Accepting risk

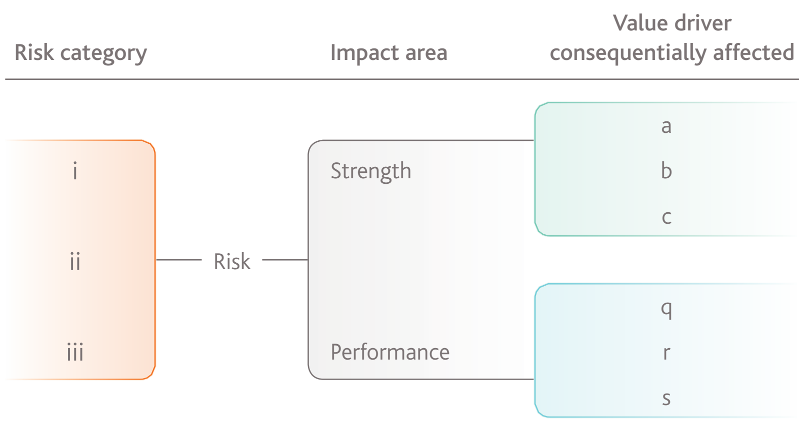
To create value for our stakeholders we pursue opportunities that appear attractive to us, navigate strategic challenges and continuously make choices for the long, medium, and short term, while weighing reward, risk and structural constraints. We believe that this is the essence of entrepreneurship.

Management and the board are accountable for these choices and how we execute them and for delivering a commensurate reward, ie (sustainable) value, within the parameters of the risk profile the board deems acceptable. In doing so, we look at value in the broadest definition and from the point of financial, social and environmental sustainability.

Accepting risk thus is at the heart of our decisionmaking processes and we believe we can create a competitive advantage by the way we assess, manage and accept risk in the context of both creating and preserving sustainable value for our stakeholders.

In our philosophy, risks may impact on our goals and objectives in multiple ways. Whereas the quantitative impact of certain risks may well be estimated, other types of risks exist for which a quantitative, or financial, analysis is not necessarily most appropriate. For instance, when it comes to protecting the health and safety of our people, or our endeavour to comply with applicable law and regulation, we believe that a purely financial measurement of risk does not necessarily provide the right answers.

Therefore, we assess, manage and accept risks on the basis of their potential impact on identified value drivers: drivers of our strength to compete and performance levers (again: considering stakeholder value in the broadest definition). We then set relevant tolerance levels for each significant risk individually and manage our business within those parameters. We understand that certain risks may have multiple consequences and that a certain consequence may materialise from different types of risk.



Managing risk

Within the group of Naspers businesses, we promote a risk culture by which risk management is not seen as a separate process but integral to every day management and overall good governance. The responsibility for managing risk clearly lies with the owner of risk: in most cases operational management, assisted by the finance function and, where considered useful, specialised risk management and risk support functions.

Our risk acceptance process takes into account the potential impact of a risk per our risk framework and our perceived vulnerability to this risk. Likelihood of occurrence and speed of consequences materialising are implicitly taken into account. Dependent on the risk and relevant tolerance levels, active management of risk takes various forms and varies in extent: we operate or implement enhanced control and monitoring measures that either prevent or detect at the earliest stage the materialisation of a risk, we take measures that may mitigate any material consequences, and, on a portfolio basis we spread uncorrelated risks. Wherever we find risk outside manageable levels we are prepared to accept, we consider ways to avoid the risk altogether, eg by entering into an exit strategy.

Our risk management system and processes draw on internationally recognised best business practice and frameworks and we aim to effectively spread knowledge and learnings on issues and good management practice between businesses within the group.

The board is kept updated on key risks and any developments thereon and ensures that adequate levels of assurance are provided on the residual level of significant risks vis-à-vis the set tolerance levels through a combination of internal sources and independent assurance providers, including internal and external auditors.

Accepting **risk** (continued)

Material issues and how we manage these

At present the following material group risks are evident among a wide range of potential exposures:

ISSUE	HOW WE MANAGE THE ISSUE
Our businesses, spread over more than 120 countries, are subject to extensive regulations and compliance obligations that may affect our operations. Video entertainment faces growing regulatory scrutiny and changes. We face regular scrutiny from tax authorities.	• A tax, regulatory and legal compliance programme is in place. • Regular reviews of the applicable laws and regulations are undertaken by in-country legal resources. • Experienced regulatory teams participate in and monitor the applicable regulatory landscapes. • Communication of regulatory issues to decisionmakers. • Proactive interaction with government agencies and regulators. • Legal or compliance-related risks are managed in consultation with external lawyers and specialist advisers in specific legal jurisdictions.
The nature of some of our operations and the territories in which they operate, lend themselves to a higher fraud and corruption risk.	• Code of business ethics and conduct is in place. • Maintain an adequate system of internal control. • Whistle-blower facilities are being provided.
South Africa's exchange control regulations require approval for transactions outside the common monetary area. If approvals are not received, this could hinder our ability to make foreign investments.	• Naspers complies with the South African Reserve Bank's regulations and with conditions under which approval for transactions outside the common monetary area is granted.
The Naspers group has a decentralised operational control environment while operating in entrepreneurial, international businesses.	• A top-down approach to governance ensures policies are aligned between businesses and subsidiaries where we have management control. • Governance documents and processes are reviewed by respective boards, company secretaries and Naspers's internal control oversight forum.
The geographical spread of operations exposes us to a variety of economic, social and political risks. Certain countries in which we operate may face difficulties due to currency fluctuations, fluctuating interest rates, bankruptcies, stock market declines, terrorist attacks, corruption, political instability, threats and ransom, epidemics and other factors that may materially harm our businesses.	• In exercising the business strategy, we perform regular country and business reviews. • Leading advisers are used for reviewing markets or businesses, including due diligence processes. • Our broad spread of assets and markets mitigates our susceptibility to negative movements in a single market or segment. However, not all risks can be avoided or hedged, and some losses will occur. • Boost growth and cut costs specifically in the video-entertainment business.
We do not exercise control over our minority investments, and the value of our stake in such investments could decrease if these businesses adopt strategies or take actions contrary to our preferred strategies and actions.	• The group is represented on the boards and audit committees of most of these entities. • The group builds relationships with management and partners. • We monitor the performance and operations of these businesses.

Accepting **risk** (continued)

ISSUE	HOW WE MANAGE THE ISSUE
Significant investments might not be monetised effectively according to shareholder expectations.	• Naspers maintains transparent communications with investors, aiming to provide insight into our operations while protecting our competitive advantage and complying with stock exchange listings requirements. • Segmental results' aim is for the investment community to form an opinion of the valuation of businesses in the group. • Regular impairment tests are performed and reported on in terms of investments. • Regular operational and financial reviews, as well as portfolio reviews, are performed internally.
Technology is an integral part of our operations. We may be caught off-guard by the pace of new technologies or startups, or deploy new technologies too slowly or ineffectively. We may not detect social, consumer, technical or economic shifts in time or react sufficiently.	• Continued focus on emerging technologies in our own products and services. • Acquiring companies that have developed new technologies and demonstrated relevance in our segments and markets. • Increased central management and controls. • Focus on engineering resources and implementing recruitment programmes for the best engineers. • The group monitors technology developments and disseminates knowledge to operating companies. • Development of segment focus and sharing of technology across segments. • A recruitment programme is in place to attract suitable engineers.
Competitors in our markets may threaten the position of our companies, associates and joint ventures. Competition includes new or traditional players as well as new technologies and products and services. Loss of market share and scale may place pressure on margins. We also compete against financial investors for attractive assets in the ecommerce markets.	• Early to market with products and services we believe hold promise. • Establish complementary businesses, reducing dependency on single elements of the value chain. • Regular strategy reviews on how to respond to the changing competitive landscape. • Acquiring new players or new technologies that may enhance or increase longevity of our platforms.
Failure of systems, software or infrastructure could disrupt service to our customers. We are subject to various cyber threats, which target sensitive information, integrity and continuity of our services and/or reputation of our businesses.	• Business continuity plans include backup, some redundancy and recovery measures. • An IT governance programme is in place. • Specific internal control measures are in place to prevent, limit or detect cyber-risks. However, all risks cannot be neutralised.
A number of our businesses require significant investment to drive growth. In most instances, development spend is made over multiple years. There is a risk that we do not realise the planned return on these investments.	• Regular review and discussion of business plans and monitoring of progress. We disclose in a transparent manner to stakeholders. • Build local scale in ecommerce units and maintain a strong focus on cost management.

Accepting risk (continued)

ISSUE	HOW WE MANAGE THE ISSUE
Failure to secure significant content rights could result in loss of video-entertainment subscribers. Rising content prices impact margins significantly.	• Review content rights and their economic value regularly. • Investment in local content and sports and be a major funder of African content development.
Our ability to comply with debt covenants and make payments on our debt depends on our operating performance, which in turn is subject to risks that may be outside our control. Interest rates are almost certain to rise globally, but the timing is uncertain. South Africa suffered a downgrade of its debt rating and should further downgrades occur, this could impact our ability to retain our ratings.	• The group has a conservative approach to its debt profile, based on adequacy of internal free cash flow resources in servicing debt and the level of investments it makes. • Debt-bearing capacity is reviewed and approved by the board. • Group treasury adheres to a board-approved treasury policy.
Should financial institutions where the group invests its surplus cash experience significant financial difficulty, the group could suffer losses. From time-to-time, we are unable to extract surplus cash from African markets due to foreign currency restrictions.	• Naspers has a treasury policy approved by the risk committee that monitors distribution of cash resources (and thus the impact of a loss) and the ratings of financial institutions. Cash resources are monitored. A treasury report is presented to the risk committee at financial reporting periods. • Compliance to rules and regulations with regard to injecting and extracting cash flows.
Dislocations in credit and capital markets may make it more difficult for us to borrow money or raise capital to finance expansion of our existing businesses or to make acquisitions.	• Constantly monitor credit markets to determine optimal time to arrange funding. • Ensure the group has spare debt capacity to tide it over in times of difficulty. • Significant transactions are brought to the board to consider in line with board-approved levels of authority.
The group reports in US dollar. The weaker local currencies vs the relative stronger US dollar have a negative impact on our reported results. In addition, in video-entertainment and print markets, the group has substantial input costs in foreign currencies. The movements of these currencies could have an impact on our income or expenses. Unrealised and realised currency translation gains or losses may distort the group's financial performance and position.	• Comply with IFRS reporting and the financial statements are audited by independent auditors. • Management explains the impact of changes in exchange rates on the financial results to stakeholders. • The group has a treasury policy in place which deals with operational foreign currency exposures.

Accepting risk (continued)

ISSUE	HOW WE MANAGE THE ISSUE
Our payment businesses (PayU) process payments for merchants. This generates a credit risk, as some of the goods and services sold are due to be delivered after funds are settled to merchants. Should such merchants incur bankruptcy, PayU will be held liable for all undelivered goods and services.	• In the boarding process, merchants are assessed for financial stability, based on level of risk. Financial stability of active high-risk merchants is constantly monitored and evaluated. Escalation procedures are in place. • Timely handling of chargebacks. • An independent risk advisory board oversees and advises on all major risks for PayU and associated risk management systems and processes. • Credit risk is subject to review by the Naspers risk committee.
We rely on the skills of key individuals with knowledge of our business and the markets in which we operate. Unanticipated loss of these individuals may disrupt the business. There is a global shortage of suitable talent.	• Established a group-level human resources function to address recruitment, retention, development and reward considerations in an increasingly competitive global talent market. • Succession plans are reviewed annually by the relevant human resources and remuneration committees. • Our Naspers Academy facilitates specific training of staff.