MultiChoice South Africa group

2010 sustainability report
INTRODUCTION

Despite tough economic conditions in South Africa and volatility in world markets, the group continued to deliver a positive contribution to society in various areas where it can make a sustainable difference.

Economic performance was satisfactory, driven by a positive growth in subscribers, specifically through the more affordable DStv Compact bouquet, which includes a significant component of local content. The difficult economic conditions meant that the group had to manage its costs with diligence, specifically in the light of intense bidding for key sports rights which placed margins under pressure. Revenues increased 18% to R14,5bn, while profit increased 19%. The group paid dividends of R36m to its Phuthuma Nathi shareholders approved by shareholders at annual general meetings on 21 September 2009 and proposes an ordinary dividend be paid to these shareholders of R48m to be considered to approval by shareholders at annual general meetings on 20 September 2010. Income tax paid to the South African government amounted to R1,2bn.

The regulatory environment remains uncertain. The anticipated broadband policy is yet to be published, while doubt surrounds South Africa’s standard for digital terrestrial television. Final regulations on the digital migration process have been published by the Independent Communications Authority of South Africa (Icasa). These are intended to pave the way for a migration from the current analogue terrestrial to digital terrestrial broadcasting. Regulations and the invitation to apply for radio frequency spectrum to provide mobile television have been issued.

The group continues to play an important part in the community and SuperSport has become the prime funder of sports leagues across Africa.

DStv takes its responsibility to the viewer in a serious light, encouraging and facilitating parental control on its content, as well as by delivering content of a strong educational value, which includes issues that impact the environment. M-Net produces a large component of its content locally.

The group will continue with its focus on being a sustainable for-profit organisation through the commitment, energy and resourcefulness of its staff as well as its other stakeholders.

Nolo Letele, MultiChoice South Africa group chief executive
STRATEGY AND PROFILE

It is the mission of the group to bring digital media entertainment, content and services to subscribers through multiple devices.

MultiChoice started as the subscriber management arm of M-Net, the analogue Pay-TV channel. Today it is the leading multichannel digital satellite television operator across the African continent. Its dynamic technology platform and varied bouquet of channels, built on a foundation of compelling premium entertainment, has seen MultiChoice grow its business across South Africa.

MultiChoice South Africa Holdings (Proprietary) Limited ("MCSAH") was incorporated on 19 May 2006 under the laws of the Republic of South Africa. The principal activities of MCSAH and its operating subsidiaries, (collectively "the group") are the operation of pay-television and internet subscriber platforms. These activities are conducted primarily in South Africa. The digital business has been in operation since 1995.

MultiChoice enriches lives. It’s our mission to brighten people’s lives with compelling digital media content. Whether it’s through pay TV, the internet, mobile phones or any other device on the digital horizon, our goal remains the same:

_We Enrich Lives. It can happen anywhere. In a city. In a remote village. To millions of people. To one person. To someone we don’t know. To someone we work with. To the fortunate. To the less fortunate._

MultiChoice’s involvement in South Africa goes beyond its core business. Through its corporate social investment, the company actively participates in social transformation and through technology, enables individuals and communities to help themselves ultimately leading to growth of the economy of the country.

We will be number one in all chosen market segments, as the most trusted, best value provider of:

- The most compelling digital media content
- The most innovative delivery
- The best customer care
- Nurturing the best talent
MultiChoice provides premium digital media entertainment, content and services to multiple devices, which includes pay TV subscriber services to over 2.85m households (2009: 2.4m).

Its dynamic technology platform and bouquet of channels, built around compelling and premium movie and sports channels has resulted in the group building its television business across South Africa, broadcasting more than 90 video, 40 CD quality audio channels, 32 radio stations and 3 interactive services for its premium viewers; 24 hours a day on its DStv platform. DStv’s service offering was further enhanced with the launch of two more high-definition (HD) channels, Discovery HD showcase and SuperSport HD, bring the total number of HD channels to four. We also launched Mzansi Magic, a new channel for the emerging market that will showcase South African productions. It will also provide an opportunity for local production companies to develop new content.

Customer service remains a priority for the business and a number of improvements have been implemented. A new customer care centre was opened in Randburg to deal with increasing customer numbers and the number of employees working in the call centre was boosted to manage call volumes.

The popular personal video recorder (PVR) reached 364 000 whilst the number of homes subscribing to the XtraView service grew to 416 000. This service enables subscribers to enjoy two independent viewing environments by linking two decoders. The PVR is one of the most advanced in the world. We are proud that our South African engineers were pivotal in the implementation of this technology.

For the 2010 Fifa World Cup, SuperSport showcased five channels, with three broadcasting 24 hours daily. There were also four daily magazine shows – Chase the Makarapa, Woza Lunchtime, Supernova and Harambee.
There were no significant acquisitions or divestures during the reporting period.

Our website, [www.multichoice.co.za](http://www.multichoice.co.za), is an important and accessible communication with our stakeholders.

Based in Randburg, Johannesburg, MultiChoice is a major subsidiary of Naspers Limited, one of the leading media groups in emerging markets. It is one of the mature businesses in the Naspers stable with a strong internal control environment.

**The future**

The coming year will see competitors entering the pay-TV market, the first of which launched in May 2010, and our business will face several challenges. The focus will be on maintaining steady growth in subscription sales, tight cost control and investing in growth for future years. The regulatory environment is increasingly complex and will continue to have an impact on the business.

**Report parameters and management approach**

This sustainability report highlights the progress made since the last report published for the 2009 period on the website. The reporting period remains aligned with our financial reporting period and this document should be read in conjunction with the annual reports to the shareholders of Phutuma Nathi and Phutuma Nathi 2, The MultiChoice South Africa Holdings annual financial statements for the year ended 31 March 2010 and the information on [www.multichoice.co.za](http://www.multichoice.co.za).

In this, our third sustainability report, we are able to demonstrate trend and progress against previous periods, as well as improve our reporting in certain areas.

The report is compiled in accordance with the general guidelines of the Global Reporting Initiative. As the supplement for the media and entertainment industry is still under development, emphasis is placed on the areas where MultiChoice can positively contribute to the South African society.

Any feedback can be communicated directly to gri@naspers.com
Organisational profile

DSTV
So much more!

www.dstv.co.za

DStv works on the principal that no two people are exactly alike. MultiChoice, through DStv provides a broad spectrum of entertainment and information and offers customers various bouquets to suit their tastes and their pockets.

M-Net
Where the magic lives

www.mnet.co.za

M-Net a pioneer in the South African pay-TV industry was founded just over twenty years ago. It prides itself in providing premium international and local entertainment to its viewers. It’s high quality and award-winning South African programmes, like Carte Blanche, and its two spin-offs Carte Blanche Consumer and Carte Blance Medical, Binnelanders and Jacobs Cross have helped position M-Net as the ‘best-of-breed’ channel. This means only the very best, most exciting and latest programming is shown on M-Net.

SuperSport
The world of champions

www.supersport.com

SuperSport, the World of Champions, produces ten channels for the DStv platform. In addition, a number of channels are broadcast in various ways for reception on handheld services. Highlights are streamed on the SuperSport web site.

SuperSport’s array of live coverage includes the major World Cup tournaments, the golf majors, the tennis Grand Slam events, F1, plus most major and local leagues of the important sports codes. The Indian Premier League was broadcasted this year for the first time. For the 2010 Fifa World Cup, SuperSport showcased five dedicated channels with three broadcasting 24 hours per day as well as four daily magazine shows.

Oracle Air Time Sales
We have all the channels – you have all the choice

www.oats.co.za

Oracle Airtime Sales (Pty) Limited manages terrestrial as well as satellite commercial airtime sales and on-air sponsorship across a variety of dynamic media brands. Established in September 1995, Oracle Airtime is sold on a large number of pay-TV Commercial channels, in addition to the two terrestrial M-Net Channels.

MWEB
Connect & you can

www.mweb.co.za

MWEB was founded in 1997. MWEB is at the forefront of internet research and development, always looking for new ways to delight its customers with constant innovation and superior service.

MWEB pioneered an uncapped ADSL broadband service in South Africa with unmetered broadband at affordable pricing.
Governance, Commitments and Engagement

Governance

In terms of MultiChoice South Africa Holdings (Proprietary) Limited’s articles of association, all directors are subject to retirement and re-election by shareholders every three years. Accordingly, Messrs M Langa, D G Eriksson and F G Sampson and Mrs S Dakile-Hlongwane retire by rotation and, being eligible, offer themselves for re-election. Subsequent to the year-end, Ms S A Raine was appointed to the board on 4 June 2010. Shareholders will be asked to confirm her appointment at the annual general meeting.

Introduction

The board of directors conducts the group’s business with integrity by applying appropriate corporate governance policies and practices.

MultiChoice is a major subsidiary of Naspers Limited, a company listed on the JSE and the London Stock Exchange. It therefore aims to comply, where appropriate, with guidelines in the King Report on Corporate Governance for South Africa 2002 (King II).

The implications of the new Companies Act, No. 71 of 2008 in South Africa (signed into law on 8 April 2008), as well as the King III Code and Report on Corporate Governance in South Africa are being analysed.

MultiChoice has an independent board of directors, which has established its own governance practices and subcommittees that comply in the main with the applicable governance and regulatory requirements.

The board's audit and risk management and remuneration and equity committees fulfil key roles in ensuring good corporate governance. The group uses independent external advisors to monitor regulatory developments, locally and internationally, to enable management to make recommendations to the board on matters of corporate governance.

The board has a process to annually review the effectiveness and role of the board and its chair, as well as the effectiveness of the respective board committees. Assessing the functioning of the audit and risk management committee includes a focus on its key competencies.

Whistle blowing facilities are in place to enable employees to anonymously report unethical conduct in the workplace.

Status: New Companies Act and King III

The impact of the new Companies Act and King III was a focus over the past year.

The board and its subcommittees made good progress in assessing the principles and practices contained in King III. The board approved revised board and subcommittee charters, which will come into effect in the
new financial year. The responsibilities of the audit and risk management committee were separated and a new risk committee was formed. A plan to address aspects of King III was approved and implementation is well under way. Where appropriate for the group, the necessary changes to our governance policies and practices will be made. If any principles or practices are found to be inappropriate for the group, the reason for not implementing or not complying with King III’s recommendations will be disclosed.

MultiChoice will produce an integrated report for the financial year ended 31 March 2011 and report on the application of King III at that time.

The board

Composition

MultiChoice has a unitary board, which fulfils oversight and controlling functions. The board has a charter evidencing clear division of responsibilities. The majority of board members are non-executive directors and independent of management, to ensure that no one individual has unfettered powers of decision-making and authority. The roles of chair and chief executive are separate, ensuring a clearly defined division of responsibilities.

On 1 April 2009 Mr Steve Pacak was reappointed to the board after a three-month sabbatical.

At 31 March 2010 the board comprised six independent non-executive directors, four non-executive directors and one executive director. Six directors (55%) are from previously disadvantaged groups and two directors (18%) are female.
The chair

The chair is an independent, non-executive director. He provides guidance to the board as a whole and ensures the board is efficient, focused and operates as a unit. He acts as facilitator at board meetings to ensure a flow of opinions and attempts to lead discussions to optimal outcomes in the interests of good governance. He occasionally represents the board in external communications in consultation with the chief executive and the chief financial officer.
The chief executive

The chief executive reports to the board and is responsible for the day-to-day business of the group and implementation of policies and strategies approved by the board. Chief executives of the various businesses assist him in this task. Board authority conferred on management is delegated through the chief executive, in accordance with approved authority levels.

Appointments to the board

The board has a policy on procedures for the appointment and orientation of directors. The remuneration and equity committee periodically assesses skills represented on the board by non-executive directors and determines whether those skills meet the company’s needs.

Annual self-evaluations conducted by the board and its subcommittees assist with this process. Directors are invited to give their input in identifying potential candidates. Members of the remuneration and equity committee, all non-executive, propose suitable candidates for consideration by the board. A “fit and proper” evaluation is performed for each identified candidate.

Retirement and re-election of directors

One third of directors retire annually. This year Messrs M Langa, D G Eriksson, F G Sampson, and Mrs S Dakile-Hlongwane will retire, but are available for re-election. The re-appointment of directors is not automatic.

Orientation and development

An induction programme is held for new members of the board and of key committees, specifically tailored to the needs of individual appointees. This involves industry and company-specific orientation, such as meetings with senior management to facilitate an understanding of operations. The company secretary assists the chair with the induction and orientation of directors, and arranges specific training, if required.

The company will continue director development to build on expertise and develop an understanding of the businesses and the markets in which it operates.

Conflicts of interest

Potential conflicts of interest are appropriately managed to ensure candidate directors, and existing directors, are free of conflicts of interest between the obligations they have to the company and their personal interests. Any interest in contracts with the company must be formally disclosed and documented. Directors must also adhere to a policy on trading securities of its ultimate holding company, Naspers.
Independent advice

Individual directors may, after consulting with the chair or chief executive, seek independent professional advice, at the expense of the company, on any matter connected with the discharge of their responsibilities as directors.

Role and function of the board

The board has adopted a charter setting out its responsibilities. Among other obligations, it:

✓ provides strategic direction to the company and is responsible for the adopting strategic plans originating from management
✓ approves the annual business plan and budget compiled by management, for implementation by management
✓ retains full and effective control over the company and monitors management in implementing the approved annual budget and strategies
✓ appoints the chief executive, who is accountable to the board
✓ approves the company’s financial statements and is responsible for its integrity and fair presentation
✓ assesses the viability of the company and the group on a going-concern basis
✓ determines the company’s external communication policy
✓ determines director selection (with due consideration to shareholder arrangements), orientation and evaluation
✓ ensures the company has appropriate risk management, internal controls and regulatory compliance procedures in place and that it communicates with share owners and relevant stakeholders openly and promptly, with substance prevailing over form
✓ establishes subcommittees of the board with clear terms of reference and responsibilities
✓ defines levels of materiality and delegates specific matters with the necessary written authority to subcommittees of the board and management
✓ monitors non-financial aspects relevant to the business of the company
✓ considers and, if appropriate, approves the declaration of dividends to shareholders
✓ regularly evaluates the performance and effectiveness of the board and its subcommittees

Board meetings and attendance

The board meets regularly, at least four times a year, and also when specific circumstances require it. The board held four meetings during the past financial year.

The company secretary acts as secretary to the board and its subcommittees and attends all meetings. Details of attendance at the meetings are provided in the annual report.
**Board committees**

While the whole board remains accountable for the performance and affairs of the company, it delegates to board subcommittees and management certain functions to assist in properly discharging its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems.

Each subcommittee acts within agreed, written terms of reference. The chair of each subcommittee reports at each scheduled board meeting.

The chair of each subcommittee is a non-executive director and is required to attend annual general meetings to answer questions raised by shareholders.

The established board subcommittees are detailed below:

**Audit and risk management committee**

This committee, chaired by Mr Don Eriksson, comprises only non-executive independent directors. All members are financially literate and have substantial business and financial acumen.

The committee held four meetings during the past financial year. Details of attendance at meetings are in the annual report. The chief executive and chief financial officer attend the audit and risk management committee meetings by invitation.

Both the internal and external auditors have unrestricted access to the committee through the chair. The internal and external auditors may also report their findings to the committee with members of executive management not in attendance.

The main responsibilities of the audit and risk management committee are to:

- address all matters required to be dealt with by an audit committee in terms of the South African Companies Act
- review and recommend to the board for approval the company’s annual financial statements
- receive, evaluate and, where applicable, approve the external auditor’s plans, reports and findings
- evaluate legal matters that may affect the financial statements
- review and make recommendations to the board on the viability of the company and the group on a going-concern basis
- evaluate the internal audit and risk management functions, including their charters, activities, scope, adequacy, effectiveness and costs, and approve annual plans and any material changes to these plans
- evaluate procedures and systems introduced by management (including internal controls, disclosure controls and procedures and information systems)
- establish procedures for addressing complaints received by the company on accounting, internal control or auditing matters
• review alleged incidents reported through the whistle-blower facility
• determine principles for the use of the external auditor for non-audit services
• evaluate the effectiveness of the committee.

Remuneration and equity committee

This committee, chaired by Mr Ton Vosloo, comprises only independent non-executive directors. Executive directors and certain members of management attend meetings by invitation as appropriate. This committee met four times during the financial year. Details of attendance are in the annual report.

The main responsibilities of the remuneration and equity committee are to:

• determine the company’s general policy on remuneration, including share-based incentive schemes
• annually appraise the performance of the chief executive and review and approve remuneration packages of the chief executive and his direct reports, including bonus incentive schemes
• regularly review the group’s code of business ethics
• annually review the general level of remuneration for directors, and board committees
• approve appointments and promotions of top executives, and review succession plans for these positions
• evaluate any cases of unethical business behaviour by senior managers and executives of the company
• review employment equity and skills development plans
• make recommendations to the board on the appointment of new directors (with due consideration to any shareholder arrangements and legal requirements).

Discharge of responsibilities

The board has determined that both subcommittees discharged their responsibilities for the year under review in compliance with their terms of reference.

The company secretary

The company secretary is responsible for guiding the board on discharging of its responsibilities in terms of legislation and regulatory requirements.

Directors have unlimited access to the advice and services of the company secretary. The company secretary plays an active role in the company’s corporate governance and ensures that in accordance with pertinent laws, the proceedings and affairs of the board, the company itself and, where appropriate, shareholders are properly administered. She is also the company’s compliance officer as defined in the Companies Act, No.61 of 1973, and delegated information officer. The company secretary monitors directors’ dealings in securities and ensures adherence to closed periods for trading in shares of the company’s ultimate holding company, Naspers.
Subsequent to the year-end Mrs Gillian Kisbey-Green stepped down as company secretary. She was succeeded by Mrs Sameera Khan, who was appointed on 5 June 2010.

**ECONOMIC**

**Performance**
Despite tough economic conditions, the group achieved satisfactory results, with revenues growing by 18% to R14.5bn (2009: 38% growth to R12.3bn). The revenue mix has proven to be stable over recent reporting periods, representative of the group’s core business for the 2010 period.

*combined revenue is from subscriber management services fees, decoder maintenance revenue, reconnection fees and barter revenue*

Efficient spending is a priority for the group, closely managed specifically in the light of escalating pricing with respect to content. Investment in the future continues to be a priority in the areas where the group can make a difference.

**Tax**
The group has a history of significant contributions to the South African government through the taxes and levies it pays. Income tax contributions at an effective rate of 27.1% amounted to over R1.2bn for 2010, a 16% increase from 2009.
Apart from income tax, employment taxes (PAYE) and levies, secondary tax on companies (10%), consumption tax in the form of value added tax (14%), as well as capital gains tax (effective 14%) are paid on affected income.

**Dividends**
The group paid R36m dividends to its Phuthuma Nathi shareholders in 2009 and proposes to pay an ordinary dividend of R48m in September 2010. Details are available in the annual report to the Phuthuma Nathi shareholders.

**Employee benefits**
Total staff costs, in line with company policy and compliant to minimum statutory requirements increased by 33% to R1,4bn in 2010 (2009: 27% increase to R1,1bn) while the number of permanent employees, increased by 6% to 3 147 (2009: 2 977). There staff costs for the 985 temporary employees during the year, (2009: 624) are included in the total staff costs per the table below:

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<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
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<tbody>
<tr>
<td><strong>Salaries, wages and bonuses</strong></td>
<td>1 212 075</td>
<td>925 758</td>
</tr>
<tr>
<td><strong>Retirement benefit costs</strong></td>
<td>55 869</td>
<td>49 144</td>
</tr>
<tr>
<td><strong>Medical aid fund contributions</strong></td>
<td>49 777</td>
<td>43 580</td>
</tr>
<tr>
<td><strong>Training costs</strong></td>
<td>17 565</td>
<td>19 360</td>
</tr>
<tr>
<td><strong>Share based payment charges</strong></td>
<td>90 392</td>
<td>30 085</td>
</tr>
<tr>
<td><strong>Total Staff costs</strong></td>
<td>1 425 678</td>
<td>1 067 927</td>
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<table>
<thead>
<tr>
<th>No of employees at the end of the period:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>4 132</td>
<td>3 601</td>
</tr>
<tr>
<td>Temporary</td>
<td>3 147</td>
<td>2 977</td>
</tr>
<tr>
<td></td>
<td>985</td>
<td>624</td>
</tr>
<tr>
<td><strong>Staff cost per average employee</strong></td>
<td>369</td>
<td>303</td>
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</table>
ENVIROMENT

MultiChoice measured its gross carbon footprint with respect to scope 1 and 2 emissions for the second year in accordance with the GHG Protocol. The measurement excludes MWEB in Cape Town and is limited to the Randburg Campus.

The largest contributor to direct emissions remains electricity. Given that the primary source of electricity in South Africa is coal, which has a higher emission rate, electricity accounts for 100% of scope 2 emissions (95% of total emissions). Continuous supply of good quality electricity is vital to the continuity of the pay-TV operations. The group installed generators a few years ago to ensure continuous supply of electricity hence mitigating the risk of disruptions in the power supply. The effectiveness of the generators is tested on a frequent basis at the Randburg campus.

The gross carbon footprint (scope 1 and 2) is 33 595 tonnes of Co2e (2009: reported 14 450 tonnes of CO2e). Subsequent to reporting the 2009 footprint, we noted that the scope 2 footprint reported in 2009 was incorrect. It has subsequently been corrected, to reflect a more accurate total carbon footprint of 26 558 tonnes of CO2e.

The group will continue to refine its process for measuring and reporting its impact on the environment in an accurate, complete and relevant manner.

Given the growth in the volume of programmes broadcast as well as the focus on technological advancements, the gross direct footprint for 2010 grew marginally. The group recognises the importance of a more efficient use of electricity and will implement reasonable measures to increase its energy efficiency.
Scope 2 emissions increased by 26% due to operational expansions at the Randburg campus:

- a new customer care centre was built
- additional play-out facilities at M-Net enabling high definition broadcasting. The facilities are relatively energy-intense
- higher occupancy rate of certain buildings.

There has been a reduction in the Scope 1 emissions due to the replacement of dated equipment on the Randburg premises.
**Improvements made and plans for the year ahead**

The scope 2 carbon footprint at the Randburg campus was measured on a monthly basis during the reporting period. For the ensuing year, internal reporting and monitoring of the carbon footprint (scope 2) will take place with more frequency. To refine this process by committing to reasonable targets, the appropriate measurement criteria will be developed. We do not view the generally accepted criteria of CO2e per employee (2010: 8 tonnes of CO2e per employee; 2009: 8.9 tonnes of CO2e per employee) as representative in an electronic environment where staff levels are relatively low and the carbon footprint is unrelated to the number of people employed.

The carbon footprint of MWEB will be measured.

Plans are in progress to install motion detectors at the Randburg campus, which should improve the efficiency of electricity use. Energy efficient bulbs were installed in the past year.

There is growing global concern around electronic waste and alleged dumping of electronic equipment. The group will investigate manners in which it can influence its stakeholders to act responsibly in disposing of its private electronic waste.

**Other areas of environmental impact**

The group uses water with care, mainly for sanitation and cooling purposes.

Being an electronic broadcasting business, direct waste is limited to office waste, office equipment and furniture. Consequently, there were no significant spills during the past year.

**Fines**

There were no environmental accidents nor were there any environmentally-related fines imposed by the South African government.
SOCIAL PERFORMANCE

Labour practices and decent work

Part of our vision is to nurture the best talent. MultiChoice’s values are:

- Participation
- Development
- Customer focus
- Mutual respect
- Innovation
- Performance driven

Human rights

The group complies with the legislation in South Africa relevant to its employees. Information regarding human rights is freely available. An anonymous facility exists where employees can report instances of non-compliance, although direct dialogue in the existing forums and structures, for example the grievance process, within the group is encouraged.

The risk of child labour and forced or compulsory labour is low in the group. Where children are used in local productions, strict compliance to their conditions of employment is enforced.

Employment diversity and employment equity

At 31 March 2010 the group had 3 147 full time employees, of which 44% were female employees.

![2010 diversity chart]

- African: 39%
- Coloured: 24%
- Indian: 10%
- White: 26%
- Foreign: 1%
A history of diversity

The group values its diverse workforce of totalling 3 966 (2009: 3 601), including temporary employees.

Employee benefits

Quantified benefits are discussed in the Economic section of the report as well as in the MultiChoice South Africa Holdings’ annual financial statements for the year ended 31 March 2010.

Retirement benefits

The group provides retirement benefits for its full-time employees, primarily by means of monthly contributions to a number of defined contribution pension and provident funds. The assets of these funds are generally held in separate trustee-administered funds. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive
obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in current and prior periods. The group's contributions to retirement funds are recognised as an expense when the employees render the related service. The group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

**Bonus plans**
The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders and various other performance-related considerations. The group recognises a provision where contractually obliged or where the past practice has created a constructive obligation.

**Medical aid benefits**
The group's contributions to medical aid benefit funds for employees are recognised as an expense in the period during which the employees render services to the group.

**Share-based compensation benefits**
The group operates a number of equity and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. For equity-settled share-based compensation plans, the total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-marketing vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At each reporting date, the entity revises its estimates of the number of instruments that are expected to become exercisable. For cash-settled schemes, the group re-measures the fair value of the recognised liability at each reporting date and at the date of settlement, with any changes in the fair value being recognised in profit or loss for the period. The group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity for the equity-settled plans and a similar adjustment to liabilities for the cash-settled plans. Details are available in the annual financial statements of MultiChoice South Africa Holdings (Proprietary) Limited for the year ended 31 March 2010.
Employee relations and skills development

Appropriate consultative forums protect the interests of employees, provide representation and have become a valuable platform for joint decision making. The Workplace Forum is there to protect the interests of employees. It provides every one of our employees, no matter what position, with representation. The Workplace Forum’s major functions are to:

- Promote the interests of all employees
- Enhance the efficiency in the workplace
- Be consulted by the employer with the objective of reaching consensus
- Participate in joint decision-making
- Skills development.

The MultiChoice group embraces the principles of black empowerment, particularly in appointing staff and skills enhancement. Different programmes develop employees at various levels – ranging from supervisory to executive management. MultiChoice supports some students who have completed their tertiary studies through internship and learnership programmes, where students are brought into the company for on-the-job training experience. In the reporting period 29 students were part of this programme, bringing the total since 2008 to 91.

The management programmes for the year include:

- Management Advancement Programme (MAP) attended by 20 students (16 black and four white)
- New Managers Programme (NMP) attended by 16 black students in conjunction with Wits Business School
- Media Management Programme (MMP) attended by five students (four black and one white)
- Master of Business Administration (MBA) attended by one black student.

SuperSport initiated the SuperSport Management Advancement Programme in conjunction with the Wits Business School in 1997. The programme deals with a cross-section of issues confronting sport administrators in their daily work environment and equips senior managers with a sound foundation in the fundamentals of sports law, sponsorship and communication. Currently, 28 sport administrators are enrolled in the programme.

SuperSport was instrumental in the launch of the Certificate Programme in Management Development hosted by the University of Nigeria and the National Sports Commission in Abuja, where 18 Nigerian sport administrators are enrolled. Across the group, skills development is critical to maintain our competitive advantage, particularly in our technology-intensive businesses.
With technology at the core of MultiChoice’s business, skills development is multi-faceted. The company’s learnership programmes combine vocational education and training modules towards qualifications registered on the National Qualifications Framework (NQF). Its learnerships and internships build skills, improve performance, create work opportunities and career advancement for people who cannot secure employment due to lack of skills and work experience, create a talent pipeline for scarce and critical skills and recruit talent into entry positions.

MultiChoice awarded 51 bursaries in 2010, bringing the total number of bursaries awarded to 161 since 2008.

**Transformation**

**Direct empowerment**

**Phuthuma Nathi**

In line with its commitment to BBBEE, and in compliance with a license requirement that stipulates that “the licensee shall have no less than 30% ownership by persons from historically disadvantaged groups”, its BBBEE Phuthuma Nathi schemes include 120 000 individual black people as shareholders.

These schemes were lauded for their broad-based nature. MultiChoice has more individual black shareholders than any other media grouping in South Africa. The success of Phuthuma Nathi lies in its unique structure: by making the schemes broad-based and accessible to people across income levels, ordinary South Africans were able to invest in MultiChoice, whose products and services are world-renowned.
**Power to the people**

Our empowerment strategy doesn’t begin and end with Phuthuma Nathi. It includes:

- Employment equity and staff development
- Preferential procurement (contractors)
- Community development and CSI initiatives
- Equity shareholding

**Black economic empowerment partners**

MultiChoice and other group companies have combined their buying power in South Africa in a centralised bargaining company called M-Web CommerceZone, which is mandated to implement a BEE procurement policy. Suppliers’ BEE performance is evaluated against specific criteria and suppliers are expected to show a marked improvement in their annual BEE rating. Specialised procurement, such as programming and decoder equipment is in certain cases procured directly by MultiChoice.

In addition to the empowerment initiatives MultiChoice procures large numbers of decoders from a local manufacturer. This initiative resulted in the creation of several employment opportunities in the areas of manufacture, logistics for the distribution of decoders, as well as the creation of several sales channels. MultiChoice also established a network of some 900 installers as well as customer service touch points through the establishment of approximately 110 agencies across South Africa.

**Transformation scorecard**

MultiChoice is categorised as a level-four contributor with a score of 65%. Good progress has been made in the elements of the scorecard pertaining to management control, employment equity, skills development and preferential procurement. Following its successful empowerment transaction in 2006, whereby 120 000 new shareholders were introduced; the group achieved maximum points in the shareholding area. With its recent initiatives to promote the local film industry, it believes that such initiatives will improve scores in the area of enterprise development.
HEALTH & SAFETY
MultiChoice is committed to a healthy and safe working environment for its staff and visitors.

Wellness
During the previous year a wellness centre for staff was established at the Randburg campus. The centre provides services such as physiotherapy, optometry, family planning, financial advice and an on-site nurse.

HIV/Aids
The Direct Aids Intervention Programme is a professional HIV/Aids management programme available to all permanent employees of MultiChoice. Voluntary counselling and testing is conducted on site twice a year.

The programmes comprise:

- information and awareness campaigns
- voluntary free testing
- free counselling, and
- comprehensive medical treatment programmes

Monitoring
Electrical safety compliance testing is conducted on a bi-annual basis to detect and remedy hot points (cable heating) and harmonic (noise) levels, which could potentially result in fires. No exceptions were noted during the most recent test. Monthly health and safety audits are carried out by our health and safety specialists at the Johannesburg, Cape Town and Durban offices. Our current ratings are good at these facilities.

Incidents
Some SuperSport technical employees, commentators and presenters are required to travel to sports events broadcast by SuperSport. One of the regular rugby commentators was killed in a motor vehicle accident whilst travelling to the Durban airport the morning following the broadcast of a rugby match at Kings Park. In another incident, three technical employees were kidnapped in Nigeria following the broadcast of a regional football match. One employee escaped, and the other two were subsequently released.
SOCIETY
MultiChoice operates in a highly regulated environment in South Africa, legal compliance where critical. The group therefore plays an active and constructive role in the regulatory process affecting the communications industry by participating in various public forums and debates to assist regulators in formulating standards and strategies for this industry.

An anonymous hotline has been in place for a number of years where alleged incidents of non-compliance, fraud or corruption can be reported, and activity on this line is constantly monitored. The group received no significant fines for non-compliance in the past year.

The group plays an active role in its communities, focusing mainly on educational programmes. In the review period, group companies spent R29 million on corporate social investment initiatives.

MultiChoice plays a valued role in its communities, focusing on a number of areas to achieve its objectives. It also enables its staff and customers to benefit community organisations of their choice. Current initiatives include:

- **Carte Blanche’s Making a Difference campaign** has to date raised over R60m from corporate and private sponsors to turn the wish lists of state hospitals and certain charity organisations in South Africa into reality.

- **SuperSport’s Let’s Play initiative** is getting children active, and is now entrenched in schools, suburbs and townships across South Africa after raising R2.7m in sponsorship since April 2009.

- **The MultiChoice Orphaned and Vulnerable Children programme** assists care centres by providing new and refurbished buildings and homes, as well as training care personnel. Five children’s centres and over 100 orphans have benefited to date.

- **The Film Talent Incubator** aims to fast-track development of previously disadvantaged individuals in the local film industry. Since inception in 2007, 48 students have graduated and are now valued members of the film industry in South Africa.

- **MultiChoice’s Information Communication Technology (ICT) in Schools initiative** equips schools with multimedia centres – new computers, television sets, video recorders, satellite decoders and dishes. This has helped participating schools enhance learning by equipping learners to manage in a technologically-driven society. So far, MultiChoice has helped over 6 500 learners in 15 schools.

- A customer-focused initiative, **Reach Out**, gives subscribers the opportunity to make a difference to the charity organisations of their choice.

- The entire MultiChoice group is involved in **MultiChoice Make a Difference**. To date, over 1 000 employees have embarked on 23 projects to improve the lives of others within the community.

- **Through the CNN MultiChoice African Journalist Awards**, now in their sixth year, we recognise excellence in journalism on the continent by encouraging journalists to tell African stories.