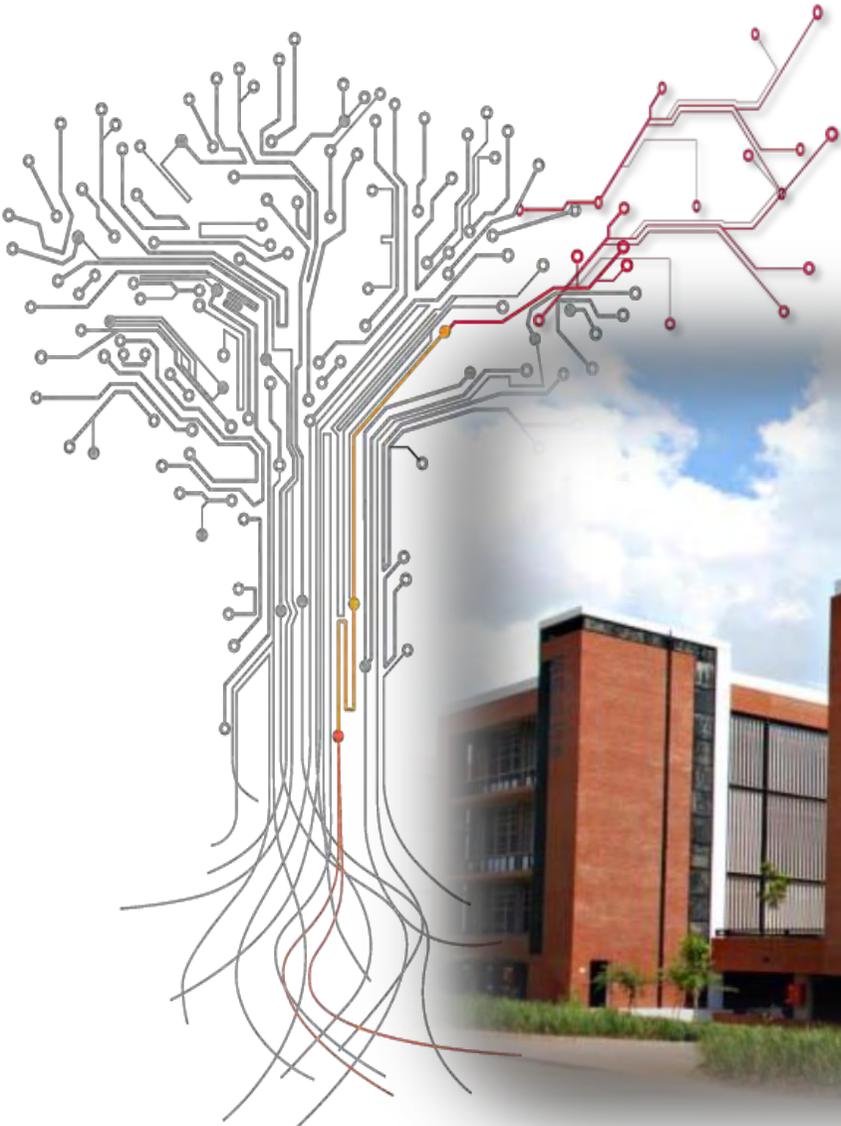


PRESENTATION TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY.

29th August 2018.



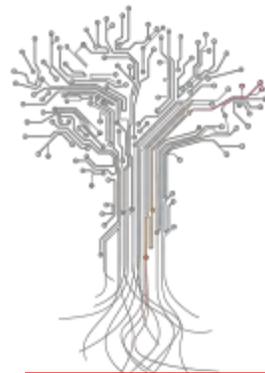
Giving you the quality edge

SABS

- The SABS was placed under administration by the Minister of Trade and Industry on the 2 July 2018, after due and proper process.
- Three Co-Administrators were appointed as the Accounting Authority of the SABS until the 31st January 2019.
- The resignation of the SABS CEO was accepted by the Minister of Trade and Industry on 2 August 2018
- The Co-Administrators were mandated to:
 - Undertake a diagnostic analysis of the SABS, and
 - Develop a ‘turn-around’ strategy for the institution, and
 - for implementation in consultation with the shareholder.
- Former members of the Board and the former CEO have launched court applications with respect to this process which the Minister, the dti and SABS are opposing.

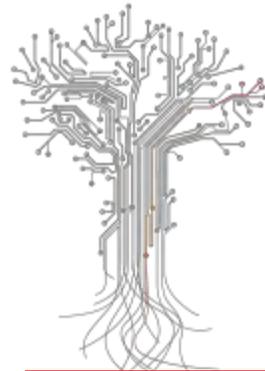


- The Co-administrators have worked closely with the executive management of the SABS and in an engagement with key internal and external stakeholders to undertake a diagnostic analysis of SABS, with the intention of developing implementation plans to stabilise and grow the business. To date the diagnostic has focussed, inter alia, on the following:
 - An analysis of the financial position of the SABS and its short and long term sustainability, institutional arrangements and business model
 - Identification of the critical short-term ‘burning platforms’ inclusive of the permit backlog, immediate client/customer complaints and the moratorium on ‘partial’ testing
 - Re-enforcement of core SABS mandates with special emphasis on Conformity Assessment and Standards
 - An evaluation of the structural issues and constraints including infrastructure and equipment.
- The diagnostic process will be an ongoing for the foreseeable future and the turn-around strategy will of necessity require a carefully sequenced, interlocking series of interventions linked to the fiscal position and revenue generation.



- Accordingly, the immediate interventions which arise from the diagnostic are as follows;
 - **SABS Certificates:** All the outstanding certificates has been resolved and the re-issuing of permits expedited. The necessary business processes have been optimised and enabled with an ICT system to ensure that the risk of a reoccurrence is minimised.
 - **Partial Testing:** The previous decision to stop partial testing is being reviewed to address the unintended consequences occasioned by the decision. This revision is being expedited and subject to legal process, the sequenced reinstatement of such testing within accepted protocols and standards will be implemented.

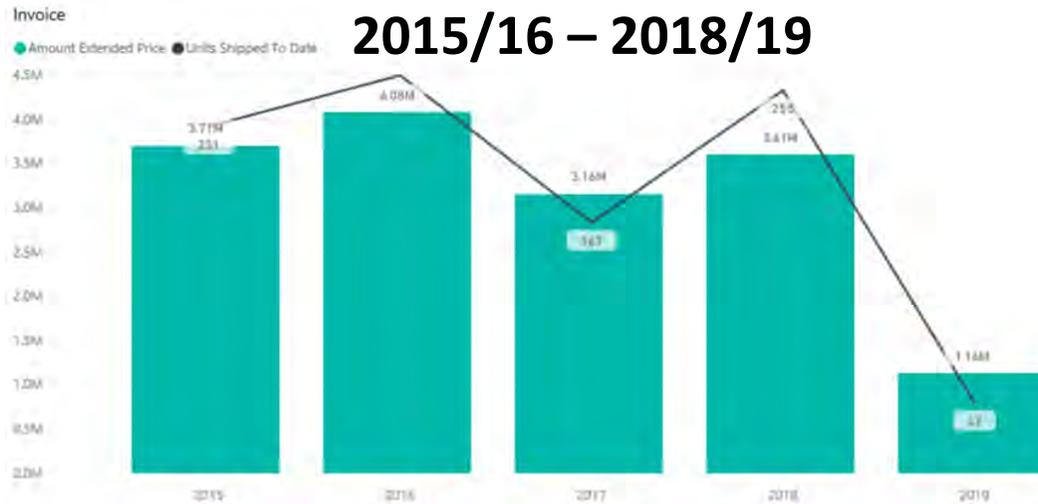
Further announcements in this regard will be made in due course.



- **Stakeholder management:** Most key customer complaints/issues have been resolved, meetings held and scheduled with various industry bodies to address problems and restore robust customer relations. Developing an internal and external stakeholder media, marketing and client engagement strategy which is based on rectifying weaknesses in communication, stronger management of client complaints (real and perceived) and with feed-back 'loops' into operations, is being developed and will be implemented.
- **Management operations:** The functions of vacant executive positions have been redistributed to existing executives to ensure business continuity and stability.
- **Vacancies:** Subject to the necessary fiscal prudence, a programme to fill the 'mission critical' vacancies to ensure delivery of core SABS services has been instituted.



Prior questions from the PPC 1 - Laboratory Service Offering for NRCS – Trends and Challenges



The NRCS makes use of various SABS laboratories in the following sectors;

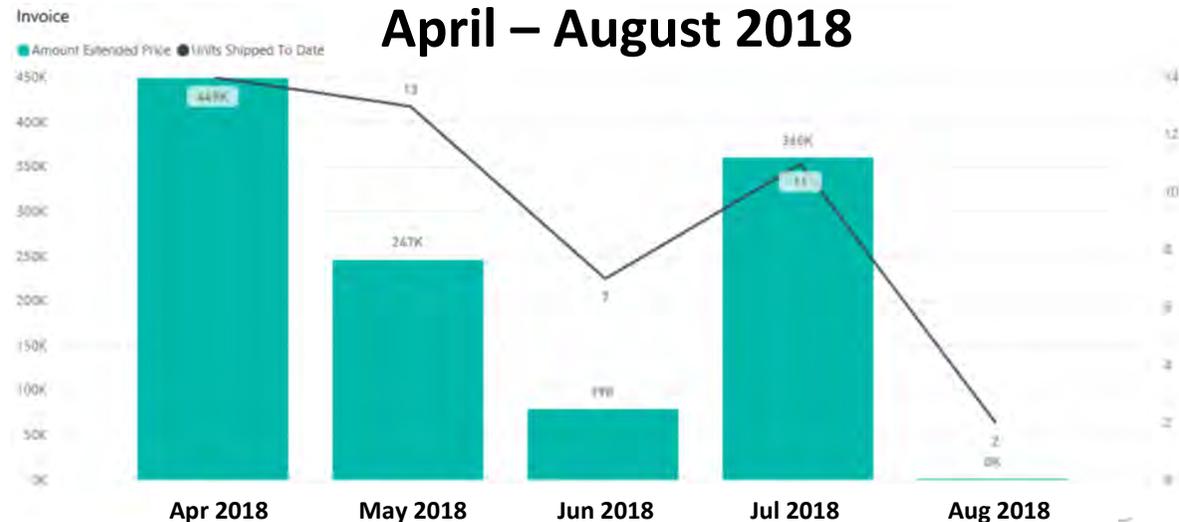
- Food and Health
- Electro-technical
- NETFA
- Chemicals and Materials
- Automotive and Mechanical

Current Challenges impacting the SABS Service

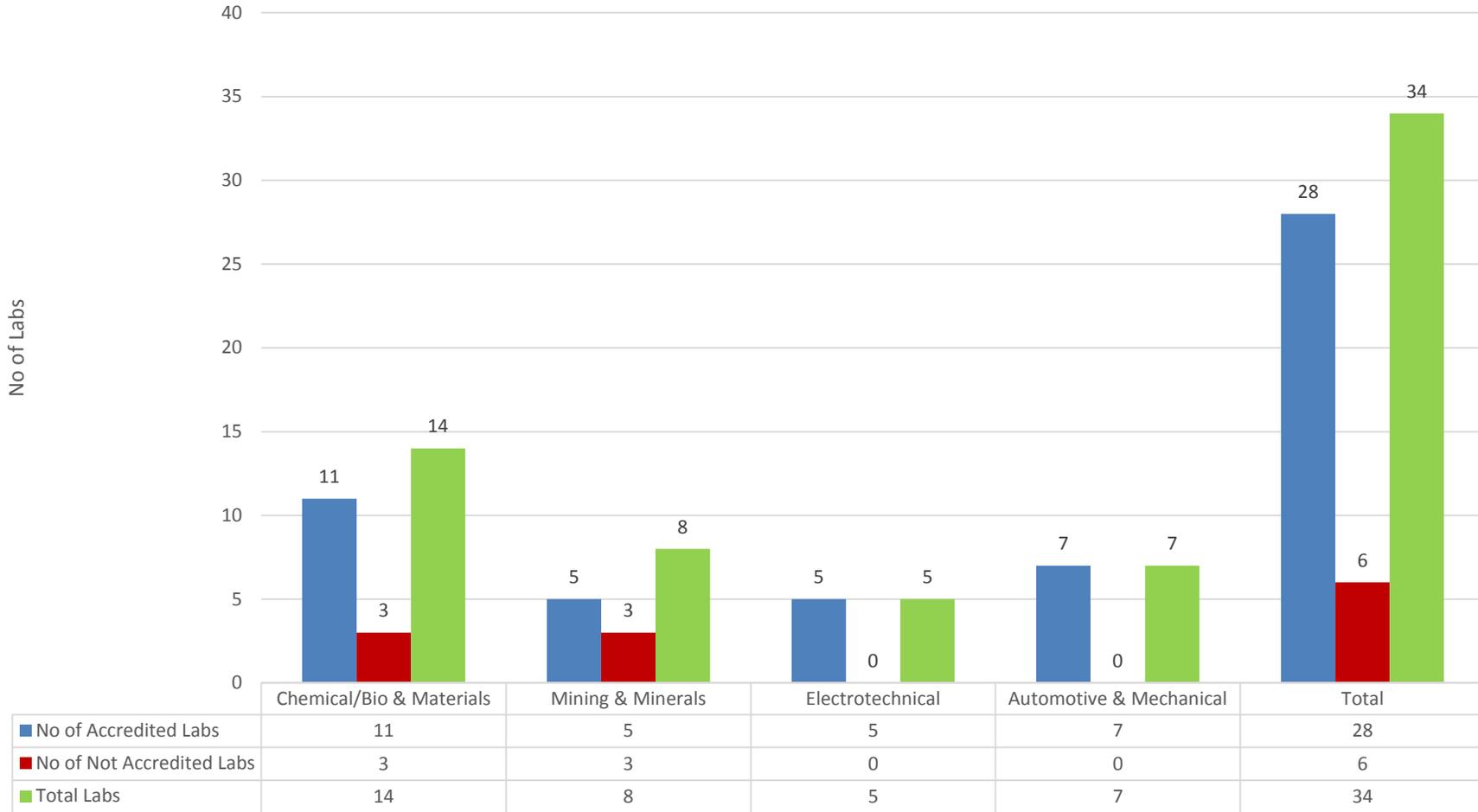
- Long turn-around times for testing samples
- Lack of facilities to test against some standards referenced in compulsory specifications;
- Limited capacity of some laboratories to perform some tests, including regulated products.

Way Forward to rectify these challenges:

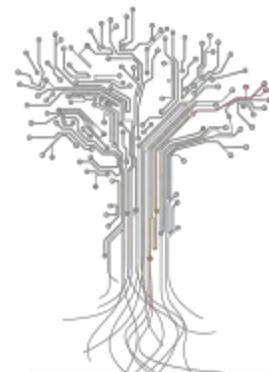
- Improved stakeholder engagement, via a joint forum and dedicated SABS capacity to manage the relationship and service levels.
- Laboratory upgrades will be expedited for NRCS requirements.



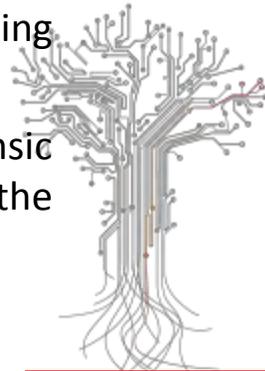
STATUS OF ACCREDITATION FOR TESTING & CALIBRATION LABORATORIES



A process to re-accredit 3 Laboratories in the Chemical/Bio & Materials owing to their physical relocation was necessary. This took longer than expected due to the challenges associated with securing stable laboratory conditions. The accreditation process is in its final phase. The 3 Laboratories in the Mining & Minerals sector do not require accreditation.



1. Arising from information which came to light in a Parliamentary Public Hearing, Minister Rob Davies issued an instruction to then then SABS Board to carry out a Forensic Investigation into SABS coal testing for the Tegeta/Brakfontein mine on 15 February 2018
2. The SABS Board appointed a sub-committee to manage the process and after considerable delays and process issues at SABS the Terms of Reference (ToR) was finalised with the Shareholder.
3. Thereafter SABS utilized its approved panel of auditors and the then Board Sub-Committee appointed Sizwe, Ntsaluba, Gobodo (SNG) on 4 May 2018 to conduct the forensic investigation
4. The Forensic Investigation has been further delayed owing to the stance adopted by Eskom who contend that SNG has a conflict of interest arising from the fact that the company is the external auditor for Eskom. SNG argue that there is no conflict since the Forensic Unit is a separate business entity from Audit. This matter is now the subject of an engagement between the Minister of Trade and Industry and Public Enterprises. The Co-Administrators are doing everything possible to expedite the completion of the forensic investigation.
5. Pending the urgent resolution of this issue and further interviews/investigation by the forensic team, a report will be submitted to the SABS Administrators for onward transmission to the Shareholder.





THANK YOU