

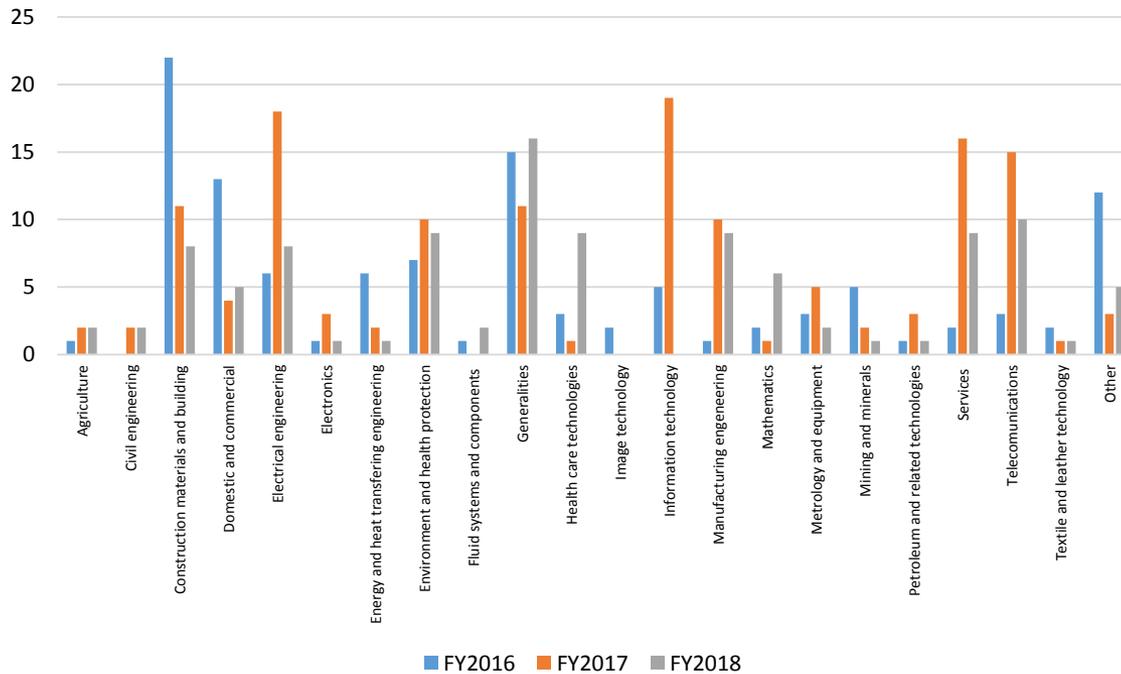


Presentation to the Portfolio Committee on Trade and Industry – March 2019

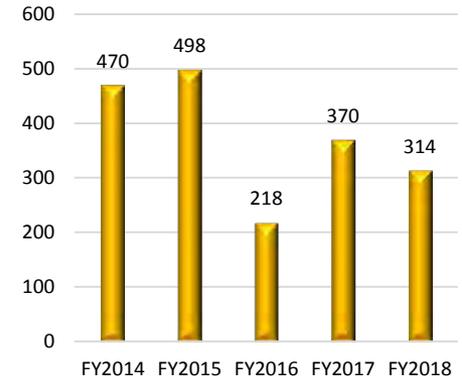
1. Recap of the performance for the 2017/18 financial year
2. Progress on the SABS Turnaround Plan
3. Corporate Plan 2019/20 and key focus areas
4. Update Eskom investigation

- Currently maintaining around 7 430 standards
- Published 314 standards in the year, with a strong focus on health care, telecommunications, manufacturing and engineering
- Completed seven out of nine IPAP projects

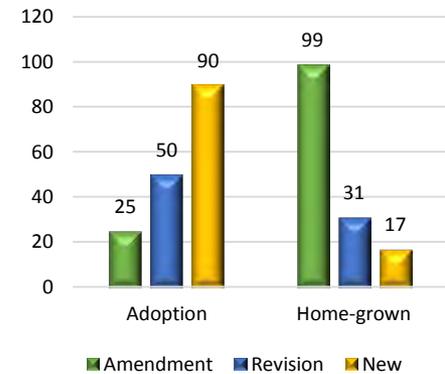
New standards published per sector



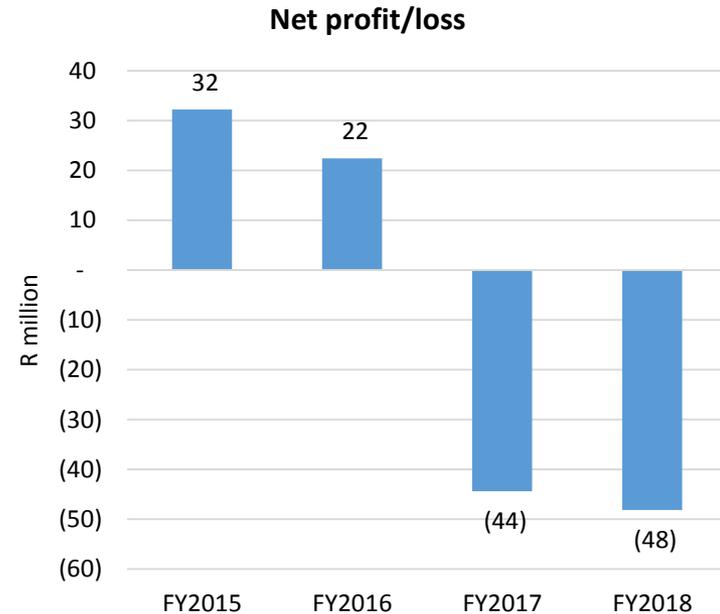
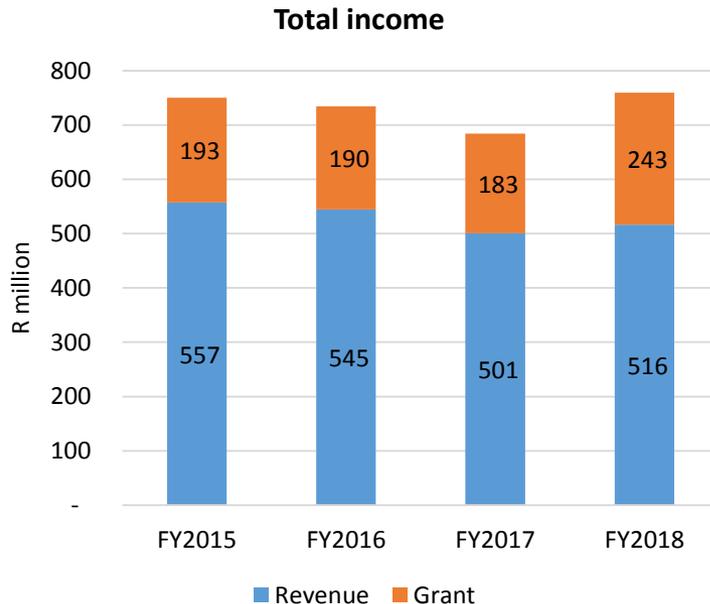
Total number of standards published



Analysis of standards published during 2018

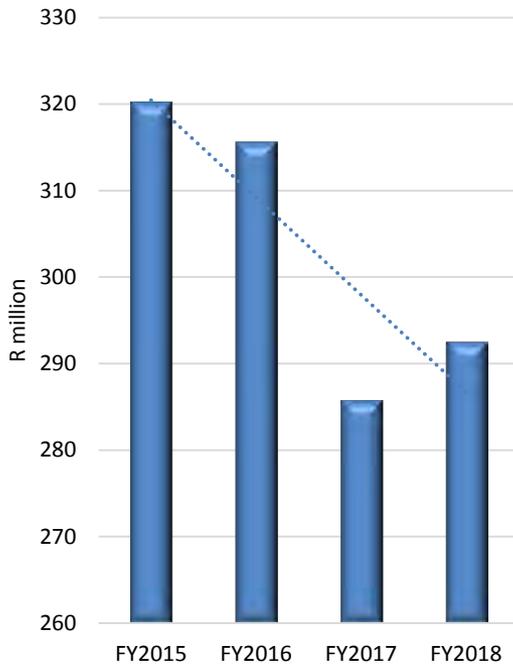


- **Total revenue of R760 million**, including revenue from conformity assessment services and grant has remained flat over the past few years
- **Loss for the year** increased to R48.2 million
- Received an **“disclaimer” audit opinion** for the AGSA

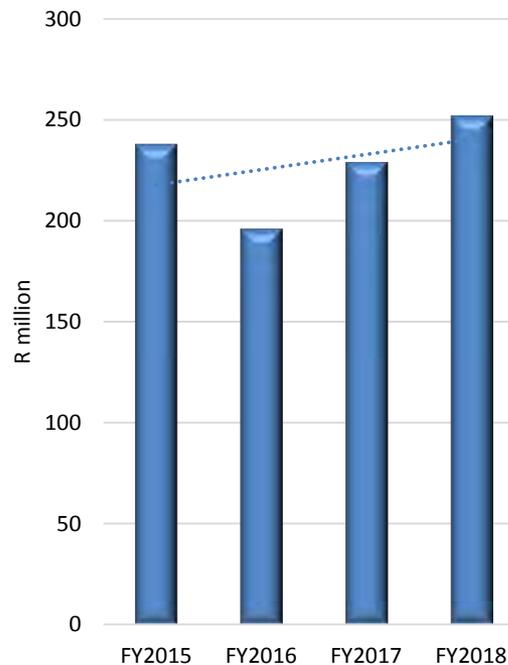


- Revenue for conformity assessment services totaled R516 million for FY2018 (FY2017: R501 million)

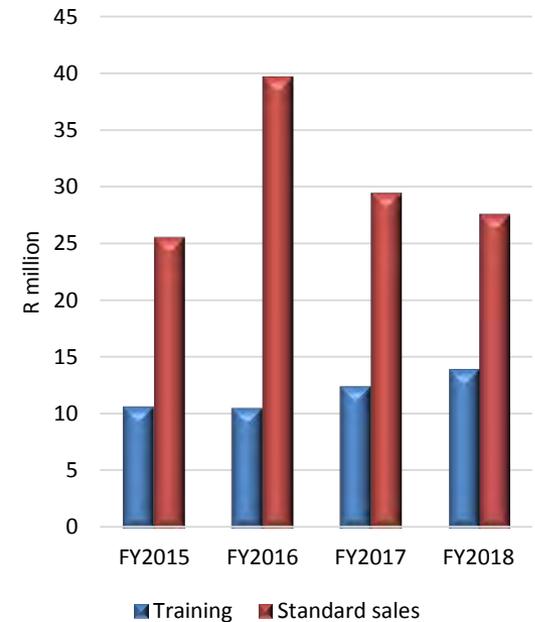
Revenue: Certification



Revenue: Laboratory services



Revenue: Training and standard sales



Includes revenue from tests conducted on behalf certification division

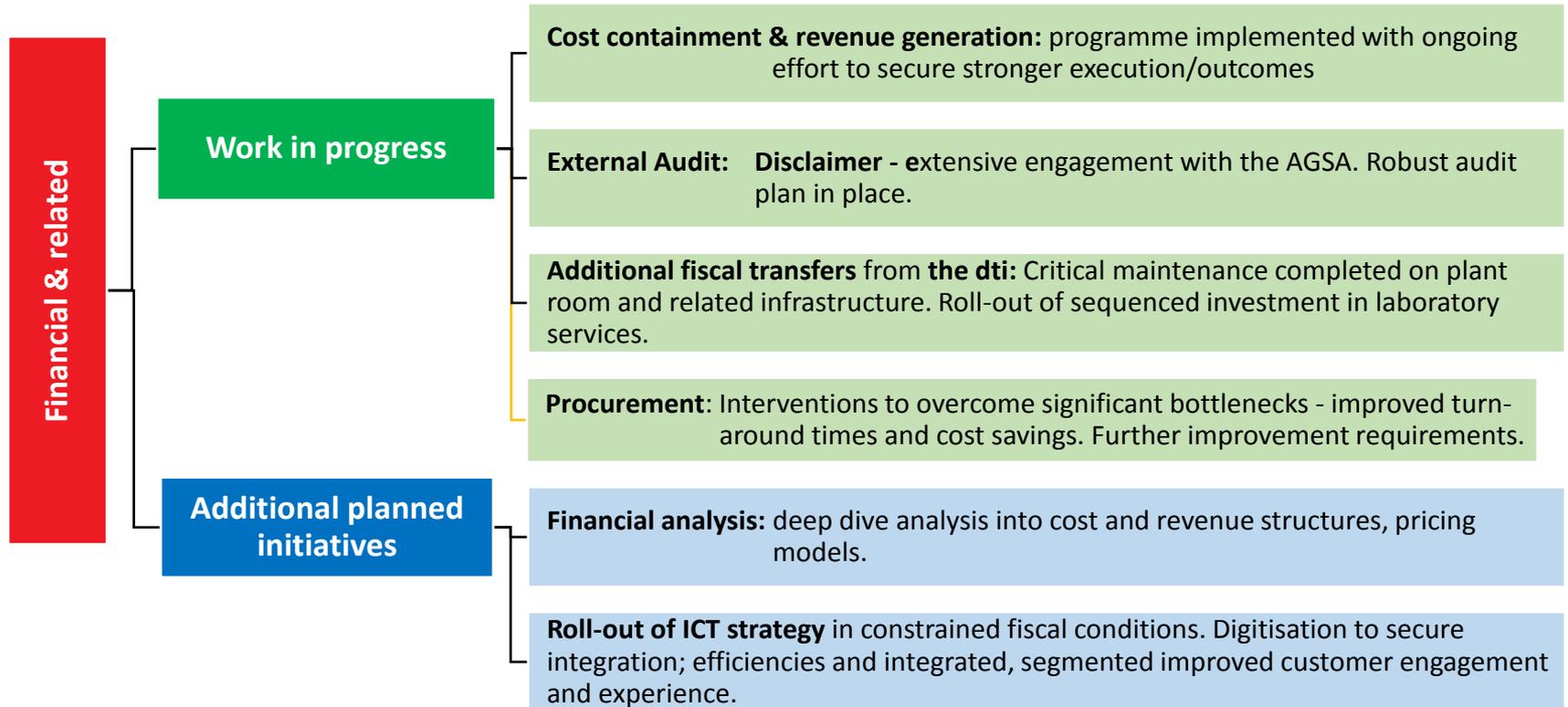
The need for turnaround plan driven by ...

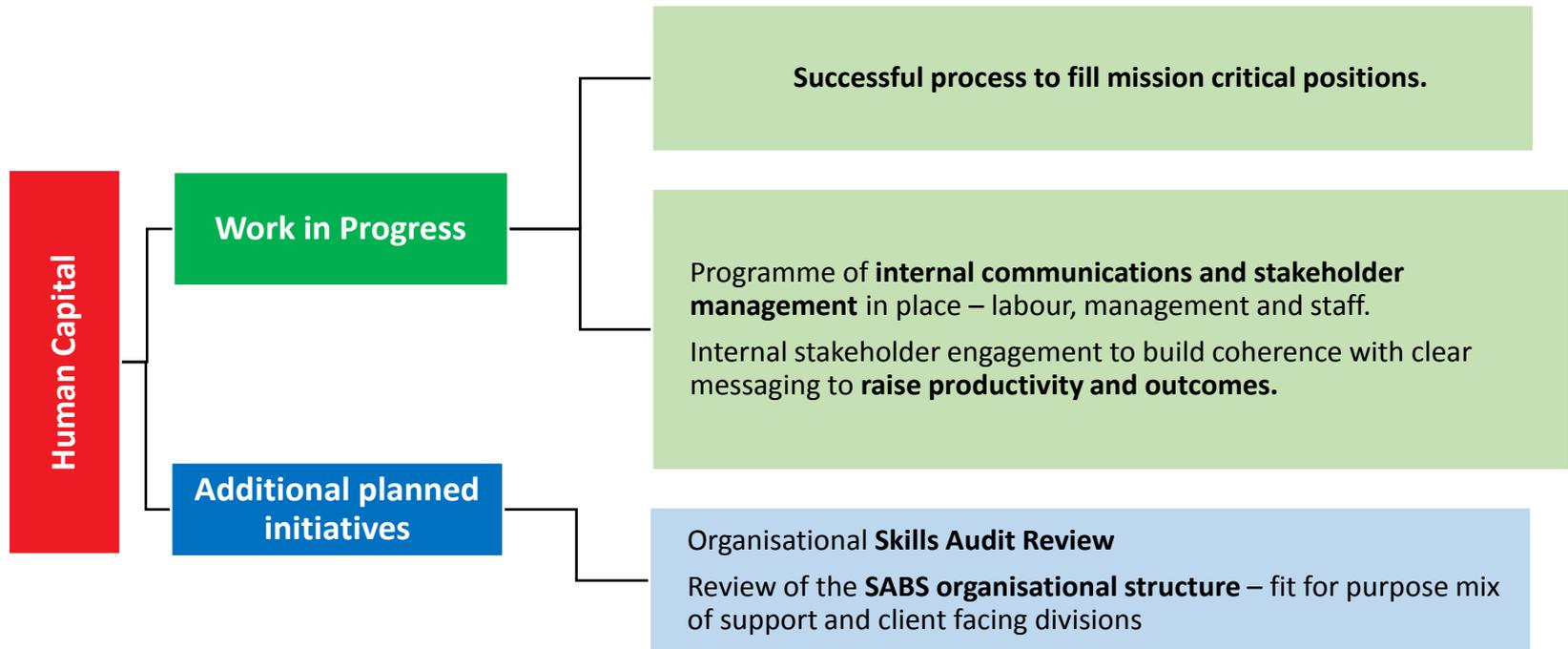
SABS placed under administration in July 2018

Turnaround plan approved by Shareholder - Oct 2018 and Jan 2019

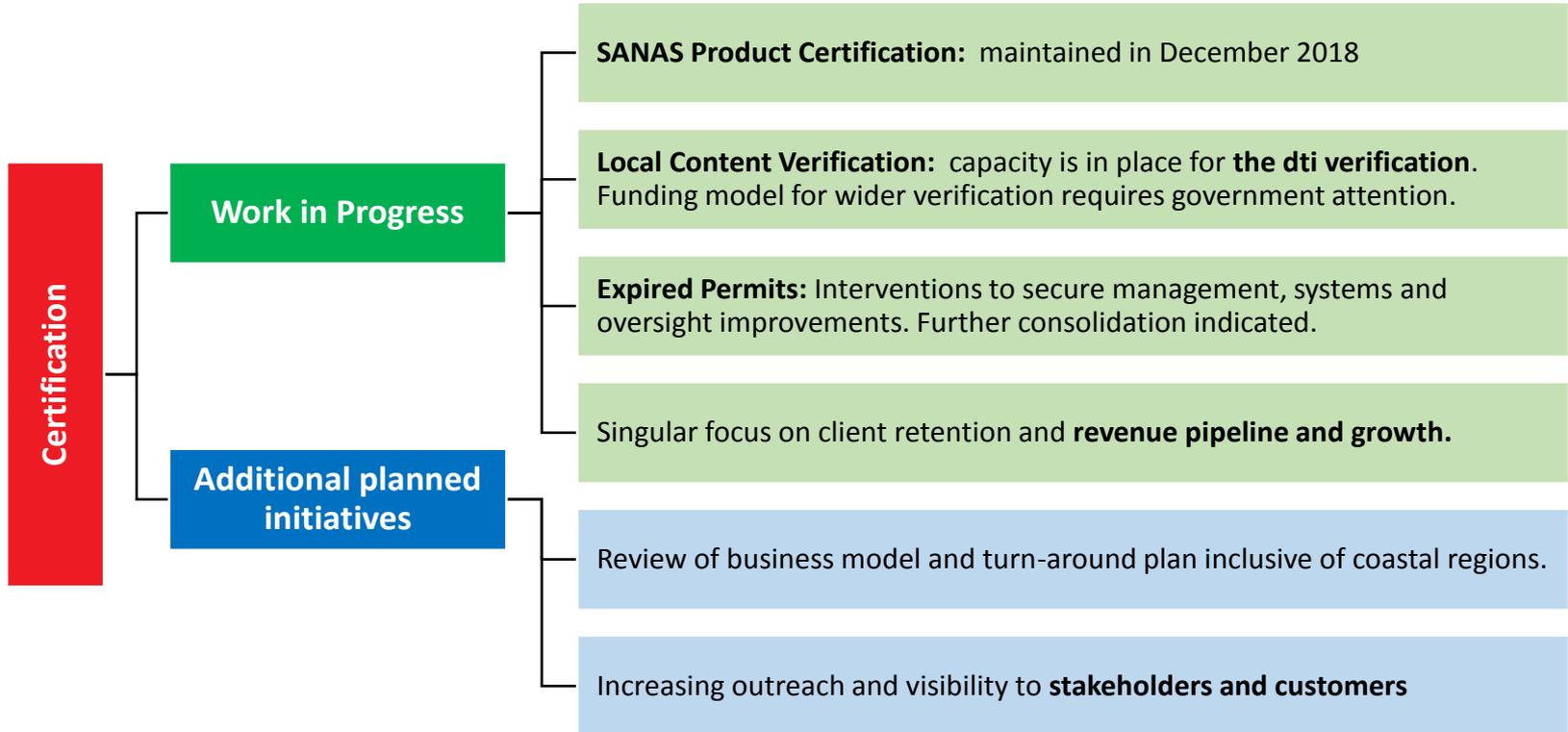
Ongoing diagnostic process – highlights....

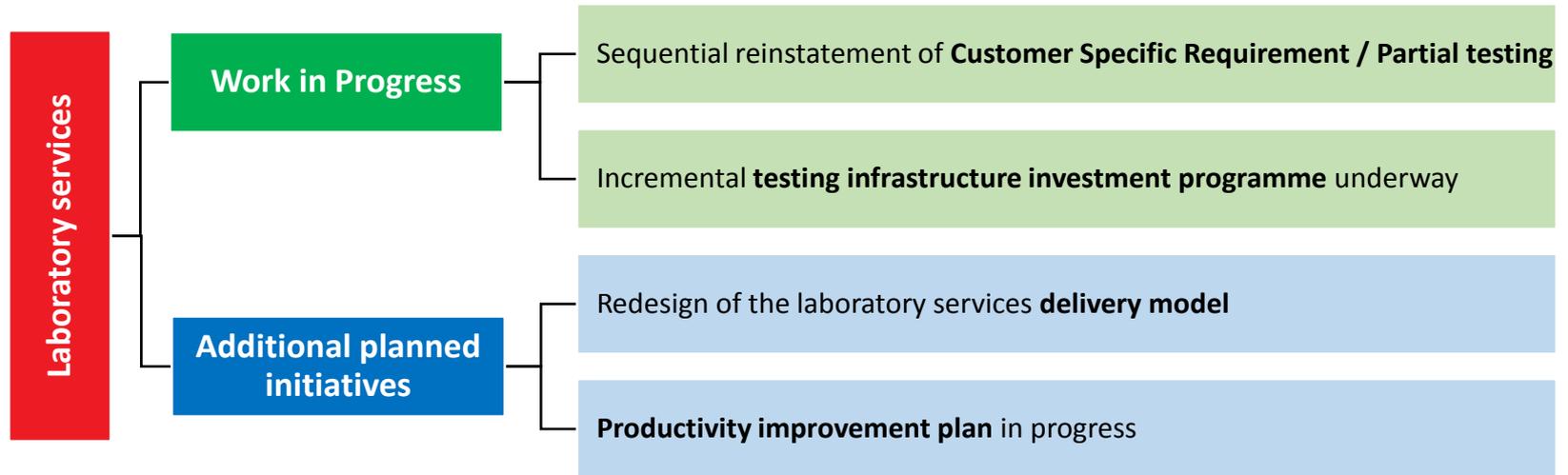






- Review and finalisation of the full suite of SABS policies will be completed by the end of the financial year.
- This includes the finalisation and implementation of an employment equity plan and the occupational health, safety and environmental management plan, training, learning and development plan





Renewal of laboratory infrastructure

- New **paint lab** completed and industry have recommitted to SABS.
- Plans for upgrading/investment in **NETFA**; petroleum Chemicals and Materials and Agro-processing underway.
- R5m spent, R10m approved and R43m awaiting approval
- Revenue **operating profit improved**
- **New business development** underway in automotive and mechanical; chemicals and materials; electro-tech; mining and minerals, paints, piping, footwear, cement, geyser, refrigerated trucks and number plates. Various industry events planned

Vision

To be the trusted standardisation and quality assurance service provider of choice

Mission

The SABS provides standards and conformity assessment services to contribute towards the efficient functioning of the economy

Strategic objectives

Develop, promote and increase the use of standards

Maintaining and promoting standards forms a critical part of the effort to secure socio-economic development, national industrialisation, and open up regional trade opportunities and economic integration to the growing and evolving South African economy

Provide integrated conformity assessment service solutions

Provide conformity assessment solutions across value-chains and be the partner of choice in these service offerings

Achieve and maintain financial sustainability

Overall, maintain financial sustainability to support long-term growth

Continuous improvement in internal systems and process

To improve operational efficiencies and maintain a stable operating platform

Creating and maintaining a high-performance culture

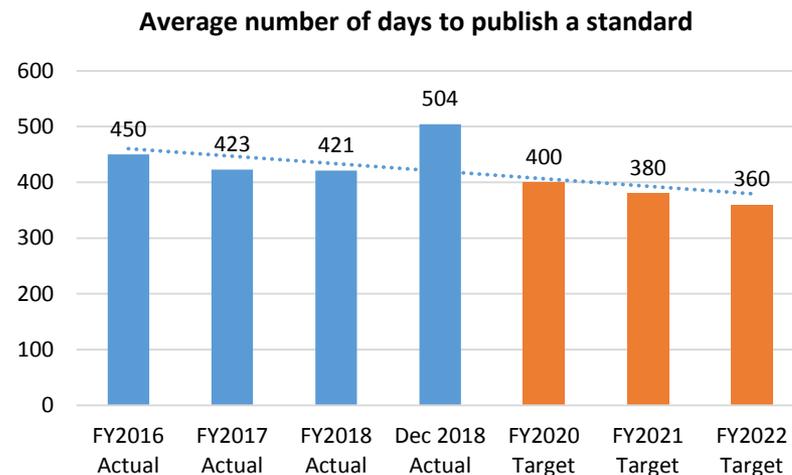
Employees are SABS' most valuable resource and the SABS is committed to attracting, developing, retaining, and rewarding the best people

Strategic objectives and key performance metrics refined

KEY FOCUS AREAS: DEVELOP, PROMOTE AND INCREASE THE USE OF STANDARDS

National Standards Development

- Development of standards
 - Review current capacity and capability and establish an **optimised structure aligned to best practice**.
 - Refocusing and strengthening **Technical Committee output and productivity**
 - In key **IPAP sectors** particularly agro-processing, mineral beneficiation, upstream mining capital equipment, energy efficiency and waste management and transport
 - Improve the **interface with government regulators and industry** to ensure alignment of efforts.
- Promotion of standards
 - Forge new and strengthen existing **regional and international stakeholder relationships** (BRICS, ISO, IEC, SADC, ARSO) to increase standards harmonisation, trade relationships (market access) and strategic partnerships in line with national priorities
 - Promoting standardisation through **stronger communication and marketing** to increase awareness of standards and the centrality thereof in support of inclusive growth, opening up of markets and job creation



Key focus areas

Laboratory Services

Grow revenue from
R204 million in 2019/20
to R318 million by
2021/22

Conduct **business process modelling and productivity improvement project**

Improve overall **customer engagement**

Embark on an **infrastructure and equipment renewal programme**. Funds have been set aside for immediate utilisation to upgrade the most critical laboratories

Continued roll-out of **Customer Specific Requirements (CSR) Testing**

New business development opportunities in: automotive and mechanical (mostly civil testing), chemicals and materials, electrotechnical as well as mining and minerals

Ongoing **training of all laboratory staff**

Key focus areas

Certification

Grow revenue from R335 million in 2019/20 to R396 million by 2021/22

Digitisation of key processes and practises to improve turnaround times

Increase awareness of **local content verification**. Improve capacity and capabilities to conduct local content verifications efficiently

Improve overall customer engagement, evaluate and implement new business opportunities and secure public sector collaboration and partnerships to support the policy and regulatory priorities

Training

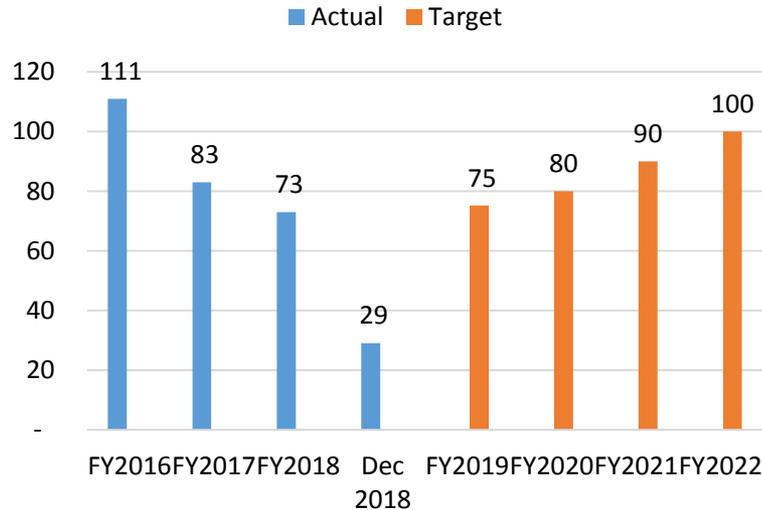
Grow revenue from R14 million in 2019/20 to R27 million by 2021/22

Boosting **partnership with government entities** in support of the need to develop management and technical skills of public sector employees

The **African region** offers a significant market for the development of standardisation and technical skills of its people

Leveraging technology to deliver training through **blended and e-learning modes** and **digital marketing**

Number of SMMEs supported



Supporting the economic participation of designated group

- Target based on circular received from the dti
 - % of women supported – 50%
 - % of youth supported – 30%
 - % of people of disabilities supported – 2%
- Both an external and internal focus
 - External: Individuals supported as part of the DI innovation programme
 - Internal: Individuals appointed in the SABS

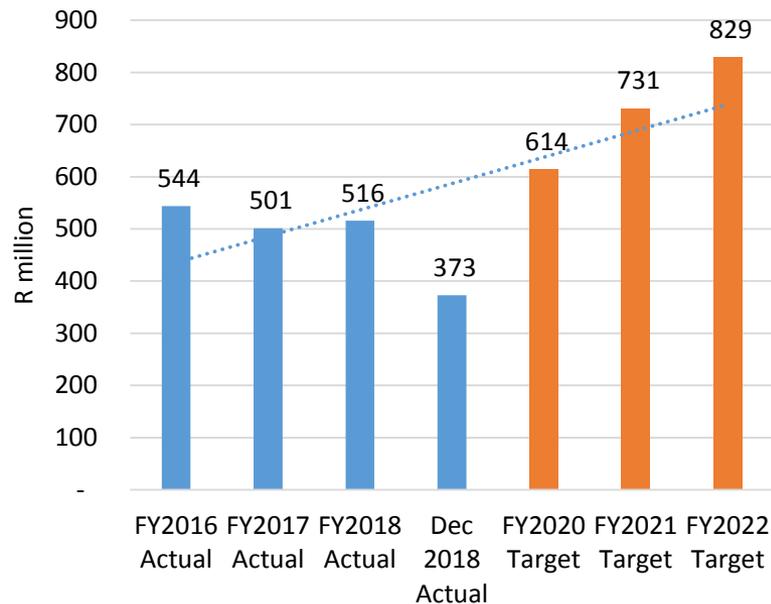
- Support targeted towards:
 - Skills transfer to previously disadvantaged designers
 - Guiding small to medium enterprise, including Black industrialist as well as big corporates and government departments to meet product and service requirements as per South African National Standards (SANS) and ultimately certification
- Review of the current business model in early 2019 to respond to the client requirements, innovation landscape and to align to the industrialisation mandate of **the dti**

KEY FOCUS AREAS: ACHIEVE AND MAINTAIN FINANCIAL SUSTAINABILITY

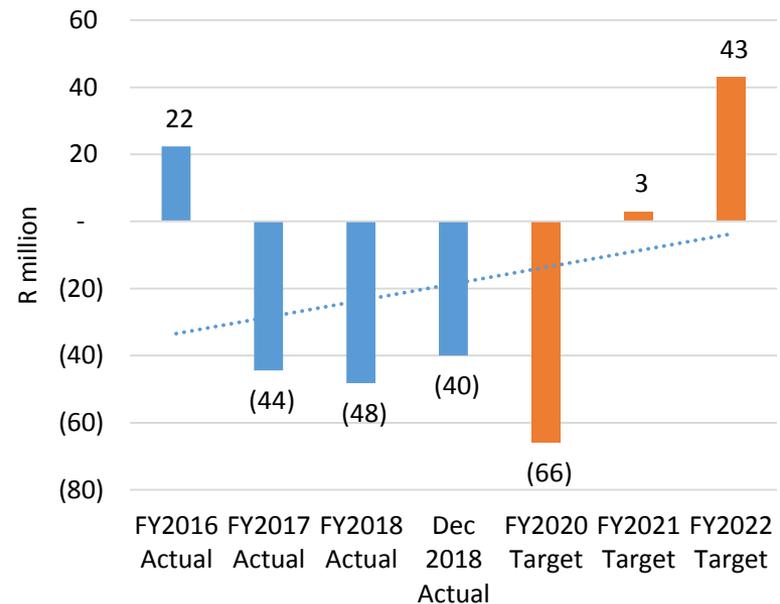


- **Return to profitability** in FY2020/21
- **Projected loss for FY2019/20**
 - Need for additional costs to fill mission critical technical posts and additional opex (licences and external engineering skills requirements) to support future growth

Group revenue



SABS Group: Net profit



* Excludes government grant and other income

KEY FOCUS AREAS: CREATING AND MAINTAINING A HIGH-PERFORMANCE CULTURE

SABS

Integrated Performance and Talent Management Practices

- Embed an optimal performance management system
- Conduct performance management training
- Develop an integrated talent management strategy

Integrated Wellness Programme

Improving the health and well-being of SABS employees

Institution-wide Learning

Facilitate a SABS transition towards a service and customer-centric culture

Remuneration and Reward Philosophy and Framework

Revise reward and remuneration policies

Success



- 1. The SABS Shareholder instructed the SABS Board of Directors to conduct a forensic investigation into the circumstances surrounding the SABS testing of coal samples at the Brakfontein mine for Eskom.**
- 2. The then SABS Board of Directors agreed to a Terms of Reference for the investigation.**
- 3. A firm of Auditors was commissioned to undertake a forensic investigation.**
- 4. Subsequently in July 2018 the Minister placed SABS under administration and dissolved the SABS Board of Directors.**
- 5. The Auditing firm have submitted a draft report to the Administrators. The Administrators have not yet signed off on the report pending further engagement with the firm on the scope of the investigation and consultation with the Shareholder.**



THANK YOU!