Phuthuma Nathi
Share The Future
King IV™ application report 2020
Below is a synopsis of how MultiChoice South Africa Holdings Limited (MCSA) and its subsidiaries (collectively the SA segment) apply the principles set out in the King IV Report on Corporate Governance™ in South Africa 2016 (King IV) during the 2020 financial year.

**PRINCIPLE 1: The governing body should lead ethically and effectively.**

The directors of the MCSA board, overseen by the chair, hold each other accountable for decision-making and ethical behaviour. They individually and collectively demonstrate integrity, competence, responsibility, accountability, fairness and transparency to provide effective leadership, which, together with management, assists in achieving strategic objectives.

The induction of new directors and ongoing training of directors ensure that directors have the necessary knowledge and competence to fulfil their duties.

Adequate information is provided in the board papers. Regular progress reports are provided to board members for the individual business units and on new trends.

The company secretary, who is also the MultiChoice Group Limited (MCG) company secretary, and MCG general counsel provide professional and independent guidance to the board collectively, and each director individually, on their duties and responsibilities and draw their attention to relevant legislation and regulations.

The board will ensure proper disclosure of how it exercises its governance role. The board, with the assistance of MCG’s governance structures and committees, monitors financial, environmental, social and governance matters, as well as risks and opportunities.

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PRINCIPLE 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The board sets the tone at the top and is responsible for the monitoring and governance of the ethics within the SA segment so that it results in the outcomes envisaged by King IV, which is detailed in its charter.

The SA segment has endorsed and adopted the MCG values, code of ethics and conduct (the code) and related policies encompass its interaction with internal and external stakeholders and the broader society. The SA segment conducts its business dealings on the basis of compliance with applicable laws and proper regard for ethical business practices.

Management teams across the SA segment understand and apply the code and create and maintain awareness of the code and the MCG whistleblower policy. Reference to the code is included in the contracts of new employees of subsidiaries and in the induction process for new employees. The code applies to recruitment, performance evaluation and reward processes. Management teams are required to monitor adherence to the code and apply a zero-tolerance policy to violations. Sanctions are in place and the necessary action is taken, which includes prosecuting to the fullest extent of the law when appropriate.

Reference to our ethical values is included in third-party procurement contracts of subsidiaries. Contractors, agents and consultants who work with any group company are expected to follow the same standards of conduct. Subsidiaries may require specific steps to be taken, including, where appropriate, due diligence checks and specific contractual terms for certain types of contractors, agents and consultants.

The SA segment’s risk management function monitors the disclosure of conflicts across the group and the MCG whistleblower facility operated by Deloitte’s Tip-offs Anonymous. Reported matters relating to the SA segment are investigated either internally or externally by forensic specialists as appropriate. MCSA has delegated audit, risk and social and ethics oversight responsibilities to the MCG board committees. Significant allegations and fraud are reported to the MCG audit and risk committees who report back to the board regularly. The MCG social and ethics committee receives reports on whistleblower activity and ethics. The MCG board committees periodically report back on their activities to the MCSA board. The MCG internal audit function, which provides internal audit services to the SA segment and the SA segment’s risk management function, annually provides the MCG social and ethics committee with an assessment of the group’s ethics performance.

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PRINCIPLE 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The board, assisted by the MCG social and ethics committee, ensures that the SA segment is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the SA segment, but also the impact that business operations have on the environment and the society within which it operates.

The MCG sustainable development policy, which has been endorsed and adopted by the MCSA board, includes the responsibility for corporate citizenship and that the MCG group’s purpose, values and strategy are aligned with the principles of responsible corporate citizenship.

The SA segment’s businesses manage numerous corporate citizenship initiatives affecting the workplace, economy, society and environment, including: broad-based black economic empowerment (BBBEE) and employment equity performance; employment, health and safety laws; employee development opportunities; responsible tax policy; anti-fraud, anti-bribery and anti-corruption initiatives; initiatives to minimise the impact on the environment; and corporate social investment initiatives contribute to the societies in which our businesses operate.

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PRINCIPLE 4: The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

The SA segment’s ability to create value in a sustainable manner is illustrated throughout its business model.

The board is responsible for the SA segment’s performance by steering and providing strategic direction and overseeing the adoption of strategy and plans (which originate from management). Annually, the board approves the strategy, objectives and business plans for the ensuing financial year. Management is responsible to implement the plans and is incentivised to do so through annual performance-related incentives linked to the group’s objectives and strategy.

In approving the strategy, the board takes into account sustainability aspects in long-term planning, risks and opportunities, and legitimate and reasonable interests of material stakeholders.

The business plan covers short-, medium- and longer-term aspects such as investing in technologies of the future. The business plan is a bottom-up/top-down inclusive process. It focuses on the sustainability of the businesses, taking account of changing economic, competitive, technological and other market conditions.

The board oversees implementation of the strategy and business plan by management against agreed performance measures and targets. Performance is monitored via regular financial updates, business unit progress reports and presentations at board meetings.

Risk management, including implementation of controls, is an integral part of the business. In its deliberations the board, assisted by MCG’s committees, considers the overall sustainability of the SA segment from a ‘people, profit and planet’ perspective.

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PRINCIPLE 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of its performance, and its short-, medium- and long-term prospects.

The chairs of the MCG committees are required to report to the MCSA board at each scheduled board meeting, keeping the board apprised of developments in terms of their mandates.

The integrated annual report to Phuthuma Nathi Investment (RF) Limited (PN) shareholder contains an assessment of the SA segment’s performance, measured against its objectives.

The board, is ultimately responsible for overseeing reporting (including the audit and integrated report processes) and approving management’s determination of reporting frameworks and basis for determining materiality. The MCSA board is assisted by the MCG audit committee in this regard. International Financial Reporting Standards (IFRS) are used for financial reporting purposes, and the international integrated reporting framework, as endorsed by King IV, will be used as a guide in the preparation of the integrated annual report.

To assist the board in ensuring the integrity of the integrated annual report, the MCG audit committee reviews this report prior to making a recommendation to the MCSA board for approval. MCSA’s external auditor, PricewaterhouseCoopers Inc. (PwC), audits or reviews, as appropriate, external financial reporting and material non-financial information included in the integrated annual report. BBBEE scorecards are issued by EmpowerLogic for MCSA.

Applicable MCG policies and governance elements:
- Board charter
- Audit committee charter
PRINCIPLE 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The board is the focal point and custodian of corporate governance and exercises its leadership and oversight role by annually approving the strategy and the business plan and overseeing implementation. Its role, responsibilities, membership requirements and procedural conduct are documented and set out in the board charter which it regularly reviews to guide its effective functioning. The SA segment falls within the governance structures of its holding company, MCG. In line with King IV recommendations, the SA segment endorses and adopts MCG policies to the extent that those policies are appropriate for the SA segment. The board has delegated audit, risk, social and ethics, nomination and remuneration responsibilities to the MCG board committees, for example, the audit committee, the risk committee, the social and ethics committee and the remuneration committee. The board charter is reviewed annually. MCG policies are reviewed as and when revised by the MCG board for adoption across the MCG group.

Accountability for the SA segment’s performance is ensured by its financial reporting and integrated annual report to PN shareholders, together with disclosure information to be found on the corporate website.

Board-approved policies set out the processes to be followed for:
- any of its members or committees to obtain independent, external professional advice at the cost of the group on matters within the scope of their duties, and
- its non-executive members who requisition documentation from, and set meetings with, management.

Applicable MCG policies and governance elements:
- Board charter
- Audit committee charter
- Obtaining independent professional advice policy
- Directors’ rights to access information policy
### PRINCIPLE 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

On at least an annual basis, the board, with the assistance of the MCG nomination committee, considers the MCSA board composition in terms of balance of skills, experience, diversity, independence and knowledge and whether these enable them to effectively discharge their roles and responsibilities as per the board diversity policy.

The composition of the board (including board member rotation), in accordance with the board charter, is reviewed annually by the MCG nomination committee, which makes recommendations to the board. Composition is considered holistically, taking into account all aspects of diversity (including gender and race) in terms of its diversity policy, and capitalising on differences in the skills, geographical and industry experience of its members.

The chief executive officer (CEO) and chief financial officer (CFO), are board members. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.

Through the annual self-assessment of the board, the knowledge and skills set will be evaluated and improved where required. Furthermore, where necessary, subject matter experts are available for matters requiring specialised guidance.

A non-executive chair has been appointed. The non-executive chair has valuable group, industry and regulatory intellectual capital and know-how to ensure the future development and progression of the business. In the event of the chair being unable to perform his duties or being conflicted, the lead independent director takes over as an interim measure until a new candidate has been determined or the chair is able to resume his responsibilities.

In the annual review of board composition, succession planning, including upcoming retirements, are considered and, where appropriate, new appointees are identified. All aspects of diversity are considered in succession planning, while training requirements are considered in developing executive and non-executive directors.

The nomination, election and appointment processes are formal and transparent, and include a fit-and-proper test. Formal terms of appointment are in place for each non-executive director.

Non-executive directors on the MCSA board are also non-executive directors of MCG to ensure alignment and appropriateness of governance processes. The board has determined that such cross-membership does not in itself cause bias and result in a director’s ability to apply sound judgement and independence of mind principles to decisions.

Summarised curricula vitae of all directors are available on the group’s website.

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| MultiChoice South Africa Holdings Limited |  |
| King IV™ application report 2020 | Internal policy, document or process reference |

Applicable MCG policies and governance elements:
- Board charter
- Nomination committee charter
- Board diversity policy
- Appointment, induction and development of directors’ policy
- E-learning training on directors’ duties and corporate governance
PRINCIPLE 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The board with the support of the MCG audit, risk, remuneration, nomination, and social and ethics committees fulfil key roles in ensuring good corporate governance in line with King IV™. There is a clear balance of power to ensure that no individual has undue decision-making powers.

Many MCSA board members, who are also MCG board members, sit on MCG committees. In this way MCG committees are accountable to the MCSA board. MCG committees report to the MCSA board at each scheduled board meeting.

Delegating responsibilities does not discharge the board’s accountability, and the board’s collective mind is applied to information, opinions, recommendations, reports and statements presented to it.

Members of the executive and senior management are invited to MCG committee meetings to provide information and insights in their areas of responsibility. Any MCSA board member is entitled to attend any MCG committee meeting as an observer. They do not have a vote and are not entitled to fees for attendance.

In line with the Companies Act, MCSA’s holding company’s audit committee, carries out the statutory duties of an audit committee on behalf of MCSA. The board is ultimately accountable for other responsibilities delegated to the MCG audit committee. The external audit partner and MCG head of internal audit (who provides internal audit services to the SA segment) have unrestricted access to the chair of the MCG audit committee.

PRINCIPLE 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Assessments of the performance by the board and the company secretary are conducted every second year. However, performance in general will be considered every year as part of the review of the composition of the board. The lead independent director heads the evaluation of the chair.
PRINCIPLE 10: The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.

The board is satisfied that the company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

The board approves the appointment of the CEO and the CFO. The MCG remuneration committee is required to consider the performance of the CEO and CFO annually against agreed performance incentive objectives. The MCG audit committee is required to consider the performance of the CFO and the finance function.

The board approves the MCSA levels of authority annually, which include delegated authorities to the CEO. The board evaluates the overall performance of the CEO and CFO. The integrated annual report will disclose performance measures for the CEO and CFO. Executive directors are also assessed in their capacity as directors as part of the annual individual director peer review evaluation process.

Succession plans, including interim appointees, for the CEO and senior executives are reviewed annually by the MCG nomination committee.

The board appoints the company secretary. The office of the company secretary is empowered and carries the necessary authority. The company secretary has the necessary competence, gravitas and objectivity to provide independent guidance and support. The company secretary reports to the chair on all statutory duties and functions performed for the board. On other duties and administrative matters, the company secretary reports to the group’s CFO. The performance and independence of the company secretary is evaluated annually by the MCG nomination committee and the MCSA board.

Applicable MCG policies and governance elements:
- Board charter
- Group levels of authority
- Remuneration committee charter
- Nomination committee charter
PRINCIPLE 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the business.

Accordingly, risks are identified and managed within acceptable parameters. The board endorses the MCG risk management policy, which is reviewed periodically.

Responsibility for managing risks and opportunities is shared by all the SA segment’s decision-makers, from the MCSA board to business unit heads through to other management with delegated responsibilities. Opportunities are identified and reported through various governance structures as part of the oversight process. Risks and opportunities are considered in setting strategy and discussing the annual business plan and budget. Executive management is responsible for identifying, managing and reporting risk. Mitigating controls are in place to address these risks that are monitored on a continuous basis.

The risk framework, register and heatmap drive the reporting process to ensure key objectives are identified and associated risks are considered, assessed and reported.

The board treats risk as integral to its decisions and in executing its duties and evaluates and determines the nature and extent of risk the SA segment is willing to take in pursuing its strategic objectives. In strategic decisions, the SA segment rigorously and regularly assesses risks and opportunities. A robust process is followed in evaluating new opportunities.

The MCG risk committee assists the MCSA board in its risk oversight role.

The risk register reported to the MCG risk committee details mitigating management actions as appropriate in response to risks. Business continuity is considered a key risk in the SA segment and is managed accordingly.

MCG’s internal audit provides assurance annually on the effectiveness of the risk management processes across the SA segment.

Applicable MCG policies and governance elements:
- Board charter
- Risk committee charter
- Risk management policy
PRINCIPLE 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The MCG group’s chief information officer (CIO) oversees information and technology (I&T) management on behalf of the SA segment. The board is aware of the importance of I&T in relation to the SA segment’s strategy.

I&T governance is integrated in the operations of the SA segment’s businesses. Management of each subsidiary or business unit is responsible for ensuring effective processes on I&T governance are in place.

The MCG risk committee assists the MCSA board with overseeing I&T-related matters. The MCG risk committee considers the risk register, as well as reports on I&T from the risk function and where relevant, the legal compliance function.

Compliance with relevant laws and ethical and responsible use of I&T are addressed through the MCG code of ethics and conduct, the legal compliance and data governance programmes.

Data governance is a high priority.

Assurance to management, the MCG audit committee and MCSA board on the effectiveness of I&T governance throughout the SA segment, based on detailed controls to manage identified risks and reduce vulnerability is provided in terms of the combined assurance model. The MCG social and ethics committee oversees I&T from an ethics perspective.

These arrangements for governing and managing I&T enable the MCG risk committee, and ultimately the MCSA board, to oversee the SA segment’s I&T governance.

Applicable MCG policies and governance elements:
- Board charter
- Risk committee charter
- Risk management policy
- I&T charter
- Data-privacy programme and policies
- Code of ethics and conduct
- Legal compliance policy and framework
PRINCIPLE 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The SA segment is supported by the MCG compliance function. Assurance on the effectiveness of legal compliance management is received through a combined assurance model. Each business unit is required to provide a quarterly legal compliance report to the MCG head of legal compliance. This report includes an overview of key compliance risk areas and mitigating measures, key compliance regulatory developments and material compliance incidents and investigations. MCG’s legal compliance function uses these reports to compile a consolidated report that is reviewed by the MCG risk committee. Reports on legal compliance from a social and ethics perspective are also provided to the MCG social and ethics committee.

These arrangements enable the MCG risk committee and the MCSA board to oversee the SA segment’s legal compliance holistically in a way that supports the SA segment in being an ethical and good corporate citizen.

PRINCIPLE 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The board, assisted by the MCG remuneration committee, ensures that staff is remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner.

The board approves and is required to review the remuneration policy annually. The remuneration policy is designed to attract, motivate, reward and retain employees, as well as to promote the achievement of strategic objectives within the group’s risk appetite and ethical culture. The policy addresses fair and responsible organisation-wide remuneration and sets out all elements of remuneration. The remuneration policy is aligned with King IV’s recommendations and approved by the board. The remuneration policy will be made available on the corporate website.

Remuneration will be disclosed in a three-part report included in the integrated report: background statement, overview of main provisions of the remuneration policy and an implementation report.

The remuneration policy and implementation report will be tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting.
PRINCIPLE 15: The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation’s external reports.

The board will provide assurance regarding the integrated annual report and annual financial statements in its statement of responsibility included in the integrated annual report to PN shareholders.

The board, with the assistance of the MCG audit committee, oversees that assurance services and functions enable an effective control environment and support the integrity of information for internal decision-making and the SA segment’s external reports. Assurance provider reports, including internal audit reports, on the internal control environment are provided to the audit committee.

The group follows a combined assurance model, which covers key risks through an appropriate combination of assurance service providers and functions, including line functions that own and manage risks, specialist risk and compliance functions and specialist internal audit functions (for the MCG group and significant businesses such as the SA segment), as well as external auditors and other relevant parties, such as regulatory inspectors. This model is linked to key risks and an assessment of combined assurance effectiveness is reported to the audit and risk committees. The company secretary, MCG’s group general counsel and external counsel guide the board on legal requirements.

PRINCIPLE 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Stakeholder engagement is decentralised and is managed by the MultiChoice Group communications, investor relations, corporate secretariat, legal and human resources teams and spokespersons in conjunction with SA segment representatives. Overviews of governing and managing stakeholder relationships and measures to monitor effectiveness are reported to the MCG social and ethics committee, which reports regularly to the MCSA board. This enables the MCSA board to adopt a stakeholder-inclusive approach and monitors management’s process of engagement with identified material stakeholders. The board considers stakeholders in decisions and the company is not steered in a direction to adversely affect the natural environment, society or future generations. Managing stakeholder risk is an integral part of the segment’s risk management processes.

The SA segment reports on all its stakeholders and how it manages stakeholder relationships in the integrated annual report to PN shareholders.

The MCG good governance guidelines, implemented within the SA segment, and the MCG annual CEO/CFO sign-off process regulate the MCG’s group governance framework which is adopted by the SA segment.