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1. Scope of the Document

This document defines the technical standards for programmes commissioned by the SABC for delivery, either directly (e.g. Studio or OB contributions) or on tape (e.g. Betacam SP). While the document deals primarily with material for transmission, there are other factors to take into account and these will be reflected in the commissioning process.

Although this document is titled “Technical Standards”, it also contains elements from the Standard Production Agreement and “SABC Delivery Requirements” in order that it can be used as a more compact reference for operational staff charged with delivering programme material for the SABC.

2. Introduction

It is not intended to frustrate producers’ ambition to make their programme in their own chosen way. The purpose of this document is to set out the technical requirements to ensure that material delivered is of a satisfactory standard. This document also draws attention to areas that may impact upon technical parameters and the quality of programmes.

As noted in clause 1, this document also contains relevant requirements that are not strictly technical standards but combined they form a useful reference for operational staff. The content will be dealt with in three sections:

Technical Requirements These describe the technical standards required to deliver material to the SABC in such a way that the programme is fit to perform the purpose(s) for which it was commissioned and will pass flawlessly through the broadcaster’s systems. These are objective measurements that are used to decide if the material passes or fails the acceptance test.

Quality Requirements These requirements deal with picture and sound quality. Careless shooting, inappropriate production methods and faulty or substandard equipment can impair sound or vision. The CCIR five-point grading scale is used to assess the quality of programmes for broadcast.

Operational Requirements All material delivered must be to the correct standard, be accompanied by the correct line-up sequences and the correct information for the “ingest” or delivery process. These requirements are specific to the delivery media, e.g. via Betacam SP.

Some aspects fit into more than one category.

Due to the rapid rate of technical development, use of specific equipment is constantly under review. This document will be subject to periodic updates to reflect this reality, but please consult the SABC Technology Division for advice on specific issues.

3. Technical Responsibilities for Programmes

3.1. General responsibilities

The Technology Division of the SABC is required to ensure that broadcast programme technical quality is maintained to a satisfactory standard.

3.2. Relaxation of standards

All programmes are expected to meet the SABC's technical standards. Exemptions are given only in specific cases and not for the general convenience of programme makers.

Where programmes fail to meet full broadcast technical specifications and fall outside these categories it will be necessary to apply for special exemption. Any proposal to deliver programme material, which does not conform to the technical standards in these guidelines, must be agreed beforehand with the commissioning team. Copies of any written agreements must then be supplied on the transmission form to assist the reviewer. This will allow discussions to proceed at an early stage and, although in no way guaranteed, will reduce the likelihood of subsequent difficulties.

There are five recognised categories for technical exemption as follows:

- 3.2.1 Artistic interest: Innovative or experimental productions which are made, of necessity, by those who do not have access to equipment or facilities meeting broadcast quality standards
- 3.2.2 Historic interest: News or programmes of a documentary nature which show historic events taking place or whose subject matter requires the use of archive material
- 3.2.3 Actuality material: News, features or documentaries of an actuality nature where better quality has not been possible because of limitations placed on the format or physical size of equipment used. Such limitations are those incurred as a result of shooting in difficult areas such as war zones, isolated locations, confined spaces or other difficult environments
- 3.2.4 Early television and cinema: Excerpts from historical archives where low technical quality was due to the then current performance of equipment used in its creation or where quality is now lower than at the time of original showing because of film or video ageing
- 3.2.5 Domestic equipment: Programmes which employ excerpts made using domestic equipment in which the context requires its use

4. General Technical Requirements

Technical requirements must be met so that programme material is in the required format, which can be used reliably without any user intervention and can be passed through systems without noticeable impairment to the viewer.

4.1 Video general technical requirements

Although the bulk of programming is now produced digitally and delivered on Betacam SP, the signals must still be compliant with analogue standards. For example excessive (illegal) levels are likely to cause severe picture disturbances when copied to analogue tape formats such as Betacam SP or sound buzz on analogue transmission.

4.1.1 Video standard

All signals and recordings supplied shall be of the 625/50 interlaced standard

unless agreed otherwise beforehand.

Composite material shall meet PAL System I in all aspects of timing, frequency response and bandwidths.

4.1.2 Video quality for origination and post-production

To ensure that high quality is maintained the origination tape machines and post-production equipment must meet the following minimum requirements:

- Dramas, programmes for international distribution and sport -
All equipment must at least use 4:2:2 component processing (DVC Pro 50, IMX, Digital Betacam, Betacam SP)
- Documentaries, actuality programmes and news -
All equipment must at least use 4:2:0 or 4:1:1 component processing (DVC Pro 25, DVCam)
- Inserts -
Only when the size or portability of the equipment is a restriction, may domestic camcorders be used (DV, Mini DV, Digital 8mm)
- General -
The compression ratios for 4:2:2 intra-frame equipment should not be higher than 3.3 to 1. The compression ratios for 4:1:1 / 4:2:0 intra-frame equipment should not be higher than 5 to 1.

The compression ratios for 4:2:2 MPEG-2 equipment should not be higher than 10 to 1.

Any other digital standard and compression ratios must be approved by the SABC Technology Division before the equipment is used for programming.

4.1.3 Video levels and gamut (illegal signals)

Video levels including any line-up shall be within the specified limits so that the programme material can be used without adjustment.

Video levels are based on the PAL System I which specifies 0 to 100% RGB Limits. The SABC require that signals meet the EBU Recommendation.

Luminance limits 110% max

Chrominance 123% max

Overshoots can be ignored by the use of a low pass IRE filter. Single lines with larger errors caused by vertical processing such as aperture correction and aspect ratio conversion are permitted if they do not exceed the 110% luminance limit.

Chrominance levels measured on a vectorscope shall not exceed the vector blocks marked on the vectorscope graticule (colour bars).

Chrominance levels measured below black level on a waveform monitor shall not exceed -18%.

4.1.4 Line-up

Line-up signals serve to identify individual signal channels and to provide reference levels to confirm that the programme transmitted is within the signal level limits and will be as the producer intended.

Preferred line-up signals are given under 4.2.3 for recordings and 9.1 for direct feeds.

Programme video levels must be accurately related to their associated line-up signals but not exceed the limits set in 4.1.3. The maximum deviation of programme levels from that indicated by the line-up signals shall be:

Video luminance	3%
Video chrominance	5%

Line blanking level shall be used as a black reference for the programme.

Refer to the section on specific operational requirements, section 6.2.1 of this appendix, for usage of line-up signals.

4.1.5 Safe areas for action and captions

Captions and action shall be within the safe areas specified for delivery.

Format and protection required	Action safe	Caption safe
Standard for 4:3 delivery	90% of Active Width 90% of Height	80% of Active Width 80% of Height

4.1.6 Time-code

Vertical interval time-code (VITC) is mandatory and shall occur on lines 19 / 21 / 332 / 334.

Longitudinal time-code (LTC) is mandatory and shall be 8-field locked to the relevant video source and be phase accurate to less than 10mS (1/2 field) error.

The time information in VITC and LTC must match.

4.2 Audio general technical requirements

4.2.1 Audio standards

Programmes shall be delivered in mono or stereo format as required. The use of pre-emphasis and/or noise-reduction schemes during acquisition and post-production is acceptable. However, the programme for final delivery

should have no pre-emphasis or noise reduction scheme applied unless specifically required. For Betacam SP, which is the current delivery format for the SABC, *Dolby Noise Reduction must be off*.

Left audio shall be present on the A leg or Channel 1.

Right audio shall be present on the B leg or Channel 2.

Mono shall be in dual mono format with identical and coherent audio on both left and right channels. This is so that it may be used on stereo programmes.

4.2.2 Audio level, reference level and measurement

Programme audio levels shall always be measured by peak programme meters (PPM).

The maximum or peak programme level shall be measured with a PPM and shall never exceed 6dBu (100%) above the programme's reference level of 0dBu (50%).

All the Betacam SP video machines in the SABC are aligned to an operating level of 0dBu, which conform to the Sony standard except for the fact that the SABC uses the 0dBu jumper inside the Betacam SP machine.

4.2.3 Line-up tones

Line-up tones serve to identify individual signal channels and to provide reference levels to indicate that without adjustment the programme transmitted will be within the signal level limits specified in 4.2.2 and will be broadcast as the producer intended.

All source tones must be generated to a tolerance of ± 0.1 dB.

Mono line-up tone shall be at a frequency of 1kHz ± 100 Hz and recorded at 50% as measured using a PPM.

For stereo sources, stereo line-up tone shall be provided at a frequency of 1kHz ± 100 Hz and shall indicate the left and right programme legs: namely, EBU / ITC stereo tone at 50% with only the left leg identified by breaks.

All tones must be sinusoidal, free of distortion and shall be phase-coherent between channels.

Optionally, step tone sequences may be provided but if they are then all tones must have been sourced at the same level and be phase-coherent on stereo feeds/tracks.

Refer to Operational Requirements in 6.2 of this appendix for specific usage of tones.

4.2.4 Stereo balance and phase

The two stereo legs, when sending identical programme (mono), shall match within 0.5dB and be phase-coherent to less than 15 degrees at 10kHz (-20 dB for an "S" reading meter / 4us delay). Note: one sample of 48kHz is 75 degrees at 10kHz.

4.2.5 Sound-to-vision synchronisation (lip-synchronisation)

The relative timing of sound to vision should not exhibit any perceptible error. Sound should not lead or lag the vision by more than 10ms.

This synchronisation must be achieved at the last point at which the programme supplier, or their facility provider, has control of the signal.

5. General Quality Requirements

5.1 Technical quality grading

The subjective quality of pictures and sound is difficult to assess. The CCIR five-point scale for impairment is given below.

Grade 5	Imperceptible impairment
Grade 4	Perceptible but not annoying impairment
Grade 3	Slightly annoying impairment
Grade 2	Annoying impairment
Grade 1	Very annoying impairment

Newly commissioned programmes shall meet a minimum grade 4. In other cases, the absolute minimum is grade 3, unless there are valid reasons for exemption.

5.2 General vision quality requirements

The use of innovative programme-making techniques is encouraged. Nothing in this document should prohibit the use of any production technique provided that a suitable quality product results. It is difficult to define precisely what a suitable quality product is, and therefore there will be some subjective descriptions leading to imprecise advice. This is an unavoidable consequence of the rapid technical developments occurring at this time. The SABC technology Division will be able to give advice on achieving good quality results. The commissioning process determines the level of picture quality expected.

In general:

- a) The picture must be sharp and well lit (unless artistic considerations require otherwise).
- b) The video signal must be free of excessive black crushing and highlight compression. Transient response shall be such that streaking, ringing, smear, echoes and overshoots are not noticeable. Moiré, and other patterning shall not be visible. Hum, cross-talk and other similar signals must not be noticeable.
- c) Colour rendition, especially skin tones, must be a realistic representation of the scene portrayed unless artistic considerations require otherwise.
- d) Video processing (e.g. effects devices) must not introduce unintentional changes to luminance and chrominance levels nor cause perceptible timing shifts on entry or exit from the effect.

- e) Appropriate audio or video delay must be used to compensate for lip-sync errors.
- f) There must be no visible contouring/artefacts caused by multiple D-A and A-D conversions or compression. Quantisation noise must not be apparent. In general, recordings made “off-air” from digital sources should not be incorporated into new programming as these signals have already been significantly compressed.
- g) In certain circumstances, for example shooting actuality material or where a high level of mobility is required, the use of a “DV palmcorder”-type camera may be considered acceptable for acquisition. Specific agreement from the commissioning team must be sought before using this.

5.3 General audio quality requirements

- a) The audio shall be free of spurious signals such as noise, hum and cross-talk.
- b) Sibilance and distortion, wow and flutter shall not be apparent.
- c) The audio shall not show dynamic and frequency response artefacts as a result of the action of noise reduction or low bit rate coding systems.
- d) Audio compression should be used as little as possible as the effects of compression used for broadcast distribution and transmission can make sound problems worse.
- e) Dynamic range shall not be excessive. It shall be suitable for the whole range of domestic listening.
- f) Care should be taken when incorporating background music and effects with dialogue, or people with a hearing impairment and poor listening conditions can find the dialogue difficult to hear. Inaudibility is a common complaint from viewers. Reference to “TV Set Style” speakers, preferably in mono, should be made during the sound mixing process.

6. Specific Requirements for Videotape Delivery (625/50 Betacam SP)

Note that, currently, the SABC requires that all programming delivery is done on Betacam SP.

The video and audio shall also meet all general technical and general quality requirements specified in this document.

6.1 Specific technical requirements for tape delivery

6.1.1 Technical acceptance procedures

Every programme submitted on tape for transmission on SABC Television must pass a quality control check carried out on SABC equipment to ensure the programme meets the requirements set out in this document. Any programme not meeting the required standard will be returned to the supplier for repair. A subsequent review will then be carried out to check that the work has been done satisfactorily.

6.1.2 Videotape format

All programmes for transmission shall be delivered on Betacam SP. All tapes must be supplied with the record lockout “on” and “double rewind”. This ensures an even tape pack.

Tapes shall be of the highest professional quality, recent manufacture, “first usage”, of a type appropriate to the Betacam SP format and shall be protected by suitable packaging.

During the production process the highest technical standards must be maintained so that the delivered programme achieves the required standards. In all cases the submitted videotape recording must be fully compliant with the manufacturer’s technical specification thereby ensuring format compatibility.

6.1.3 Audio track allocation

Audio track allocation must conform to the following standards unless otherwise stated in the programme contract.

For transmission:

Track 1	Track 2	Track 3	Track 4
Programme		For production use	
Left (A)	Right (B)	Left	Right
Final mix on tracks 1 and 2 must be phase-coherent		These tracks may have content but will not be transmitted	

For monophonic programmes, tracks 1 and 2 must contain identical audio and be phase-coherent so that they can be transmitted through a stereo infrastructure - “dual mono”.

6.1.4 Time-code and control track

Both longitudinal time-code (LTC) and vertical interval time-code (VITC on VBI lines pairs 19 and 21, 332 and 334) must be recorded throughout the line-up and programme and comply with EBU specification N12-1994 (SMPTE 12M-1995).

Time-code must be contiguous and continuous and not pass through zero at any point from the start of the first countdown clock to beyond the end of the programme. LTC and VITC must have identical times.

Time-code and control track must have the correct phase relationship with the corresponding video signal.

Any video indexing data shall indicate a continuous 8-field sequence for the duration of the programme.

Programme start should be at timecode 00:02:00:00. See 6.2.1 for further details.

6.2 Specific operational requirements for tape delivery

6.2.1 Line-up test signals, clock and leader

The start of programme and any subsequent part should be preceded by a countdown clock indicating programme ID number (with the appropriate suffix), programme title, subtitle, episode number, part number and contract number where known.

The clock must provide a clear countdown of at least 20 seconds fading to black at three seconds prior to the first programme pictures.

The clock must appear round when viewed on a display set to the same format as the programme.

In order to ensure conformity of technical standards throughout the production, post-production and transmission process, every tape shall conform to the following standard*:

Tape section(seconds)	Duration (video)	Picture	Audio
Protection leader	30	75% colour bars	1kHz at 0dBu (50% PPM)
Alignment leader	30	75% colour bars	1kHz at 0dBu (50% PPM)
Identification leader/ cue-up leader	60	Programme identification/clock	Spoken identification or silence
Programme time-code 00:02:00:00	Full programme	Programme	Programme
Run-out trailer	30	Freeze or living hold of 10 seconds, Thereafter black	Silence

* If it is not possible to start the programme at 00:02:00:00 then the paperwork should clearly state the start of the programme.

Please note: At the end of the programme, sound must end naturally or be faded to be out by the end of the programme. There should be a freeze or living hold for 10 seconds.

The above line-up specifications are for long form programme material and a revised line-up is available for advertising spots.

6.2.2 Recording reports

Every tape submitted must be accompanied by a completed recording report. The report must include full details of the programme supplier and recording facility house, programme title/subtitle and SABC Programme ID number with the latest version suffix. It must also include technical information including the origination format, time-code of first frame of picture (FFOP) and details of safe areas used.

The recording report must provide clear references to any part of the programme content that may attract low grades (especially below grade 3).

6.13 Delegation Document

DELEGATION OF AUTHORITY FRAMEWORK

(Approved - 27 June 2003)

Policy No.	GG/002/03/N
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TITLE:	DELEGATION OF AUTHORITY FRAMEWORK		
CUSTODIAN AREA:	GENERAL GOVERNANCE		
PREPARED BY:	SUB-PROJECT NO. 1 OF GOVERNANCE MACRO PROJECT NO. 8 OF FS2004		
DATE APPROVED:		EFFECTIVE DATE:	
APPROVED BY:			

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DELEGATION OF AUTHORITY FRAMEWORK DEFINITIONS

1. **BAD DEBT** Debt that cannot be collected from debtors (clients).
2. **B.E.E.** Black Economic Empowerment.
3. **BOARD** The directors appointed in terms of the Broadcasting Act.
4. **CAPEX** Capital Expenditure – Expenditure on Capital items (fixed assets).
5. **CHEQUE SIGNATORIES** Specific employees who have been nominated and empowered to sign cheques on behalf of the SABC.
6. **CREDITORS** Suppliers who are owed money for goods/services provided on credit to the SABC.
7. **EMPLOYEE** A person (excluding a person who works less than 24 hours a month for the SABC and excluding an independent contractor) who works for the SABC, and who receives, or is entitled to receive, any remuneration; and any other person who in any other manner assists in carrying on or conducting the business of the SABC (eg. limited duration contractor).
8. **EXECUTIVE DIRECTORS** GCEO, COO & CFO.
9. **GEM** Group Executive Member – Senior SABC executive, regardless of title or job scale, serving as a member of the Group Executive Committee.
10. **GM** General Manager – All senior officials at scale 120.
11. **GOODS & SERVICES** All items (goods) and services acquired of an OPEX, CAPEX or STOCK nature, excluding all TV programmes (local and foreign), sports rights (including production cost) and human capital of a permanent, temporary and freelance nature.
12. **INDEPENDENT CONTRACTOR** A person, close corporation, company or other legal entity offering services for a particular assignment/project/programme/job whilst the independent contractor's agreement will govern the relationship between the independent contractor and the SABC.
13. **JM** Junior Manager – All line managers at scales 200 & 300 – excluding all specialists employed at those two scales who do not operate in a managerial capacity.
14. **LIMITED DURATION CONTRACTOR** A person with an employment contract for a specific period (eg. 1, 3 or 5 years).

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|---|--|
| 15. MEMORANDUM & ARTICLES OF ASSOCIATION | The SABC's founding document. |
| 16. MM | Middle Manager – All line managers at scales 125 & 130 – excluding all specialists employed at these two scales who do not operate in a managerial capacity. |
| 17. MINOR CAPEX | Capex allocated for the purchase of relatively small fixed asset items below a value of R100 000 per item and of a Non-project nature. |
| 18. NON-STANDARD CONTRACTS | Non-standard contracts are all contracts, which have not been declared as standard contracts by Legal Department. Their content is normally unique in terms of a specific set of conditions applicable to each contract. |
| 19. OPEX | Operational Expenditure – All expenditure of an operational nature. |
| 20. SHAREHOLDER | The Government. |
| 21. SHAREHOLDER COMPACT | The formally adopted annual agreement outlining the relationship between the shareholder and the SABC. |
| 22. STANDARD CONTRACTS | Standard contracts are contracts previously compiled and approved by the Legal Department and declared as standard SABC contracts by the Legal Department, which are used to contract the SABC with third parties under similar circumstances. The wording of a standard contract remains unchanged. |
| 23. STOCK | All TV Programmes (including the rights to such) and other consumable stock items. |
| 24. SU | Supervisor – All officials in charge of a group (1 or more) of employees. Supervisors are employed at different scales up to scale 401. |
| 25. VENDOR | A supplier of goods or services. |

1. POLICY

1.1 RATIONALE

The overall governance of the SABC as a public entity wholly owned by Government is broadly determined by;

- 1.1.1 The Public Finance Management Act No 1 of 1999 (PFMA), as amended
- 1.1.2 The Broadcasting Act No 4 of 1999, as amended
- 1.1.3 The Companies Act No 61 of 1973, as amended
- 1.1.4 The Memorandum and Articles of Association
- 1.1.5 The Shareholder Compact
- 1.1.6 The Protocol on Corporate Governance in the Public sector 2002
- 1.1.7 The King Report on Corporate Governance for South Africa 2002 (King II), and
- 1.1.8 All other relevant legislation

The delegation of authority framework is crafted within the parameters of the above legal and regulatory framework as a means of creating structured decision-making at all levels of the SABC. The delegation document needs to be clearly outlined, defined, communicated and understood by all stakeholders as a sound foundation for effective and efficient governance.

1.2 POLICY STATEMENT

Certain high level powers of authority are vested in the Shareholder, while others are specifically within the jurisdiction of, and are assigned by the Board.

The Board delegates specific powers into the Corporation to the appropriate governance structures, specific officials or to the holder of a specific post, to ensure that the SABC operates along smooth, sound and effective governance principles.

This Delegation of Authority Policy outlines the powers applicable at all relevant levels within the Corporation.

1.3 SHAREHOLDER

1.3.1 In terms of the PFMA the following shall require shareholder approval:

- Section 54 (2) (still in the process of being clarified with the Minister)
 - (a) Establishment or participation in the establishment of a company.
 - (b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.
 - (c) Acquisition or disposal of a significant shareholding in a company.
 - (d) Acquisition or disposal of a significant asset.
 - (e) Commencement or cessation of a significant business activity as determined by the Minister in consultation with the Board from time to time.

- (f) A significant change in the nature or extent of the SABC's interests in a significant partnership, trust, unincorporated joint venture or similar arrangement.
- Section 66 (7) provides that a public entity authorised to borrow money
 - must annually submit to the Minister a borrowing programme for approval for the year; and
 - may not borrow money in a foreign currency above a prescribed limit, except when that public entity is a company in which the state is not the shareholder.

1.3.2 The SABC Shareholder compact (annual agreement between the SABC and the Government) is based on the Public Finance Management Act, the Treasury Regulations published in terms of the PFMA, and the Broadcasting Act, No 4 of 1999 as amended ("the Act").

The Shareholder and the SABC acknowledge that this Agreement sets out the relationship between them and is aimed at giving effect to the Act, PFMA and the Protocol on Corporate Governance in the Public sector.

2. POWERS AND DUTIES OF THE SABC GOVERNANCE STRUCTURES

2.1 SHAREHOLDER

The Shareholder will monitor adherence to the Shareholders compact by the SABC.

2.2 BOARD

2.2.1 The Board is empowered to exercise all powers to lead, control and manage the SABC and to delegate any or all of such powers to an official(s), an employee(s) and to a committee(s) of the SABC.

2.2.2 The Board may appoint committees and delegate authority to such committees.

2.2.3 The Board shall approve, *inter alia*, the following:

- (a) Annual Reports and financial statements.
- (b) The appointment of auditors in the event that the Auditor General does not perform the audit.
- (c) The corporate plan and budget.
- (d) The remuneration of executive directors.
- (e) Mechanisms to monitor the performance of executive management.
- (f) Recommendations regarding matters requiring shareholder approval.
- (g) Substantial internal re-organisation.

2.3 SUB-COMMITTEES OF THE BOARD

The Board may appoint committees and delegate authority to such committees to assist the Board in the performance of its duties, power and authorities to facilitate

efficient decision-making, by resolution of the Board.

A committee would consider proposals and recommendations on issues of relevance to such committee from the Group Executive Committee, for recommendation to the Board for its approval.

2.4 GROUP EXECUTIVE COMMITTEE (EXCO)

The Group Executive Committee is appointed in terms of the provisions of the Broadcasting Act.

The following are the functions of the Group Executive Committee (Exco):

- 2.4.1 Exco is accountable to the Board, and the Board determines its functions.
- 2.4.2 Exco is responsible for the implementation of strategies and decisions adopted and delegated by the Board.
- 2.4.3 Exco has overall responsibility for the management of the day-to-day affairs of the SABC.
- 2.4.4 Exco is responsible for ensuring good governance and sound internal controls.
- 2.4.5 Exco is responsible for the development of the corporate and other related plans.
- 2.4.6 Exco recommends policy to the Board for approval.

2.5 OPERATIONAL EXECUTIVE COMMITTEES

The Group Executive may appoint Operational Executive Committees to assist the Group in the key operational areas, and currently the Group Executive has appointed the following Operational Executive Committees:

- Sales and Marketing Exco
- Television Operations Exco
- Radio Operations Exco
- Technology Exco

The following are the functions of the Operational Executive Committees:

- The formulation and the implementation of operational strategy as directed by the Group Executive.
- Formulation of policy for Group Executive Committee approval.
- Implementation of policy as approved by Group Executive Committee.
- Measurement and evaluation of performance.
- Decision-making relating to key operational issues.

(The specific mandates of these 4 Operational Executive Committees are still subject to Group Executive approval)

2.6 SPECIAL FORUMS

The Group Exco may appoint special Forums and delegate authority to such Forums. The Group Executive has appointed the following special forums to assist it in performing and executing its duties:

- The Capex Forum
- Goods and Services Procurement Forum

The following are the functions of these forums:

- Developing and refining policy for the specialised areas.
- Performing specific functions as delegated by the Group Executive.
- Approving initiatives and operational expenditure.
- Monitoring overall performance of relevant and appropriate policies and procedures.
- Approving of authority within the stipulated limits.

3. GENERAL PRINCIPLES OF DELEGATION OF AUTHORITY

- 3.1 The Group Executive is empowered with financial decision-making/transaction approval powers up to a R15m level, while the Board retains financial decision-making of all transactions above the R15m mark.
- 3.2 The delegation of authority–
 - 3.2.1 does not divest the Board of the responsibility concerning the exercise of the delegated power or the performance of the assigned duty;
 - 3.2.2 is subject to the statutory and legal limitations, recorded in section 1.1 above, and such other lawful limitations as may be applicable to the SABC from time to time; and;
 - 3.2.3 is subject to any limitations, conditions, policies and/or directives that may be developed and implemented by the Board, or by executive directors at the behest of the Board in the exercise of such delegated powers.
- 3.3 The Board may confirm, ratify, vary or revoke any decision taken by an official as a result of a delegation in terms hereof, subject to any rights that may have become vested as a consequence of the decision. As required in terms of the PFMA, any such variation shall also be in writing.
- 3.4 Unless otherwise specified, the delegees referred to herein are hereby authorised to, in writing:
 - 3.4.1 delegate further any powers and authority delegated to such delegee to an officer, employee or committee subject to the policies, directives and conditions that the Board may from time to time prescribe;
 - 3.4.2 impose any limits or conditions in such further delegation to ensure good governance and controls with regard to the exercise of such powers.

- 3.5 The delegee shall ensure that any further delegation is to a position with the appropriate seniority, skill, expertise, and knowledge to exercise such authority in an effective manner and shall ensure that such authorities are reviewed on a regular basis.
- 3.6 The Group Executive Committee shall be responsible for the management of all delegations and authorisations granted in terms hereof, and shall ensure that the officers and employees, who act in terms of such a delegation, act:
- lawfully
 - within the scope of their powers and authorisation:
 - in terms of internal policies and procedures approved by the Board or the Group Executive Committee;
 - in compliance with any directives and policies by the Board or the Group Executive Committee and:
 - in accordance with the provisions of the PFMA.
- 3.7 Officials who exceed their authority levels will be requested to personally account for their actions and such action may result in disciplinary action, to be initiated by the immediate line manager.
- 3.8 Authority levels applicable to a specific position will also apply to any individual who has been appointed in writing to act in such a position for a specific period. This excludes the signing of cheques.
- 3.9 The delegates must exercise the delegated authority in the interests of and for the benefit of the SABC.
- 3.10 No delegation of authority can be exercised for immoral or unlawful purposes. Non-compliance with the existing policies, procedures, and directives of the SABC will render null and void any exercise of the delegated authority.
- 3.11 No retrospective delegation will be countenanced. The ratification of an invalid delegation will not be permitted.
- 3.12 No delegation of authority will be authorised to non-employees, consultants, and independent contractors.
- 3.13 Limited duration contractors (i.e. persons with employment contracts for a specific period) are employed in specific positions at specific job scales and will be empowered on the same basis as permanent employees as outlined in this framework.
- 3.14 No individual may approve his/her own expenditure. In such instances, the authority automatically moves to the next higher level.
- 3.15 Approval limits refer to the current rand value of the amount authorised on the date of approval.
- 3.16 Approval of items, whether purchases, services, project budgets, etc, must be dealt with as complete/combined issues. There shall be no invoice or project splitting. The sub-division of an issue, to try to evade the correct approval levels, is prohibited and authorisation levels should not be exceeded. Such an occurrence may result in disciplinary action.

- 3.17 Price increases, exchange rate fluctuations, etc may impact positively or negatively on the original approval in practice. A positive or negative deviation of less than 10% will be acceptable on condition that it does not go beyond the delegees authorisation limit. An increase of more than 10% to the original approved amount would be referred back to the originator for re-approval. Should any amendment increase the amount beyond that which the delegee may approve, the approval must be referred to the next appropriate level.
- 3.18 Lower levels of authority may be devised and implemented within a division/support unit within the parameters of this policy document, subject to the approval of the responsible Group Executive Member. A Group Executive Member may introduce stricter authority levels for a specific division/support unit for a specific period should he/she believe circumstances require it.
- 3.19 Decisions/approvals can only be made at the relevant empowered level. Employees/ Forums/Committees will, however, consider transactions of a financial magnitude higher than their decision-making authority and *recommend* it for approval to the empowered decision-making level.
- 3.20 The need may arise from time to time to issue a directive (instruction) regarding a certain issue for a certain period. Such directives may only be issued by Group Executive Members, and always be co-signed by the Group Chief Executive Officer for a clearly specified period, with an official directive number (to be obtained from the Company Secretary) and registered/published on the Intranet as an official directive until it is formally withdrawn/removed from the Intranet. Should a directive override any stipulation of the Delegation of Authority Framework it must be clearly spelt out and such a directive must be approved by the Group Executive and Board (depending on the nature thereof).
- 3.21 The stipulations contained in the latest formally approved Delegation of Authority Framework will automatically override those previously applicable from the effective date of the new framework. Work in Progress in terms of a decision taken (authorisation obtained) under a ruling Delegation of Authority Framework, may be completed and does not require re-approval in terms of the requirements of the new revised framework.

4. APPROVALS FRAMEWORK

The Powers and Authorities hereby delegated by the Board are set out in the tables hereafter. The document sets out the business component / nature of the power / authority delegated, while the delegees to whom such power is delegated are indicated in declining order of seniority.

For ease of reference, the Approvals Framework outlines the delegated powers in the following 5 groupings, *viz*:

Section 4.1: Delegation of authority of key business components to **Committees and Forums**.

Section 4.2: Delegation of authority of key business components to **Employees**.

Section 4.3: Delegation of authority **approval matrix**.

Section 4.4: Delegation of authority for the **signing of contracts**.

Section 4.5: Delegation of authority for **effecting payments**.

PLEASE NOTE

- A. The amounts indicated in the following sections of this document represent the maximum financial limit of delegated authority.
- B. This Delegation of Authority framework outlines decision-making levels and must always be read and interpreted in conjunction with the official SABC policies amplifying the relevant business areas concerned.
- C. In the event of any deviation/conflict between any aspect of delegated authority/approval/decision-making authority contained in this Delegation of Authority Framework and any other SABC Policy, the Delegation of Authority Framework parameters will apply and automatically override the conflicting information contained in such a policy.

ABBREVIATIONS

The abbreviations used for the spectrum of committees / forums / employees in the subsequent sections are indicated below:

COMMITTEES & FORUMS	• Board	(BD)
	• Remuneration Sub-Committee	(RC)
	• Programming Sub-Committee	(PC)
	• Finance Sub-Committee	(FC)
	• Audit Sub-Committee	(AC)
	• Human Resources Sub-Committee	(HC)
	• Group Executive Committee	(GE)
	• TV Operations Executive Committee	(TV)
	• Radio Operations Executive Committee	(RA)
	• Sales & Marketing Executive Committee	(SE)
	• Technology Executive Committee	(TE)
	• CAPEX Forum	(CA)
	• Goods & Services Procurement Forum	(GS)
EMPLOYEES:	• Group Chief Executive Officer	(GCEO)
	• Chief Operating Officer	(COO)
	• Chief Financial Officer	(CFO)
	• Group Executive Member	(GEM)
	• General Manager	(GM)
	• Middle Manager	(MM)
	• Junior Manager	(JM)
• Supervisor	(SU)	

SABC

4.1 DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

The Board hereby delegates the following specific key business components for decision making/authorisation purposes to the committees/forums indicated below:

BUSINESS COMPONENT		BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.1	Revenue Generation												
	a. TV & Radio air time rate cards and discount strategy						X			X ○			
	b. Air Time barter deals	X >R25M		X >R25M			X R25M	X R10M	X R5M				
	c. Sales Incentive Schemes						X			X ○			
	d. TV Licence tariff increases	X					X ○						

○ RECOMMEND

DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

BUSINESS COMPONENT		BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.2	TV Programmes ☼												
	a. TV Programme Proposal Evaluations							X					
	b. Local TV Programme Production Commissioning/ Acquisitions *	>R15M		>R15M ○			R15M	R10M					
	c. Foreign TV Programme Acquisitions	>R15M		>R15M ○			R15M	R10M					
	d. Sports rights (including production costs) *	>R15M		>R15M ○			R15M	R10M					

* PER PROGRAMME SERIES

☼ INCLUDES CHANNEL PROGRAMMES, NEWS, SPORT AND EDUCATION

○ RECOMMEND

DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

BUSINESS COMPONENT	BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.3 Human Resources												
a. Appointments of Executive Directors & +	x				SGM x							
b. Annual Salary Increases +	x	x ○			x ○	x ○						
4.1.4 General Procurement												
a. Goods	>R15M					>R15M	R10M	R10M	R10M	R10M		x ⊕
b. Services	>R15M					>R15M	R10M	R10M	R10M	R10M		x ⊕
4.1.5 Capital Expenditure (CAPEX)												
a. Total Annual CAPEX budget approval (cash flow for year)	x			x ○		x ○					x ○	
b. CAPEX Projects	>R15M			>R15M ○		R15M				R10M	R7.5M #	
c. Minor CAPEX budget allocations											x	

⊕ APPROVALS I.T.O. GOODS & SERVICES PROCUREMENT FORUM POLICY ○ RECOMMEND TO THE NEXT LEVEL

& ONLY GCEO, COO, CFO

+ ALWAYS WITH THE INVOLVEMENT OF HUMAN CAPITAL

ALL CAPEX PROJECT MOTIVATIONS MUST BE SUBMITTED TO "CA" FOR APPROVAL OR ITS SUPPORT PRIOR TO APPROVAL AT THE APPROPRIATE HIGHER LEVEL

DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

BUSINESS COMPONENT	BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.6 Business												
a. Undertaking of any material new business activities, including introduction of new services or products and discontinuation of existing sectors of activity	x ⊕			○ x ⊕		x ⊕						
b. Opening or closing of: • Corporate Regional Offices	x			x ○		x ○						
• Corporate Satellite Offices & Operations	x			x ○		x ○						

⊕ SUBJECT TO SHAREHOLDER APPROVAL

○ RECOMMEND TO THE NEXT LEVEL

DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

BUSINESS COMPONENT		BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.7	Finance												
	a. Annual budget & Annual medium term economic framework (3-year) budget	x			x ○		x ○						
	b. Insurance contracts / covers	>R15M			○ >R15M		R15M						
	c. Auditors: • Appointment or reappointment	x		x ○			x ○						
	d. Writing off bad debts	>R12,5M			○ >R12,5M		R12,5M	R5M	R5M	R5M	R5M		
	e. Acquisition or sale of immovable assets (land and / or buildings) ☼	>R15M			○ >R15M		R15M						
	f. Sale or scrapping of movable assets	>R12,5M			○ >R12,5M		>R12,5M	R5M	R5M	R5M	R5M		
	g. Writing off stock	>R12,5M			○ >R12,5M		>R12,5M	R5M			R5M		

☼ AWAITING SECTION 54 (2) PFMA MINISTERIAL APPROVAL

○ RECOMMEND

DELEGATION OF AUTHORITY TO COMMITTEES AND FORUMS

BUSINESS COMPONENT		BD	RC	PC	FC	HC	GE	TV	RA	SE	TE	CA	GS
4.1.8	Treasury												
	a. Treasury Policy	x			x ○		x ○						
	b. Funding Plan	x			x ○		x ○						
	c. Transaction Limits						x						
4.1.9	Legal												
	a. Legal settlements ☼	>R12,5M					R12,5M	R5M	R5M	R5M	R5M		

☼ ON RECOMMENDATION BY THE CHIEF LEGAL ADVISOR

○ RECOMMEND

4.2 DELEGATION OF AUTHORITY TO EMPLOYEES

The Board hereby delegates the following specific key business components for decision making/authorisation purposes to the employees indicated below:

BUSINESS COMPONENT	GCEO	COO	CFO	GEM	GM	MM	JM	SU
4.2.1 Revenue Generation								
a. Annual TV Sales Contract				>R30M#	R30M	R20M*	R10M&	
b. Annual Radio Sales Contract				>R15M#	R15M	R8M*	R5M+	
c. Sponsorship deal				>R5M	R5M	R2M		
d. Trade Exchanges (for TV & Radio air time)					>R2M	R2M		
e. Price lists and discount structure for other SABC products and services (other than advertising)					X			
f. All other <i>ad hoc</i> sales transactions/contracts					>R3M	R3M	R1M	
4.2.2 TV Programmes								
a. Local TV Programme Production Commissioning/ Acquisitions ✪				R7,5M	R5M			
b. Foreign TV Programme Acquisitions ✪				R7,5M	R5M			
c. Sports rights (including production cost) ✪				R7,5M	R5M			

✪ PER PROGRAMME SERIES
 & REGIONAL SALES MANAGER/CHANNEL CHAMPION
 + REGIONAL SALES MANAGER/PSM'S/CONTRACT MANAGER

* NATIONAL SALES MANAGER
 # GEM/GM FINANCE

DELEGATION OF AUTHORITY TO EMPLOYEES

BUSINESS COMPONENT		GCEO	COO	CFO	GEM	GM	MM	JM	SU
4.2.3	Human Resources								
	a. Appointments #	X	X GM'S &	X GM'S GEM'S ☉	X GM'S	X Up to level	Up to level 125	X 200	
	b. Promotions/ Regradings/Salary adjustments #	X GM's & >	X GM's	X GM's	X Up to level 125	X Up to level 200			
	c. Separations # • Other than Resignations/ Retirements (within Legal Parameters)	X GM's & >	X GM's	X GM's	X Up to level 125	X Up to level 200			
4.2.4	General Procurement								
	a. Goods	R5M *	R5M *	R5M *	R3M	R2M	R0,5M	R0,1M	R0,03M
	b. Services	R5M *	R5M *	R5M *	R3M	R2M	R0,5M	R0,1M	R0,03M

- SENIOR GENERAL MANAGERS' APPOINTMENTS TO HC
- # HUMAN CAPITAL TO BE INVOLVED WITH ALL SUCH DECISIONS
- & REQUEST ALSO TO BE AUTHORISED BY LINE MANAGER AND FINANCIAL MANAGER/ANALYST PRIOR TO G.M.'S AUTHORISATION (REFER INDEPENDENT CONTRACTOR'S POLICY)

- * ANY TWO JOINTLY
- ☉ ALL GEM'S

DELEGATION OF AUTHORITY TO EMPLOYEES

BUSINESS COMPONENT		GCEO	COO	CFO	GEM	GM	MM	JM	SU
4.2.5	Capital Expenditure (CAPEX)								
	a. Minor CAPEX item approvals				x ☉	x ☉			
	b. Expenditure Authorisation of goods and services within approved Capex Projects				>R2M	R2M	R0,5M	R0,1M	R0,03M
4.2.6	Business								
	a. The exploitation of Brand names, Rights and Trade marks				x &	x &			

- & JOINTLY BY THE GM OR GEM OF THE BUSINESS UNIT THAT NEGOTIATES AND MANAGES THE BUSINESS DEAL AND THE GM OR GEM OF THE BUSINESS UNIT THAT OWNS OR CONTROLS THE RIGHT AND BY GM OF TV OR RADIO SALES AND MARKETING IF THE DEAL INVOLVES ANY FREE AIR TIME.

- ☉ WITHIN THE ALLOCATED TOTAL MINOR CAPEX BUDGET.

SABC DELEGATION OF AUTHORITY TO EMPLOYEES

BUSINESS COMPONENT	GCEO	COO	CFO	GEM	GM	MM	JM	SU
4.2.7	Finance							
	a. Auditors: • Negotiation of Annual Audit Fees	x &		x &				
	b. Writing off bad debts	R2,5M*	R2,5M*	R2,5M*	R1,5M			
	c. Sale or Scrapping of movable assets	R2,5M*	R2,5M*	R2,5M*	R1,5M			
	d. Writing off stock	R2,5M*	R2,5M*	R2,5M*	R1,5M			
4.2.8	Treasury							
	a. Transaction Limits	x #		x #				
	b. Counterparty Approval	x &		x &				
	c. Counterparty Limits	x &		x &				
	d. Trade on Money / Capital Markets	x ⊕		x ⊕				
	e. Trade on Forex Markets			x ⊕				
	f. Open, operate and close bank accounts with any SA and Foreign Banks	x ○	x ○	x ○				
	g. Appointment of bank signatories	x &		x &	x #			

* ANY TWO JOINTLY

& JOINTLY

⊕ IN TERMS OF GUIDELINES PROVIDED BY CFO & THE BOARD

○ CFO PLUS ANY ONE OF EITHER GCEO OR COO

RECOMMEND

DELEGATION OF AUTHORITY TO EMPLOYEES

BUSINESS COMPONENT		GCEO	COO	CFO	GEM	GM	MM	JM	SU
4.2.9	Legal								
	a. Overall general contractual period limitation	>3yrs #	>3yrs #	>3yrs #	3yrs	3yrs	2yrs	1yr	1yr
	b. Legal settlements &	R5M *	R5M *	R5M *	R3M	R2M			
	c. Institute or defend procedures in court. (High, Magistrate or Small Claims Court) and the settlement of disputes by arbitration or mediation	X	X	X	X ⊕				

* ANY TWO JOINTLY

⊕ CHIEF LEGAL ADVISOR AS THE ONLY GEM

REFER PAR 4.4.2.1(a) & 4.4.3.1 (d)

& ALL LEGAL SETTLEMENTS SUBJECT TO A RECOMMENDATION BY THE CHIEF LEGAL ADVISOR

4.3 DELEGATION OF AUTHORITY APPROVAL MATRIX

(TO BE INTERPRETED IN THE CONTEXT OF THE RELEVANT POLICIES)

HIERARCHY	TV SALES DEALS ⊕ R'000	RADIO SALES DEALS R'000	TV PROGRAMME ACQUISITIONS # R'000	OPEX (GOODS & SERVICES) ○ R'000	CAPEX ** R'000	WRITE-OFFS SETTLEMENTS x R'000
BOARD			> 15 000	> 15 000	> 15 000	> 12 500
GROUP EXECUTIVE COMMITTEE			15 000	15 000	15 000	12 500
OPERATIONAL EXECUTIVE COMMITTEES			10 000	10 000	10 000	5 000
FORUMS					7 500	
EXECUTIVE DIRECTORS				5 000		2 500
GROUP EXECUTIVE MEMBER	>R30M	>R15M	7 500	3 000		1 500
GENERAL MANAGER	R30M	R15M	5 000	2 000		
MIDDLE MANAGER	R20M	R 8M		500		
JUNIOR MANAGER	R10M	R 5M		100		
SUPERVISOR				30		

⊕ REFER SALES POLICY: TV

& REFER SALES POLICY: RADIO

REFER TV PROGRAMME PROCUREMENT POLICY

○ REFER GOODS AND SERVICES PROCUREMENT POLICY

** REFER CAPEX POLICY AND GOODS AND SERVICES PROCUREMENT POLICY (ALL CAPEX PROJECT APPROVALS ARE SUBJECT TO CAPEX FORUM SUPPORT AND RECOMMENDATION)

x REFER STOCK POLICY & DEBTORS POLICY

4.4 DELEGATION OF AUTHORITY FOR THE SIGNING OF CONTRACTS

4.4.1 GENERAL PRINCIPLES

- a) All material SABC Sales deals, TV Programme acquisitions, OPEX or CAPEX transactions and *ad hoc* business deals are formalised between the SABC and the other party by means of an appropriate contract.
- b) The contract outlines the business relationship, takes care of the interests of both parties and stipulates variables such as monetary obligations, the contract period, etc.
- c) The monetary obligations contained in the contract are always subject to a prior approval of the relevant business transaction at the appropriate delegation of authority level. (In terms of Sections 4.1, 4.2 and 4.3 above).
- d) References to contract monetary values in Sections 4.4.2 and 4.4.3 below are always for the **total contract period** and not for one year only.
- e) Line Management Contract Signing Authority:

LEVELS	CONTRACT SIGNING AUTHORITY	MAXIMUM CONTRACT PERIOD (YEARS)
Executive Directors	–	> 3
Group Executive Member	All contracts above GM ceiling	3
General Manager	All contracts up to Delegated Authority Ceiling	3
Middle Manager	All contracts up to Delegated Authority Ceiling	2
Junior Manager	All contracts up to Delegated Authority Ceiling	1
Supervisor	All contracts up to Delegated Authority Ceiling	1

- f) All contracts must always be signed by at least two SABC employees viz. the appropriate line employee together with a second person as indicated in Sections 4.4.2 and 4.4.3 below.

4.4.2 STANDARD CONTRACTS

4.4.2.1 PRINCIPLES

- (a) No standard contract shall be for a period of longer than 3 years unless **jointly** approved by the GEM concerned and any one of the GCEO, COO or CFO.

4.4.2.2 SIGNING

- (a) All standard contracts **with no amendments (deletions/additions) are signed by Line Management** in terms of Section 4.3 of this document. Such contracts must also be **co-signed** by the Management Accountant of the Business Unit concerned, who will monitor and verify the applicable rules.
- (b) All standard contracts **with amendments (deletions/additions) are signed by Line Management** in terms of Section 4.3 of this document. Such contracts must also be **co-signed** by:

- A more Senior Line Manager (one level up). (To be evaluated against the parameters provided by Legal Department)
- or
- A Legal Advisor* (up to R1M)
 - A Senior Legal Advisor* (> R1M up to R3M)
 - Chief Legal Advisor* (> R3M)

4.4.3 NON-STANDARD CONTRACTS

4.4.3.1 PRINCIPLES

- (a) No SABC employee below supervisory level shall be permitted to negotiate any contract with a third party. Employees at supervisory level will be permitted to negotiate contracts up to a total value of R30 000 and a maximum of a one year period with the necessary assistance of either a fellow colleague on the same level **or** with a fellow colleague one level higher.
- (b) All managers should always endeavor to negotiate contracts with third parties which do not bind the SABC for a period of longer than one year, or for one year with the provision that it can continue after the initial one year period until terminated by either party to the agreement with written notice of not longer than three months.
- (c) If the preferred situation, as outlined in paragraph (b) above is not possible, overall general contractual period approvals are indicated in paragraph 4.4.1 (e) above.
- (d) No contract shall be for a period of longer than three years unless jointly approved by the GEM concerned and any one of the GCEO, COO or CFO.
- (e) Careful consideration should be given in all events where exclusive contracts are signed and negotiators should not bind or restrict any other business unit of the SABC unless the GM of such a unit has agreed to such restriction and co-signs the agreement together with
 - A Legal Advisor* (up to R250 000)
 - A Senior Legal Advisor* (> R250 000 up to R1M)
 - Chief Legal Advisor* (> R1M)
- (f) Verbal agreements are forbidden in their entirety.
- (g) All non-standard draft contracts should be referred to the following officials for legal verification, comment and advice before signature.
 - Management Accountant of Business Unit (up to R50 000 for once off events only - e.g. booking of venues, specific functions, etc.)
 - A Legal Advisor* (up to R250 000)
 - A Senior Legal Advisor* (> R250 000 up to R1M)
 - Chief Legal Advisor* (> R1M)

- (h) Should any line employee ever be in doubt regarding any legal implication(s), the Legal Department must be consulted for the necessary legal guidance and assistance.

4.4.3.2 SIGNING

- (a) All non-standard contracts are signed by **Line Management** (after in principle approval in terms of paragraph B.1 (g) above) in terms of Section 4.3 of this document **together with** the Official who verified the draft contract and provided in principle approval for the acceptability of the contract. (Should the individual not be available for whatever reason the contract should be referred to the next higher level within Legal Department for a co-signature).

* (Who will be either an admitted Attorney or an Advocate)

4.5 DELEGATION OF AUTHORITY FOR EFFECTING PAYMENTS

4.5.1 GENERAL PRINCIPLES

- (a) A payment normally represents the final administrative task in finalising a transaction / deal.
- (b) Payments are effected to creditors in terms of the credit terms applicable, contractual obligations, other business relationships or statutory obligations.
- (c) Only certain employees are empowered to effect payments. These employees are empowered as "A" or "B" signatories respectively.
- (d) "A" Signatories will normally be selected from middle management level upwards and "B" signatories from junior management level downwards.
- (e) Each Group Executive Member will nominate/update a list of "A" and "B" signatories for his/her business area from time to time and obtain the CFO and GCEO's approval.
- (f) The bank will be notified accordingly and provided with the names and specimen signatures of the nominated employees as official signatories.
- (g) All payment instructions must be signed by **two signatories**.
- (h) Official signatories can never delegate their authorised signing powers.
- (i) Sufficient proof of the relevant prior expenditure authorisation in terms of the Delegation Document or stipulations of the relevant Governing Policies must support all payments.

4.5.2 CHEQUE SIGNING POWERS

MINIMUM SIGNING POWERS	VALUE LEVEL
Two "B" Signatories	Up to a maximum of R50 000
One "A" and one "B" Signatory	> R50 000 up to R200 000
Two "A" Signatories	> R200 000

4.5.3 ELECTRONIC CASH TRANSFERS

Electronic cash transfer signatories registered on bank electronic cash transfer systems for the authorisation of investments with authorised banks, cash transfers to divisions / business units and payment of creditors, will be on the same basis as for cheque signatories. (As detailed in paragraph 4.5.2).

Senior Internal Audit officials will always act as the official system administrators for all electronic cash transfer systems (i.e. be responsible for the registration/ changing of electronic cash transfer signatories on such systems).

4.5.4 STATUTORY PAYMENTS

The following types of payments (normally only effected by Group Finance and allocated against reconciled ledger control accounts) must be authorised at Middle Management level or higher :

- (a) "Personnel creditors" (e.g. Receiver of Revenue, Pension Fund, Medical Aid Fund, etc.).
- (b) All other payments made on behalf of the entire SABC (e.g. Salaries, Tax, Levies, etc.).
- (c) Loan re-payments and interest on loans.

DELEGATION OF AUTHORITY FRAMEWORK
REVISION CYCLE: Annually to be effective from 1 April

6.14 Programme Brief Template

WORKING TITLE
GENRE
BACKGROUND TO PROJECT
EDITORIAL GUIDE
SERIES GOALS
EDITORIAL FOCUS CHANNELS POSITIONING
Target Audience
Demographics
Number of episodes
Duration
Broadcast Date
Language
Slot
Channel
Cost per minute
Total Cost
Contact Person
Tel No
Fax No
Email

6.15 Evaluation Form

Production Title (Description of production)		Proposal Evaluation Scoring Sheet
Brief Reference Number		
Proposal Receipt Number (Registration log #)		
Commissioning Editor		
Evaluator		
Date of Evaluation		
Evaluation type: (tick appropriate box)		
<input type="checkbox"/> Reading		
<input type="checkbox"/> Consolidation of reading scores (Commissioning Editor)		
<input type="checkbox"/> Pitching session		
<input type="checkbox"/> Consolidation of pitching session scores (Commissioning Editor)		
Production Company		
Evaluator's Signature		

Category	Contributing Variables (Measures)	Weighting Score		Evaluator's comments
1. Editorial assessment		40.0%	0.0%	
	a. Degree to which proposal addresses specific and unique requirements of the brief	10.0%		
	b. Audience appeal (ability of programme to meet AR target)	10.0%		
	c. Fit to channel strategy and channel positioning	10.0%		
	d. Competitiveness (relative to competing programmes in this slot)	10.0%		
2. Competence and capacity		20.0%	0.0%	
	a. Competence and capacity of production company			
	i) Assessment of specific experience and performance on similar projects	7.5%		
	ii) Assessment of experience and performance generally	2.5%		
	b. Competence and capacity of key creative personnel			
	i) Assessment of specific experience and performance on similar projects	7.5%		
	ii) Assessment of experience and performance generally	2.5%		

continued on page 164

Category	Contributing Variables (Measures)	Weighting Score		Evaluator's comments
3. Revenue potential		10.0%	0.0%	
	a. Assessment of programme's ability to meet classical advertising revenue target	5.0%		
	b. Ability of programme to generate revenues beyond classical advertising through sponsorship, indirect or direct exploitation of the content, or through brand exploitation	5.0%		
4. Cost assessment		15.0%		
	a. Projected costs as % of slot target	15.0%		
5. Empowerment profile		10.0%	0.0%	
	a. Ownership of production company			
	i) % of equity owned by blacks	1.25%		
	ii) % of equity owned by black females	1.25%		
	b. Economic interest in production			
	i) % economic interest in production accruing to blacks	1.25%		
	ii) % economic interest in production accruing to black females	1.25%		
	c. Employment equity of production company			
	i) % of permanent employees who are black	1.25%		
	ii) % of permanent employees who are black females	1.25%		
	d. Employment equity of key creative personnel			
	i) % of committed key personnel who are black	1.25%		
	ii) % committed key personnel who are black females	1.25%		
6. General industry development		5.0%	0.0%	
	a. Province in which company is based (registered address)	2.0%		
	b. Assessment of skills development initiatives proposed	3.0%		
Total		100%	Value	
	Project risks			
	a. Risk of project not being completed within specified timeframe			
	b. Risk of programme not meeting revenue target or exceeding production target			
	c. Risk of programme quality deviating from anticipated quality			

6.16 Barter Transaction Guidelines

SABC
Television Airtime Sales
BARTER TRANSACTION GUIDELINES
SEPTEMBER 2002

What is a Barter Transaction?

A barter transaction can be broadly defined as a transaction in which commercial airtime is exchanged for goods or services (as opposed to cash, although there may be a cash consideration element). A barter transaction can be distinguished from a trade exchange in that a trade exchange does not involve the exchange of **commercial** advertising airtime. This document is limited to a discussion of barter transactions. The main purpose behind entering into a barter transaction would be to reduce the cash cost to the SABC (at the expense of airtime though).

Examples of Barter Transactions

Some examples of barter transactions would include the following:

- Programme barter – an advertiser funds the cost of producing a programme for the SABC and SABC Airtime Sales provides the advertiser with advertising airtime.
- Goods/services – an advertiser provides the SABC with their product or service (e.g. airline tickets from an airline) and SABC Airtime Sales provides the airline with advertising airtime.
- Marketing barter – this would occur where the SABC is able to advertise/market itself in exchange for advertising airtime (e.g. advertising in *The Star* in exchange for some spots on television).

Current Impact on SABC Airtime Sales

There will be instances where it makes strategic business sense to enter into barter transactions that will benefit the SABC. However, the way in which barter transactions are currently handled within the SABC has had a negative impact on SABC Airtime Sales. This is mainly as a result of the fact that no revenue is currently recognized on barter transactions. Some of the impacts are highlighted below:

- Clients generally advertise on television with the objective of reaching their target market in order to increase sales. If clients are now receiving free advertising, they will decrease their classical spend because they have been able to achieve their objective with the use of barter spots. Classical advertising revenue is compromised.
- Clients would like to optimize their planning and in most instances will not be satisfied if a spot is pre-empted (spot is moved to make way for another revenue spot). This may affect relationships with clients.
- As barter spots can generally be booked in prime time (see point above re pre-empting of spots), potential classical revenue is lost when barter spots are booked in high demand programmes.
- When a barter transaction of significant contract value is entered into, monthly revenues can be seriously be compromised due to the large number of ads that need to be booked.

Recommendations for Improvement

It is imperative that revenue be recognized on barter transactions in order to address the issues affecting SABC Airtime Sales highlighted above. We would recommend that a “barter

committee” be established with representation from Finance, SABC Airtime Sales and the channels in order to evaluate a proposed barter deal. As we have to bear in mind that a barter deal proposal could arise from a marketer, an advertising agency, a producer, a commissioning editor, or a channel head. This committee should jointly decide whether a barter transaction should be entered into or not, once all the implications thereof have been fully considered by all parties concerned.

In support of our recommendation to recognize revenue on barter transactions, reference has been made to statements of South African Generally Accepted Accounting Practice (SA GAAP). The statement on revenue (AC111) in paragraph 14 states the following:

“When goods or services are exchanged for goods or services that are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue... **When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction, which generates revenue.** The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.”

Paragraph 3 of AC 431 (Revenue - Barter transactions involving advertising services) states that:

“A Seller that provides advertising services in the course of its ordinary activities recognizes revenue under the statement on revenue from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar and the amount of revenue can be measured reliably. This Interpretation only applies to an exchange of dissimilar advertising services. An exchange of similar advertising services is not a transaction that generates revenue under the statement on revenue.”

Paragraph 5 goes on to state that:

“...A Seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:

- (a) involve advertising similar to the advertising in the barter transaction,
- (b) occur frequently,
- (c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction,
- (d) involve cash and/or another form of consideration (e.g., marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value, and
- (e) do not involve the same counterparty as in the barter transaction.”

What this means is that revenue **must** be recognized on barter transactions (with the exception of exchanges of similar goods or services which is unlikely to happen in the case of television

– SABC is unlikely to exchange airtime with MNet, for example – but may occur with radio). We are able to satisfy the measurement criteria stated above in paragraph 5. Valid VAT invoices will have to be issued by both parties to the transaction.

VAT Implications

A VAT invoice will need to be issued by SABC Airtime Sales and output VAT needs to be paid to SARS. The other party to the transaction must issue the SABC with a VAT invoice and input VAT can then be claimed. The mere fact that compensation is in a form other than cash does not avoid VAT being taken into account.

The Proctor and Gamble Example

A barter contract has been entered into with Proctor and Gamble (P&G) whereby P&G will provide SABC with a 52 episode programme entitled “All You Need is Love” costing R23 million. In return for this programme, SABC Airtime Sales will provide P&G with commercial airtime. The terms of the provision of the commercial airtime for the barter has recently been agreed as follows:

- The take up of the barter component of airtime is linked to the take up of the P&G cash deal (for example, if 10% of cash commitment is spent in any one month, 10% of the barter component can be spent in that month);
- As revenue is currently not being recognized on barter transactions, the P&G barter spots are pre-emptable (i.e. the non-revenue barter spot will be “bumped” for a revenue spot); and

If the recommendations for the recognition of revenue are adopted, the implications for the P&G barter deal will be as follows:

- SABC Airtime Sales needs to issue VAT invoices for all of the barter airtime given to P&G;
- SABC Airtime Sales pays over the output VAT;
- P&G needs to issue VAT invoices to SABC 1 for the cost of the programme;
- SABC 1 claims the VAT input; and
- P&G barter spots need not be pre-empted any more (as it is now a revenue spot).

There should be **no** impact on the income statement **if** the value of airtime given to P&G equals the value of the cost of the programme received from P&G.

It can thus be seen from the P&G analysis that barter contracts need to be negotiated very carefully to ensure that the SABC is receiving fair value for the airtime provided. Once the contract is in place, it is essential that exposure be carefully monitored to ensure that the negotiated contract value is not exceeded.

Impact of P&G Barter on Yields

The P&G barter deal will not impact on yield in the future for the following reasons:

- The barter deal has been negotiated separately from the cash commitment deal and the cash commitment (classical airtime revenue) should not be impacted (i.e. P&G will not spend less as a result of this barter deal); and

- P&G spots are pre-emptable.

It may not be possible to negotiate similar terms on other barter deals and yields will be affected under the following circumstances:

- Where clients reduce their classical spend as a result of a barter transaction (marketing objectives can be achieved through a combination of barter and classical and thus classical spend can reduce);
- Where we are not able to move barter spots booked in high demand breaks in favour of revenue spots.

Policy Recommendations

We recommend that a policy be established that deals with barter transactions and that the following elements be included therein:

- Barter transactions should be the exception to the rule and should not be entered into unless it makes strategic business sense and the SABC stands to benefit therefrom;
- The barter transaction should have a set expiry date and if all airtime has not been utilized within the contract period, it will be forfeited;
- The value of the airtime provided is to be calculated at rate card rate and is not to be linked to any cash commitment deal (i.e. R1 for R1);
- The Barter contract should contain a clause stating that if the commitment deal is compromised in any way, the barter will be replaced with an exchange of money.

Conclusion

In conclusion, all issues surrounding barter transactions will be resolved under the following circumstances:

- Revenue is properly recognized on the barter transaction (as required in terms of GAAP and in accordance with VAT rules);
- The barter transaction is properly negotiated to ensure that the value of airtime to be provided does not exceed the value of the goods or services to be received;
- Evidence is obtained in support of the value of the goods or services finally received; and
- The barter transaction is closely monitored and managed throughout the period of the contract to ensure that terms are strictly adhered to.

6.17 Producers' Mark-up Scale

Value of Production (min) in Rands	Value of Production (max) in Rands	Mark-up (%)
18,000,001		5
16,000,001	18,000,000	5.5
14,000,001	16,000,000	6
12,000,001	14,000,000	6.5
10,000,001	12,000,000	7
9,000,001	10,000,000	7.5
8,000,001	9,000,000	8
7,000,001	8,000,000	8.5
6,000,001	7,000,000	9
5,000,001	6,000,000	9.5
2,500,001	5,000,000	10
1,500,001	2,500,000	11
1,000,001	1,500,000	12.5
900,001	1,000,000	15
800,001	900,000	16
700,001	800,000	17
600,001	700,000	18
500,001	600,000	19
0	500,000	20

6.18 Business Case Sample

BUSINESS CASE SAMPLE

Month

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1. Revenue		10,000	10,000	19,600	29,200	48,400	92,400	82,000	91,600	101,200	101,200	101,200	141,200	154,080	154,080	154,080	154,080	154,080	154,080	154,080	154,080	154,080	154,080	154,080	154,080
AR		0	0	0	2	4	4	5	6	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
CPP for 30s slot		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Discount		40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Sell out		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Number of 30s slots (or equivalents)		8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
Classic TV advertising revenue		-	-	9,600	19,200	38,400	38,400	48,000	57,600	67,200	67,200	67,200	67,200	94,080	94,080	94,080	94,080	94,080	94,080	94,080	94,080	94,080	94,080	94,080	94,080
Sponsorship revenue		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Merchandising product 1		-	-	-	-	-	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
● Number of units		-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
● Revenue per unit		4	4	4	4	4	4	4	4	4	4	4	4	5	5	5	5	5	5	5	5	5	5	5	5
Merchandising product 2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
● Number of units		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
● Revenue per unit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International sales		-	-	-	-	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
New media revenues		-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
● Online advertising		-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
● Revenue sharing		-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
● Product 1		-	-	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
● Product 2		-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Video sell-through		600,000	475,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
External costs		550,000	525,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
External production cost		500,000	500,000																						
Prize money																									
Licence fees																									
Script																									
Research and development		50,000																							
Marketing																									
Internal costs			25,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Cash flow		-590,000	-465,000	9,600	27,200	46,400	90,400	80,000	89,600	99,200	99,200	99,200	139,200	152,080	152,080	152,080	152,080	152,080	152,080	152,080	152,080	152,080	152,080	152,080	152,080
Cost of capital		16.8% p.a.	1.30% p.m.	1.04	1.05	1.07	1.08	1.09	1.11	1.12	1.14	1.15	1.17	1.18	1.20	1.21	1.23	1.25	1.26	1.28	1.30	1.31	1.33	1.35	1.36
Monthly discount factor		1.01	1.03	1.04	1.05	1.07	1.08	1.09	1.11	1.12	1.14	1.15	1.17	1.18	1.20	1.21	1.23	1.25	1.26	1.28	1.30	1.31	1.33	1.35	1.36
Discounted cash flow		-582,414	-453,119	9,234	25,828	43,483	83,646	73,072	80,788	88,284	87,156	86,038	119,178	128,531	126,879	125,247	123,637	122,047	120,478	118,929	117,400	115,890	114,400	112,929	111,477
Cumulative discount cash flow		-582,414	-1,035,533	-1,026,299	-1,000,471	-956,978	-873,332	-800,280	-719,472	-631,179	-544,020	-457,863	-388,804	-210,273	-83,394	41,863	165,480	287,557	408,015	526,944	644,344	760,234	874,654	987,364	1,099,041
NPV =		1,099,041																							
IRR =		96%																							
Peak funding =		-1,035,533																							