatives, and the borrowing plan seeks to ensure the achievement of such imperatives through adequate funding. The Company currently does not have any debt and does not expect to borrow during the MTEF period.

The main factors influencing SENTECH's funding activities are political, economic and social demographics. In the past few years, SENTECH has funded all capital and operating expenditures from cash flow from operating activities, except for government funded projects e.g. the digital frequency migration project.

7. Annexure A: Governance Structures

7. Annexure A: Governance Structures

7.1. Commitment to Good Governance

SENTECH is committed to the highest standards of governance, ethics and integrity regarding its corporate governance as more than a set of policies, procedures, structures, rules and frameworks. It entails abiding by the governance principles and structures, enabling SENTECH to facilitate and foster healthy relationships between the Board, the Shareholder Representative, stakeholders and employees. We believe that good governance contributes to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership. Good governance is the vehicle towards business integrity, sound business practices and the creation of value for the various stakeholders. We are constantly reviewing our governance practices and processes to ensure that we act in the best interests of our stakeholders. The Board has ultimate accountability and responsibility for the performance and affairs of SENTECH and ensures that SENTECH adheres to high standards of ethical behaviour.

The Board embraces the benefits of diversity as this enhances the range of perspectives of Directors. The Board subscribes to governance principles and practices to ensure creation of value in a manner that is sustainable for SENTECH's stakeholders. The Board is comfortable that there is a right balance of skills, experience and independence to make valuable contributions to SENTECH's business. Governance at SENTECH entails a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability, long after a law and its iterations have been implemented.

7.2. Board of Directors

In terms of the SENTECH Act, the Board shall consist of three Executive Directors and at least four Non-Executive Directors (NEDs), who are all appointed by the Minister. NEDs and Executive Directors are appointed for three-year and five-year terms, respectively. The Board is led by an independent NED and is comprised of a majority of independent NEDs. The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) are the Executive Directors.

The Board comprises of the following Members:

No.	Member	Qualifications
1	**Sandile Bethuel Malinga** Appointed I April 2018 as Non-Executive Director and Appointed 4 February 2020 as Board Chairperson Non-Executive Director	MBA PhD (Physics)
2	**Madzikane Thandisizwe Diko** Appointed 4 February 2020 Non-Executive Director	BA Social Science Magister Artium, Development Communication
3	**Makole Maureen Manyama** Appointed 1 November 2018 Non-Executive Director	Chartered Accountant (SA) MBA
4	**Nompumelelo Precious Sibiya** Appointed 1 November 2018 Non-Executive Director	Chartered Accountant (SA)
5	**Tebogo Magogodi Elizabeth Malaka** Appointed 1 April 2018 Non-Executive Director	BA (SocSc) MBA
6	**Sibongile Malande Tonjeni** Appointment 4 February 2020 Non-Executive Director	B Com and B Com Honours (Accounting) Chartered Accountant (SA)
7	**Bamkitha Mxolisi Tsika** Appointment 4 February 2020 Non-Executive Director	LLB Master of Philosophy

No.	Member	Qualifications
8	**Mlamli Booi** Appointed 15 October 2015 Chief Executive Officer and Executive Director	MSc (Electrical Engineering)
9	**Tebogo Joseph Leshope** Appointed 1 March 2018 Chief Operations Officer and Executive Director	N Dip (Electrical Engineering) BTech (Electrical Engineering) MBA
10	**Rudzani Rasikhinya** Appointed 1 May 2020 Acting Chief Financial Officer	Chartered Accountant (SA)

The key governance roles and responsibilities of the Board are outlined as follows:

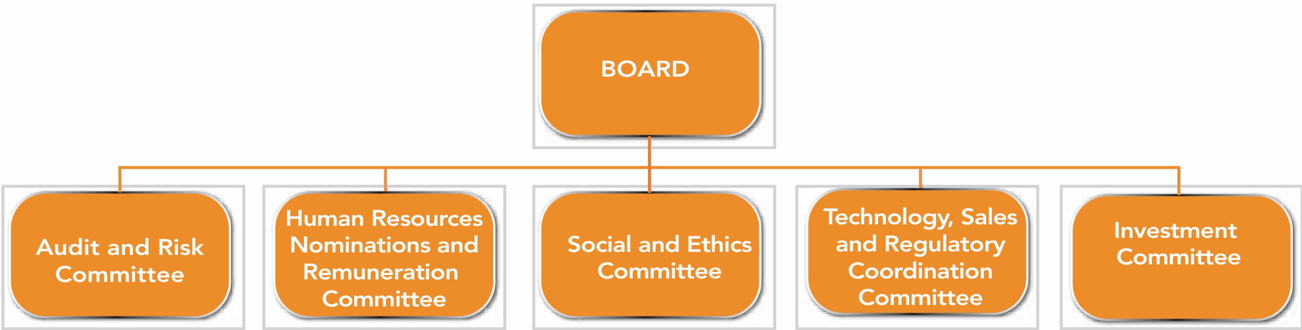
Chairperson
a) Responsible for setting the Board agenda, ensuring there is sufficient time available for discussions on all items
b) Encourages open and honest debate among all Board members
c) Leads and manages the dynamics of the Board, providing direction and focus
d) Ensures that the Board sets the strategy of the Company and assists in monitoring progress towards achieving the strategy
NEDs
a) Have diverse experience, background and skills, and they bring unique perspectives to the Boardroom to facilitate constructive debate on proposals
b) They contribute business acumen, independent judgment and experience on various issues which include strategy, ethical leadership, governance, transformation and performance management, against agreed goals
c) Ensure the effectiveness of internal controls and the integrity of financial reporting
d) Monitor executive performance
e) Have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their responsibilities as independent NEDs

Executive Directors		
CEO	CFO	COO
• Bears ultimate responsibility for all management functions • Responsible for managing and leading the Company within the authorities delegated by the Board • Ensures that the Board receives information that is accurate, timely and clear to enable the Directors to perform their duties effectively	• Leads and manages the Company's finance function • Provides the Board with updates on the company's financial performance	• Leads and manages the Company's Technology and Operations • Provides the Board with updates on Technology Strategy implementation and Operational Performance

Company Secretary
• Responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures • Responsible for minutes of all Board and committee meetings to record the deliberations and decisions taken therein • Ensures that the Board complies with all relevant legal prescripts • Provides guidance to the Board in discharging its fiduciary duties

7.3. Board Sub-Committees

The Board Committees facilitate the discharge of responsibilities and provide in-depth focus, oversight and guidance on specific areas, and report to the Board through their respective Chairpersons. Committee Chairpersons submits written reports to the Board. To this end, the Board has established five Board Committees as set out below.



8. Annexure B: Risk Management Plan

8. Annexure B: Risk Management Plan

SENTECH recognises that risk management is a corporate and individual responsibility. The establishment of effective systems of risk management is a part of the internal control framework. Anticipation of risks and subsequent management increases SENTECH's ability to respond to risks in a timely and appropriate manner and to make decisions in line with its risk appetite. The Board of Directors has overall accountability for ensuring effective risk management and sets strategic direction. It maintains oversight of the top risks facing the entity through periodic review to satisfy itself that the risks are being adequately mitigated.

The overall oversight role is exercised mainly through the Audit and Risk Committee and supported by all other Board Committees (HR Nominations; Technology, Sales, Regulations Coordination, Investment Committees and Social and Ethics Committee) who exercise oversight for risk management as their terms of reference. The Executive Management is responsible for the management and implementation of the risk management framework together with the Risk and Compliance Management function.

The risks are identified and revised at least twice a year through assessment workshops with all stakeholders and they are monitored and reported to the Board on a quarterly basis.

The following risks have been identified and assessed as high risks facing SENTECH, at the time of developing the Corporate Plan. Some risks may emerge which were not identified during this period due to the fast-changing nature of the industry, regulatory environment, political and economic environment and rapid technology developments.

Risk Rating Guide:

The following is the risk rating matrix that was used to assess the risks:

Critical	5	Medium	Medium	High	High	High	
Major	4	Low	Medium	High	High	High	
Insignificant	3	Low	Medium	Medium	High	High	Risk Appetite Line
Moderate	2	Low	Low	Medium	Medium	Medium	
Negligible	1	Low	Low	Low	Low	Medium	
		1	2	3	4	5	

SENTECH's Risk Rating Matrix

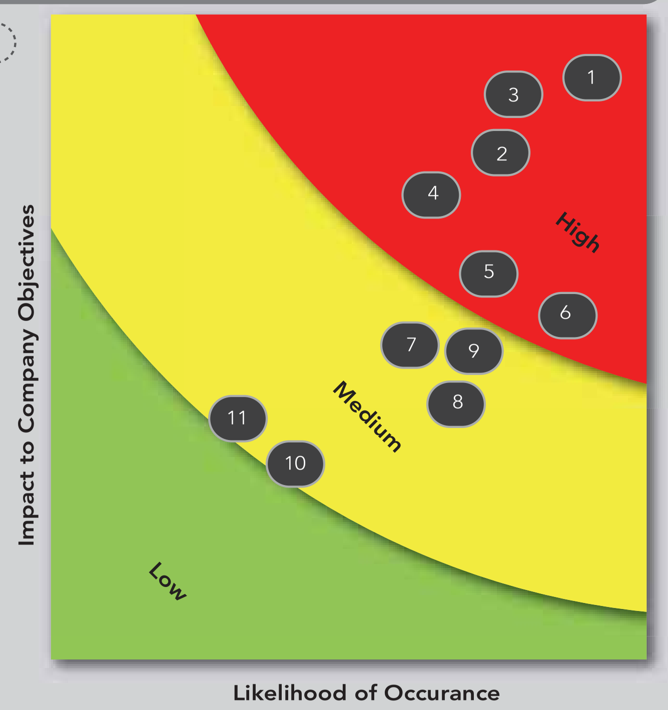
8.1. Strategic Risks

Summary of Strategic Risks

L | M | H

Strategic Risks

#	Strategic Risks Description	Residual Risk Rating
1	Inadequate growth of the broadband and connectivity business	20
2	Over reliance on one major customer	20
3	Declining revenues for existing business	20
4	Inability to deploy targeted sites timeously	16
5	Unsustainable cost of operations that may result in insolvency	13
6	Delayed analogues switch off	13
7	Lost opportunities in the managed infrastructure services due to inadequate infrastructure	10
8	Lack of digital transformation i.e. inadequate innovation and inability to adopt new technologies	10
9	Inadequate business model development resulting in failure to realise the objectives of the merger goals	10
10	Inability to attract, develop and retail mission critical skills	8
11	Loss of current customers and inability to acquire new customers	8



8.2. Detailed Risk Management plan

#	Strategic Goal	Outcomes & Indicators	Risk Description	Contributing factors or causes	Controls	Mitigation
1	Sustainable business growth	Revenue growth	Inadequate growth of the broadband and connectivity business	• Strong competition from established Telco's/MNOs • Overlapping and beauracratic policies governing ICT mandates • Unfavourable economic climate • Insufficient investment (capacity and infrastructure) • Inappropriate business model vs rapidly changing industry trends • Inadequate governance framework for partnerships	• Broadband Business Plan. • Launched Sentech Connect to increase branding visibility and possible sales. • Revised MA&P process to include buying of existing broadband Company. • Structural changes in Technology and BB Executive to focus on broadband. • Interim resources to drive broadband business. • Marketing and Sales Strategy	• Acquisition of the broadband Company • Accelerate finalisation of clear co-operation arrangements with relevant stakeholders. • Improve the current strategic partnership framework to enable and fast track revenue growth • Formalise a business structure for the Broadband Division and capacitate it with resources and permanent skills • Approved and a funded Business Case to implement broadband projects • Accounting and structural separation: broadcasting and broadband.
2	Linked to Multiple Goals	Linked to Multiple Outcomes	Over reliance on one major customer	• Poor business development implementation strategy execution and capability. • Historical market structure • Poor implementation of diversification plans • Ineffective innovation and product development	• Lean start up methodology and approach • Product development processes	• Review product development processes • Full implementation of Diversification plans and Lean Start Up processes. • Develop business development structures and processes

#	Strategic Goal	Outcomes & Indicators	Risk Description	Contributing factors or causes	Controls	Mitigation
3	Sustainable business growth	Increased profitability	Declining revenues for existing business	• Inappropriate tariffs (resulting in unaffordable services to customers) • Declining traditional terrestrial broadcasting market due to increasing uptake of alternative digital platforms • Perceived high cost of services by customers • Declining revenue for TV due to DTT migration • Reduction on the number of DTT sites by broadcasters • Commercial agreements with broadcasters not concluded or expiring	• On-going engagements with the Broadcasters • Research and innovation • Approved tariffs by the regulator	• Implement revenue diversification initiatives • Review costs inputs to tariffs • Implement alternative digital platform
4	Build digitally connected people and communities	Increased network coverage	Inability to deploy targeted sites timeously	• Lack of resource capacity and skills for project execution due to moratorium on filling vacant positions. • Spectrum availability / limitations • Power availability • Third party tower infrastructure availability • Inadequate or ineffective feasibility study • Stakeholder buy-in and agreements (procurement limitations for local content)	• Budget Management processes • Market Analysis • Site surveys	• Appoint skilled and qualified resources to execute on projects • Secure high demand spectrum through partnerships / acquisitions • Identify and source alternative energy solutions to complement the connectivity solutions to mitigate power limitations • Develop agile deployment model of infrastructure where non exist (Partnerships/ Contract with Towers) • Conduct area specific diagnostics to determine key dependencies for connectivity deployment • Proactive stakeholder engagements to cultivate the environment for seamless roll-out

#	Strategic Goal	Outcomes & Indicators	Risk Description	Contributing factors or causes	Controls	Mitigation
5	Sustainable business growth	Increased Profitability	Unsustainable cost of operations that may result in insolvency	• Increasing operational costs • Slow revenue growth • Foreign exchange fluctuations • Increased cost due to management of disaster related activities • Ineffective debt management Declining ROA / ROE (Reduction in usage of DTT)	• Energy Optimisation Strategy • Cost Containment Plan • Implement effective and efficient corrective maintenance plan • Credit Management processes • Customer engagements • Monitoring of foreign exchange and hedges (where necessary) Stakeholder Management • Business Continuity Planning (BCP)	• Implementation of the VSP programme. • Continued engagement of stakeholders for ASO • Review and effectively manage allowances and benefits • Continue monitoring foreign exchange fluctuations and implement relevant controls • Review of the energy efficiency strategy Continued implementation and review of BCP • Implementation of remote working policy
6	Build digitally connected people and communities	Right technology in the right place at the right time/ able to use	Delayed analogue switch-off (ASO)	• Inadequate community awareness campaign • Unavailability of unsubsidised STB's in the market • Delays on the STB installations • Community unrests • Impact of Covid and lockdown regulations on project implementation	• Project Management and monitoring • Draft communication plan • Stakeholder Management • Compliance monitoring on Covid Regulations and health protocols • Business Continuity plan	• Engagement of the ASO Project Team and DCDT on the voucher system • Roll-out of the DTT communication plan by the relevant stakeholders • Continued engagement of stakeholders • Risk Analysis of the impact of early migration on SENTECH
7	Sustainable business growth	Revenue growth	Lost opportunities in the managed infrastructure services (MIS) business due to inadequate infrastructure	• Insufficient funds for acquisition of infrastructure • Data centres not meeting customer requirements • Long and cumbersome approval processes (internal and external) for acquisitions	• M&A, Policy and processes in place • Inorganic growth strategy • Governance processes • Allocation of budgets for investments	• Review current approval processes to improve on the efficiencies for new business opportunities. • Complete upgrade of the data centre to meet customer requirements

#	Strategic Goal	Outcomes & Indicators	Risk Description	Contributing factors or causes	Controls	Mitigation
8	Build digitally connected people and communities	Right technology in the right place at the right time/ able to use	Lack of digital transformation i.e. inadequate innovation and inability to adopt new technologies	• Inadequate systematic innovation process • Inadequate budget, skills and capacity • Inadequate understanding of the new market and customers • Delayed implementation of research outcomes and take to market of products and services	• R&I Policy Lean start-up and designed thinking approach • Broadband Strategy M&A processes • Partnerships and Collaboration with industry leaders	• Periodic review of the R&I Policy • Training and Development Plan aligned to the direct needs of the business and market • Resume Innovation awards • Establish Innovation Hub • Acquisition of skills and technologies through the M&A process • Full implementation of Lean start-up and designed thinking approach • Conduct scientific research to identify real client needs
9	Sustainable business growth	Sustainable broadband business (SOC Rationalisation)	Inadequate business model developed resulting in failure to realise the objectives of the merger goals	• Uncertainties on the mandate of the new Company • Inaccurate information used to develop the business model • Lack of budget to fund the merger • Limited time available for the process	• SOC Rationalisation Business Plan • SOC Rationalisation Task Team	• Continued participation in the process • Continued stakeholder engagement and consultations
10	Build digitally connected people and communities	Developed digital capabilities	Inability to attract, develop and retain mission critical skills	• Inadequate internal capacity and inability to identify the right skills • Moratorium on recruitment • Poor culture, processes, structure and systems • Lack of focus and agility • Inability to identify right strategic partnerships • Limited financial resources	• Training and Development • Succession plan • Talent Management • Academic collaboration • Outsourcing • Internships (students) • MA&P Policy • SENTECH WAY defined culture	• Develop and implement training and development plan aligned to business needs • Implementation of Talent Management Plan • Development of an organogram / structure that supports the business model and corporate strategy

#	Strategic Goal	Outcomes & Indicators	Risk Description	Contributing factors or causes	Controls	Mitigation
11	Increased customer loyalty	Increased customer loyalty	Loss of current customers and inability to acquire new customers	• Unsatisfactory service delivery and Slow service provisioning • Lack of innovation • No response to customer queries (unresponsiveness) • Perceived poor value for money	• M&S strategy (Customer satisfaction survey, Customer engagement monitoring) • Research & Innovation • SENTECH WAY continuous implementation • Collaboration with other SOEs Stakeholder engagement (DTT PMO)	• Reduce customer cost structure • Continuous implementation of SENTECH WAY • Customer awareness campaigns • Review Customer SLAs to focus on pain points Continued Customer engagement and monitoring.

9. Annexure C: Summarised Fraud Prevention Plan

9. Annexure C: Summarised Fraud Prevention Plan

9.1. Introduction

The risk of fraud and corruption is being viewed in a serious light in the public sector and as such, a Fraud Prevention Plan is a statutory requirement in terms of the PFMA and the Treasury Regulations. SENTECH believes that the risk of fraud and corruption should not be dealt with in isolation but should be approached as part of the entity's overall risk management strategy.

To this end, SENTECH has developed a code of conduct articulating the values and acceptable ethical standards that everyone associated with the Company is required to adhere to. The Company also acknowledges that in today's business environment, fraud is prevalent, and all organisations are susceptible to the risk of fraud. In this regard, the Board and Management is committed to combating and eradicating all forms of fraud inherent to the operations of SENTECH.

The Fraud Prevention Plan outlines the framework and strategy for the prevention, deterrence, detection, reporting, investigation and handling of fraud, corruption and other corporate crimes. This plan is one of the key instruments to ensure that there is a proactive approach towards minimising risks that can adversely impact SENTECH's business operations. This plan is summarised below.

9.2. Definition of terms

Fraud is defined as "the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another". The term "fraud" is also used in a wider sense by the public. All other terms used are defined in the Fraud Prevention Policy which can be found on the SENTECH website or on request from relevant officials.

9.3. Legislative framework

In addition to the aforementioned legislated requirement for a Fraud Prevention Plan, the following three specific pieces of legislation also govern aspects of fraud and corruption for South African entities.

9.3.1. The Prevention and Combating of Corruption Activities Act 12 of 2004 (PRECCA), section 34, obliges people who hold positions of authority to report any offence of theft, fraud, extortion, forgery or uttering a forged document, involving an amount of R100 000 or more, to any police official.

9.3.2. The Protected Disclosures Act of 2000 (PDA) was enacted to protect employees who make protected disclosure, which is defined by the Act as any disclosure of information regarding any conduct of an employer, or an employee of that employer, made by any employee who has reason to believe that the information concerned shows or tends to show one or more of the following:

a) that a criminal offence has been committed, is being committed or is likely to be committed;

b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which that person is subject;

c) that a miscarriage of justice has occurred, is occurring or is likely to occur;

d) that the health or safety of an individual has been, is being or is likely to be endangered;

e) that the environment has been, is being or is likely to be damaged;

f) unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000); or

g) that any matter referred to in paragraphs (a) to (f) has been, is being or is likely to be deliberately concealed.

9.3.3. Protection of Personal Information (POPI) Act 2013

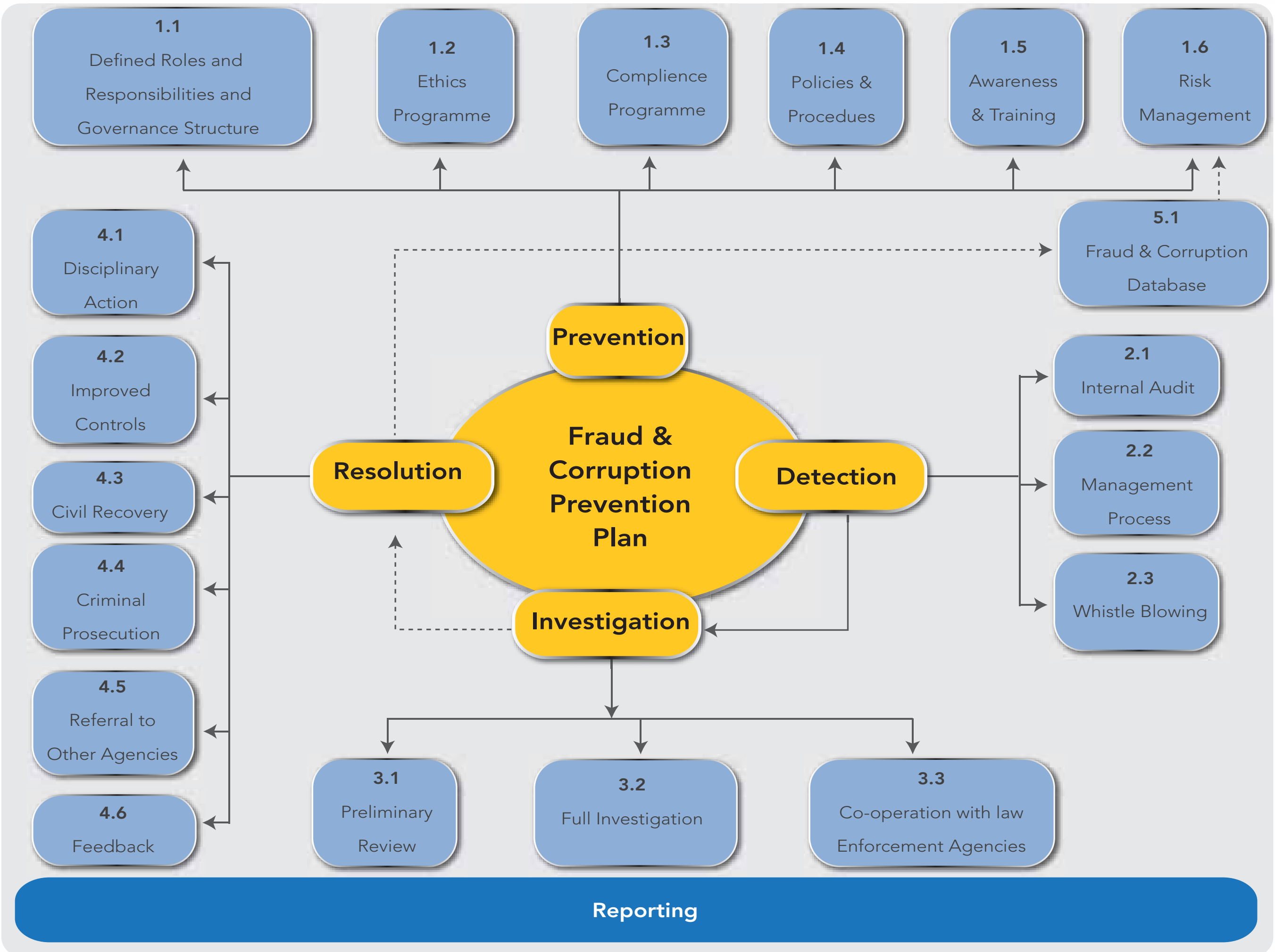
9.4. Policy Stance and Strategic Approach

9.4.1. SENTECH assumes a zero-tolerance stance against all forms of fraudulent and corrupt activities and is committed to discouraging and preventing such behaviour in the performance of its business operations.

9.4.2. SENTECH shall implement systems and processes that give assurance that the potential for fraud and corruption across all business areas is minimised. Systems and processes that provide assurance that actual incidences of fraud and corruption are detected and responded to shall also be implemented.

9.5. Framework for Fraud & Corruption Response

SENTECH's framework to fraud and corruption prevention and response is depicted in the diagram below. The details of the framework are contained in the detailed Fraud Prevention Plan.



9.6. Whistle Blowing

SENTECH recognises the fact that unethical conduct and fraud within SENTECH is detrimental to good, effective, accountable and transparent governance within SENTECH and there is a need for procedures in terms of which employees may, without fear of reprisals, disclose information relating to suspected or alleged unethical conduct and fraud affecting SENTECH. As such, a Whistle Blowing Policy has been developed to ensure reasonable compliance with the PDA, which makes provision for the protection of employees and other whistle blowers who make disclosures in good faith.

A tip-off anonymous hot line is in place for the anonymous reporting of fraud and corruption activities. Tip-Offs Anonymous is a completely independent, confidential whistle blowing hotline service operating 24-hours a day, 365 days a year. The service allows employees, customers, service providers and other stakeholders to report fraud and inappropriate activities in the Company in a safe, confidential and secure way.

10. Annexure D: Materiality and Significance Framework

10. Annexure D: Materiality and Significance Framework

AGREEMENT

on the

MATERIALITY AND SIGNIFICANCE FRAMEWORK

between

THE MINISTER OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES

and

SENTECH SOC LTD

10.1. Legislative Background

a) SENTECH, as a schedule 3B public entity, is governed by the PFMA and the Treasury Regulations issued by the National Treasury and by the Companies Act.

b) Treasury Regulation 28.3.1 – "For purposes of material [sections 55(2) of the PFMA] and significant [section 54(2) of the PFMA] transactions, the SENTECH Board of Directors must develop and agree on a framework of acceptable levels of materiality and significance with the relevant Executive Authority."

c) Section 55(2)(b)(i) of the PFMA – "The Annual Report and Financial Statements referred to in subsection (1)(d) must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year."

d) Section 54(2) of the PFMA – "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 transactions to its Executive Authority for approval of the transaction:

   i. establishment or participation in the establishment of a company;

   ii. participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;

   iii. acquisition or disposal of a significant shareholding in a company;

   iv. acquisition or disposal of a significant asset;

   v. commencement or cessation of a significant business activity; and

   vi. a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement."

e) National Treasury Practice Note dated 13/07/2006 dealing with applications under section 54.

10.2. Definition of Materiality and Significance

a) The Accounting Standards Board defines materiality as "the magnitude of an omission or misstatement in the financial statements which, individually or collectively, makes it probable that a reasonable person relying on those statements would have been influenced by the information or made a different judgement if the correct information had been known."

b) From an external audit point of view, International Standard on Auditing (ISA) 320 defines materiality as follows: "Information is material if its omission or misstatement could influence the economic decisions of users taken, based on the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point (quantitative), rather than being a primary qualitative characteristic which information must have, if it is to be useful."

c) The Concise Oxford Dictionary defines 'significant' as "extensive or important enough to merit attention" and may therefore be interpreted as of relative importance to the public entity. Transactions may be significant based on the monetary value of the transactions or due to the nature of the transactions. Thus, a transaction will be significant if conducting the transaction is vitally important in order to fulfil the public entity's mandate and for it to operate effectively.

d) Significant" may also be interpreted as those transactions that, in the case of SENTECH, would require approval from the Executive Authority or the National Treasury or Parliament and would include, but not be limited to, participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; the acquisition or disposal of a significant shareholding in the organisation; the acquisition or disposal of a significant asset; and commencement or cessation of a significant business activity.

e) From the interpretations above, it can be seen that there is a difference between 'material' and 'significant'. Significant is larger than material as a significant transaction impacts on the public entity as a whole. An occurrence may be material but not necessarily significant, whereas any occurrence that is significant will be material.

f) As Treasury Regulation 28.3.1 also has an expectation of qualitative reporting, this framework will be dealt with in two main categories, namely, quantitative and qualitative aspects. The policy set out hereunder should be appropriately presented in the Annual Report as required.

10.3. Quantitative Financial Statement Reporting

a) Quantitative Aspects

i. Significance Framework (section 55)

Guidelines for setting materiality levels

Basis	Maximum %	FY2022 Budget	High
		R'000	R'000
Gross expenditure	1%	1,264,032	12,640
Gross revenue	1%	1,418,061	14,181
Net income	10%	18,761	1,876
Total assets	2%	4,250,343	85,007

From the above description of 'quantitative materiality', and considering the percentage guidelines listed in the table above, management is of the opinion that the most appropriate basis for calculating the quantitative material loss limit for SENTECH should be based on the annual budgeted gross operating expenditure:

- The annual budgeted gross operating expenditure for the year is R1.264 billion.
- Based on the above and the guideline table above, the quantitative materiality level for SENTECH is R12.640 million, being 1% (rounded off) of the annual budgeted gross expenditure.
- Accordingly, all fruitless and wasteful expenditure and/or irregular expenditure that exceeds the quantitative materiality level of R12,640 million will be reported in the Annual Report and the financial statements

ii. Significance Framework (section 55)

From the above description of 'significance', and taking into account the percentage guidelines which is listed in the table above, SENTECH is of the opinion that the most appropriate basis for calculating the significance limit for the purposes of section 55 of the PFMA should be based as a percentage of total assets, specifically in view of the fact that SENTECH is an infrastructure company and is currently engaged in various major projects which will also translate into assets in future years.

Total assets of R4.250 billion include the following:

- Property, plant and equipment, forecast for 31 March 2022 at R2.281 billion.
- Other assets at R1.969 billion.

Based on the above and the guideline table above, the quantitative significance level for SENTECH is R85.007 million (excluding VAT), being 2% of the budgeted total assets. The cost of total assets has increased from prior years because SENTECH records assets funded through Government Grants on a net basis. SENTECH expects to change its accounting policy to reflect the gross method and therefore the cost of total assets for the Company after analogue switch-off.

b) Qualitative Aspects

Materiality is not merely related to the size of SENTECH and/or the elements of its financial statements. Obviously, misstatements that are large either individually or in the aggregate may affect a 'reasonable' user's judgment. However, misstatements may also be material on qualitative grounds. These qualitative grounds include, amongst others:

Unusual transactions entered into that are not of a repetitive nature and are disclosable purely due to the nature thereof (due to knowledge thereof affecting the decision-making of the user of the financial statements);

- Transactions entered into that could result in reputational risk for SENTECH;
- Any fraudulent or dishonest behaviour of an officer or staff member of SENTECH – for example, losses resulting from criminal conduct may be seen as material, based on the public accountability of SENTECH, regardless of the monetary value of the amount;
- Procedures/processes required by legislation or regulation.

10.4. Application and Reporting

a) The materiality matrix is developed and communicated to relevant management before the start of the financial year. This enables SENTECH to make decisions as to what should be reported as losses or irregular, fruitless or wasteful expenditure. SENTECH is then able to ensure that the correct information is included in the Annual Report and financial statements.

b) All transactions that result in a loss to SENTECH (including irregular, unauthorised and fruitless and wasteful expenditure, and losses resulting from criminal conduct) should be recorded in a register. The PFMA defines 'irregular expenditure' as expenditure incurred in contravention of the PFMA or any applicable legislation or incurring expenditure not in accordance with the mandate of SENTECH. 'Fruitless and wasteful expenditure' refers to expenditure which was made in vain and would have been avoided had reasonable care been exercised.

c) All material losses must be reported to the CFO who should ensure that the transaction is appropriately allocated in the general ledger and recorded in a central loss register.

d) An explanation detailing all information and reasons surrounding the transaction as well as amounts recovered and strategies developed to prevent similar losses in the future must be included.

e) No officer may condone any material loss incurred directly by him or through instructions issued by him.

f) All amounts referred to in paragraph 5.1 and 5.2 must be reported to the Board.

g) When developing the Three-year Rolling Audit Plan and the Annual Audit Coverage Plan, the Internal Audit Function must ensure that sufficient attention is given to the audit of material items which may fall through the gaps in the existing control systems.

h) Material and significant events will be reported to the following parties:

- External: Minister of Communications and Digital Technologies (The Minister); and
- Internal: SENTECH Board and EXCO.

i) The reporting of applicable material and significant events (PFMA – section 54) to the Minister will be done formally in writing before the transaction is concluded.

j) The public entity must include the materiality and significance framework in the following documents to be submitted to the entity's Executive Authority:

- Annual Report [TR 28.2.1]
- Corporate Business Plan [TR 29.1.1(f)]
- Strategic Plan [TR30.1.3(e)].

10.5. Acceptance Levels of Materiality and Significance

Definitions	Framework	Underlying Principles
Materiality for section 55 of the PFMA – Disclosure, in the Annual Report, of: • Losses due to criminal conduct • Irregular expenditure • Fruitless and wasteful expenditure	Quantitative: For purposes of reporting the incidence of losses due to criminal conduct, irregular expenditure, and fruitless and wasteful expenditure, in terms of section 55(2) (b) (i) of the PFMA; disclosure shall be made where the loss or expenditure is equal to or greater than R12.640 million Qualitative: Over and above the financial considerations of materiality, any losses due to criminal conduct are material by nature, irrespective of the quantum thereof It is, therefore important to note that the quantitative measures of materiality will only apply to expenditure other than irregular expenditure and fruitless and wasteful expenditure, and losses due to criminal conduct which are considered in terms of the qualitative measures	• Each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, as identified, will be evaluated in the context of the expense category to which it relates, to determine whether it qualifies for disclosure in the Annual Report as required by section 55 • In line with good business practice, as well as the requirements of the Act, SENTECH is committed to the prevention, detection of and taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of SENTECH (sec 51(1)(b)(ii)) To this end, SENTECH's systems and processes are designed and continually reviewed to ensure the prevention and detection of all such expenditure, irrespective the size thereof
Significant for section 54 – Information and approval by the Minister of 'Qualifying transactions', i.e : • establishment or participation in the establishment of a company • equity participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (applies to both local and international transactions); • acquisition or disposal of significant shareholding in an organisation; • acquisition or disposal of a significant asset; commencement or cessation of a significant business activity; and • a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement (locally based or international transactions)	Quantitative: Qualifying transactions of an operational nature, Qualifying transactions of a strategic nature • 10% of equity Regardless of the monetary value thereof, all direct equity investments: • greater than 20% require formal information to the Executive Authority; or • greater than 50% require approval by the Executive Authority Qualitative: A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of section 54. The decision on which non-financial issues may be considered at any time requires careful judgment at a strategic level, and should therefore rest with the Board as the representative body of the stakeholders. As an example, the Board may consider a qualifying transaction as significant when it could impact significantly on a decision or action by the Minister	The PFMA is not intended to affect the autonomy of SENTECH, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters on a daily basis • The operations of SENTECH are conducted within the framework of the mandate, objects and powers of the SENTECH Act, as well as the operational and financial direction set out in the Strategic Plan • SENTECH also has defined accountability and approval structures from the Board, as the Stakeholder representative, for the CEO and management • The responsibility for the day-to-day management of SENTECH rests in line management through a clearly defined organisational structure and through formally delegated authorities

10.6. Amendment and Review

Unless otherwise agreed, this Materiality and Significance Framework will be reviewed after a period of three years.

10.7. Signatures

Signed by the Minister at…………………………………………………………...……… on the ………. of…………………2021

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Minister of Communications and Digital Technologies

Signed for on behalf of SENTECH at ……………………………………... on the …………………of …………………... 2021

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Chairperson of SENTECH Board of Directors

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