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| POLICY No. | CN/002/05R |
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| TITLE: | Policy for Programme Trade Exchanges (TE) |
| CUSTODIAN AREA: | Business Development– Trade Exchange Office |
| PREPARED BY: | Trade Exchange Office |
| DATE APPROVED: | 30 April 2014 |
| EFFECTIVE DATE: | 1 April 2014 |
| APPROVED BY: | SABC Board |

1. PROGRAMME TRADE EXCHANGE (TE) POLICY

1.1 POLICY OBJECTIVE

The objective of this policy is to govern the parameters and processes around Trade Exchanges on and/or for all SABC platforms, in all genres of programming, including News and Sport. This policy covers agreements between the SABC and clients (not 3rd parties) for the provisioning or supplying of products or services to be used in the production of local radio or television programmes in exchange for audio visual exposure in the form of logo exposure, calculated based on the current rate card for that specific broadcast slot. The Policy also governs the exchange of programming rights in exchange for SABC airtime.

1.2 POLICY STATEMENT

Trade Exchanges will be executed in accordance with the relevant section of the SABC's Delegation of Authority Framework (DAF) and must not contravene other SABC policies in the execution thereof.

1.3 POLICY OUTLINE

This policy affects all SABC staff members who, within the course and scope of their operations and employment handle, or are in any way involved in, Trade Exchanges for the provisioning or supplying of products or services, to be used in the production of local radio or television programmes in exchange for audio visual exposure in the form of logo exposure, included but not limited to:

- a) **Commissioning Editors & Production House:** Identify Trade Exchange needs and brief Trade Exchange Office
- b) **Programming Managers:** Approve Trade Exchange brief alignment to content objectives
- c) **Trade Exchange Office:** Identifies suitable partners and negotiates terms and conditions on behalf of SABC in partnership with (a) & (b)
- d) **Platform & Production Management:** Trade Exchange usage, monitoring and budget reconciliation

Where SABC exchanges goods or services from suppliers and SABC pays for such by exchanging airtime; the airtime that is supplied is a cash consideration for which the SABC is required, for VAT purposes, to claim any allowable input tax deductions in respect thereof. For this purpose all Trade Exchange transactions require the negotiation and signing of a binding contractual agreement as per the rules outlined in this document.

Programming Trade Exchanges are a cost reduction and / or programme enhancement feature. This type of agreement is negotiated in lieu of cash disbursements for line items in production budgets (these may include items such as clothing/wardrobe, hair and make-up supply, accommodation, location, car hire etc.) and programming rights.

It includes the following types of Trade Exchanges:

- a) **Prizes** (for quiz programs, game shows and listeners/viewers promotional competitions;
- b) **Production budget line-items**
- c) **Promotion of specific content themes** for the benefit of programming which the SABC supports (Radio Only).
- d) **Screen Credit Agreement** (For the usage of wardrobe, set dressing, hair and makeup and advisory services)(Television only)
- e) **Any other purpose** as approved by platform GM subject to the Delegation of Authority Framework (DAF) document and any other SABC approved documents.

All programming competition or giveaway elements must adhere to the National Consumer Protection Act (CPA) guidelines

This policy excludes deals in respect of Advertiser Funded Programmes (AFP's), Programme Sponsorship, including product placement, storyline integration and Licensing/Merchandising which are governed by separate policies.

Marketing Trade Exchanges are governed by the Marketing Trade Exchange Policy.

1.3.1 DEFINITIONS

- a) "**DAF**" means the SABC's Delegation of Authority Framework
- b) "**Programming Rights**" means the right to produce or broadcast the product for a specified period of time as outlined in a formal contractual agreement.
- c) "**SABC Platforms**" means SABC television channels, radio stations, websites and mobi-sites
- d) "**Screen Credit Agreement**" means an agreement between the SABC and a client for the supplying of products, returnable and non-returnable products, mainly be used for television production purposes and on-air presentation in exchange for a Screen Credit, which will be at the end of programmes in a normal font type.
- e) "**Trade Exchange Agreement**" means an agreement between the SABC and clients for the provisioning or supplying of products or services in exchange for audio visual exposure in the form of logo exposure calculated based on the current rate card for that specific broadcast slot There are two broad types of trade exchange agreements which can be negotiated, namely: Marketing Trade Exchange Agreement and Programme Trade Exchange Agreement.
- f) "**Trade Exchange Office**" means the unit that is mandated to manage the process and oversee the processing of all Trade Exchanges within the SABC.

1.4 PRINCIPLES/PROCEDURES

1.4.1 Negotiating Parameters

- a. Trade exchange negotiations for Programming can be facilitated by one of the following three options:
 - (i) Trade Exchange budgeted for in production budget and is part of approved Cost Per Minute (CPM).
 - (ii) Mixture of cash budget and Trade Exchange budget (In this case, Trade Exchange agreements must be secured in advance of production budget approval – e.g. R15,000 CPM is a combination of R12,000 cash and R3,000 Trade Exchange)
 - (iii) "**New opportunity**" Trade Exchanges that increase editorial value (A Trade Exchange not originally budgeted for but a unique Trade Exchange opportunity is presented and does not exceed 10% of production budget. For values exceeding 10% of the total budget, a business plan is required to be approved.
 - (iv) Programming Rights that afford the SABC access to content and/or rights (e.g. Sports Rights) for a broadcast in exchange for SABC airtime on a 1:1 basis as a cash savings for the Corporation.
- b. Trade Exchange Agreements can only be negotiated by the Trade Exchange Office in close collaboration with Platform Programming and content Commissioning Editors. The Production Houses or Commissioning Editor are not permitted to negotiate Trade Exchange's without the presence of a Trade Exchange Negotiator unless written permission has been granted by the Trade Exchange Office.
- c. The value of Trade Exchange Agreements should not allow less than 2 seconds exposure for the sponsor.
- d. Exposure is not to be given to sponsors unless all relevant parties have signed the contract prior to the broadcast of the programme.
- e. Television exposure in exchange for goods & services will be in the form of non-commercial visual, verbal and/or logo format. The client is not entitled to cede or assign its rights and obligations arising from any agreement to any 3rd party.
- f. Trade Exchange Agreements will not be entered into with:
 - Charity organizations.
 - Production Houses
- g. The normal exposure factor is 1:1 calculated based on SABC sales rate cards (unless ratio variance is approved by the relevant authority level within the parameters of the DAF).

1.4.2 Screen Credit Agreements

A Screen Credit Agreements exists between the SABC and a sponsor of goods & services (returnable as well as perishable products). This is mainly used for television production purposes and on-air presentation where the Screen Credit, will be at the end of

programmes. The exception is that of continuity presenters, where exposure will be given to suppliers on a ribbon / strap across the bottom of the television screen. Types of Screen Credits include normal type-font end credits or end credits typed in the same font as chosen for other items.

The value of exposure for the sponsor / client should be a maximum of 5 seconds and minimum of 2 seconds. These contracts are mainly entered for:

- Clothing for presenters or actors in Television programmes (i.e. dramas)
- Jewellery for presenters or actors in Television programmes
- Hair styling for presenters or actors in Television programmes
- Make-up for presenters or actors in Television programmes
- Venue hire where there is no physical cost to the sponsor / supplier
- Set dressing and furniture in Television programmes or drama series
- Legal advisory services

Branded logos may be given as part of rolling credits subject to the value of the Trade Exchange and with the written permission of the platform head.

Any other purpose as approved by the relevant authority subject to the limitations in the Delegation of Authority Framework (DAF) document and any other SABC approved policy.

1.4.3 Promotional Competition & Offer Guidelines as Per the Consumer Protection Act

Promotional competition means: any competition, game, scheme, system, plan or device for distributing prizes by lot or chance **IF** prizes offered exceed threshold of One Rand (R1), and it is conducted in the ordinary course of business for the purpose of promoting a manufacturer, distributor, supplier or association of any persons, or the sale of any goods and services, irrespective of whether a participant is required to demonstrate any skill or ability before being awarded a prize.

Promotional Offer means: an offer or promise expressed in any manner, of any prize, reward, gift, free goods or services, price reduction or concession, enhancement of quantity or quality of goods or services, irrespective of whether or not acceptance of the offer is conditional on the offeree entering into any other transaction. No promotional offer may be made with the intention of not fulfilling it or fulfilling it other than as originally offered.

The Promoter/SABC Platforms:

For Competitions

- Must not require any consideration to be paid by or on behalf of any participant other than reasonable costs for posting or transmitting an entry form or device (not exceeding R 1.50)
- Must prepare competition rules before the beginning of a competition and make the rules available to the Commission and to any participant, on request and without cost, a copy of which must be retained for the prescribed period after the end of the competition.
- Must not award winner of competition if it is unlawful to supply those goods or services to that prize winner

- Must not award any person who is a director, member, partner, employee or agent of or consultant to the SABC, promoter or any other person who directly or indirectly controls or is controlled by, the promoter, or a supplier of goods or services in connection with that competition
- Must ensure that an independent accountant, registered auditor, attorney or advocate oversees and certifies the conducting of the competition and must report this through the promoter's internal audit reporting or other appropriate validation or verification procedure.
- Must for a period of at least 3 years, retain detailed records (auditable paper trail)

Promotional Offers:

- Must ensure that the supply of the particular "offered product" or the capacity to provide enhanced quality or services, is sufficient to accommodate all reasonable anticipated demands resulting from the offer
- Not limit or restrict capacity to supply in response to acceptance of the offer, or any basis other than that it implies to such a supply in exchange for any form of consideration (anything of value given)
- Not require the consumer to accept an inferior quality of such goods or services than those generally available to other consumer on the same date who tenders a different form of consideration
- Not impose any monetary charge for the administration, processing or handling of a transaction in respect of which the consumer tenders a trade coupon.

The invitation/offer to participate in a competition must clearly state:

- The benefit to which the offer/competition relates (describe goods and services offered)
- The steps required by a person to accept the offer or participate
- The basis on which the results will be determined
- The closing date
- The medium through or by which the results will be made known
- The person from whom, any place where and any date and time on/at which a person may obtain a copy of the rules and a successful participant may receive a prize

Without providing a contestant the opportunity to decline or informing him or her of the right to decline such an invitation, any provision in the rules of a promotional competition that requires the winner to permit usage of his/her image in marketing material or participation in marketing activity or be present when the draw is taking place/winners are announced, will be deemed null and void.

Any document setting out a promotional offer must clearly state:

- The nature of the prize, reward, gift, free goods or services etc being offered
- The goods or services to which the offer relates and steps requires by a consumer to accept or receive the benefits of the offer
- The details of the person from whom, any place where and any date and time on/at which a person may obtain a copy of the rules and a successful participant may receive a prize, reward, gift, free goods & services etc.

See Annexure for a more detailed ***Guideline for Promotional Competitions***

1.5 RISK IMPLICATIONS AND CONSEQUENCES

Improper utilization and execution of Trade Exchanges can result in loss of revenue through over exposure and missed opportunity cash savings when delays occur.

Non-compliance with the policy will be treated as a transgression of the rules and regulations of the SABC and the individual/s will be charged in accordance with the disciplinary code of the SABC. Line managers will be made aware of policy violators by way of the Trade Exchange Office.

2. **Financial Implications**

- a. Agreements will be recorded in the General Ledger, as revenue received, and expenditure incurred upon receipt of a fully signed agreement.
- b. Invoices raised shall comply with the regulations of the VAT Act.

2.1 **Approval matrix:**

- a. The request to source Trade Exchange elements, process Trade Exchange contracts and the approval of final Trade Exchange contract is subject to the approval matrix in the Delegation of Authority Framework, as follows:

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| Scale Code 120 | Up to R5 million |
| Scale Code 115 and above | Up to R10m |
| Operations Committee | Up to R20,0m |
| EXCO | Up to R30,0m |
| Board | Above R30,0m |

The standard ratio should be 1:1 between exposure value and value of goods services / prizes etc. and deviation requires sign off from the relevant authority as per the limitations of DAF.

3. **ANNEXURES:**

- a. Sample Sponsor Letter
- b. Guidelines for Promotional Competitions
- c. Trade Exchange Compliance Report

REVIEW HISTORY

| DATE | REVIEWED BY | CHANGE |
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(Not part of the Policy Document)

SABC TRADE EXCHANGE OPERATIONAL PROCEDURES

1.0 Request Forms and Generation of Trade Exchange Agreements

All Trade Exchange requests must first be submitted to the Trade Exchange Office (requests for negotiations, for sponsors, for processing, etc).

Once Trade Exchange sponsors have been sourced and an agreement reached on the terms and conditions, the following procedures must be followed:

- a. The standard **Trade Exchange Request Form**, should be completed, in full, by the Commissioning Editor and/or the Production House of the programme and submitted to the Trade Exchange Office for processing.
- b. The Trade Exchange Request Form should be approved by the relevant authority reflected on the document which is in line with the levels of the current Delegation of Authority Framework. The request form must be accompanied by an approved Business Plan and, if applicable, the motivation document (Section 1.4.1./a/iii), supported by the Head of TV in the case of "new opportunity" Trade Exchange that increase the editorial value of the content.
- c. The completed Radio &TV Trade Exchange Request Forms, accompanied by the necessary Confirmation Letters and Tax Invoice from sponsors must be submitted to Trade Exchange Finance Office, a minimum of two weeks prior to broadcast by the Commissioning Editor of the programme.
- d. Commercial/ Business vetting and verification will be performed on all new sponsors/suppliers by the Trade Exchange Finance department
- e. Negotiations and exposure packages for Trade Exchange Agreements, will be approved by the Trade Exchange Office after it has been checked against approved production budgets
- f. A standard **Trade Exchange Agreement** will be circulated for approval by the Trade Exchange Office. The first signatory should be the client/ sponsor and all internal approvals should be in line with current DAF.

2.0 Administration processes

- a. Unique reference numbers will be allocated to each agreement by the Trade Exchange/Finance department.
- b. All Trade Exchange agreements will be kept for safe keeping by the SABC Trade Exchange Finance Department
- c. Monthly activity reports will be distributed to the relevant stakeholders.
- d. Reconciliations/monitoring of contractual obligations are the responsibility of the Commissioning Editor (see Annexure for **Trade Exchange Compliance Report**)