



SABS

South African Bureau of Standards

Progress Report on the Turnaround Strategy of the SABS

A presentation to the Portfolio Committee on Trade, Industry and Competition

21st February 2023

Dr Sadhvir Bissoon CEO (Acting)



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Appointment of the SABS Board



- The Minister of Trade, Industry and Competition, the Hon Ebrahim Patel, appointed eight members to the Board of the South African Bureau of Standards (SABS) for a period of five years effective 1 December 2022.



Dr Sandile Malinga – SABS Board Chairperson



Ms Gloria Mnguni



Dr Rudzani Nemutudi



Dr Mukondeleli Grace
Kanakana-Katumba



Dr Nandipha Madiba



Dr Ron Josias



Ms Deidre Penfold



Mr Tumisang Tsehlo

Note: The Board has prioritized the appointment of a permanent CEO

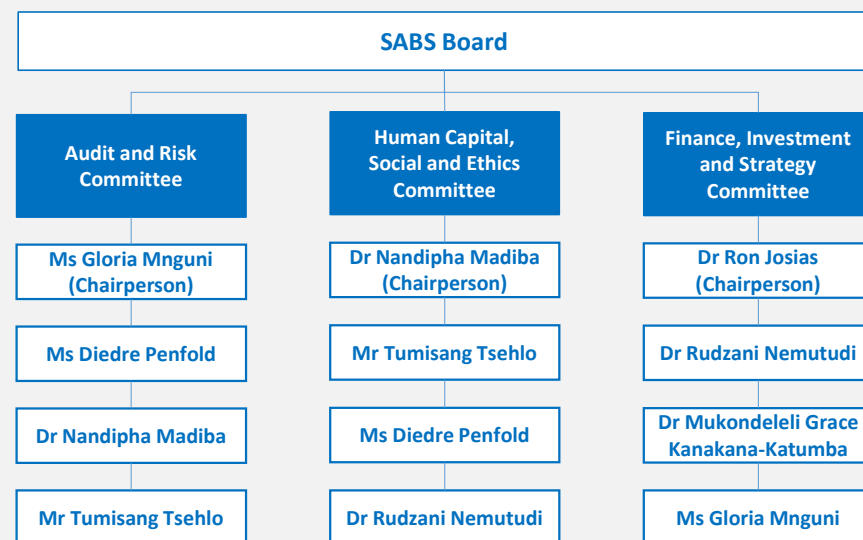


Appointment of the SABS Board

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Name	Gender	Race	Age	Qualifications
Dr Sandile Malinga	M	A	55	BSc (Physics and Mathematics), BSc (Honours), MSc, PhD (Physics)
Mr Tumisang Tsehlo	M	A	47	BSc Eng (Elecmech), MSc Eng (Industrial) & MBA
Dr Rudzani Nemutudi	M	A	52	BSc (Honours), MSc (Physics), PhD (Physics) & Management Development Certificate
Ms Deidre Penfold	F	W	59	BCom (Honours) (Economics)
Dr Nandipha Madiba (CD)SA	F	A	59	DBA, PhD (Business Leadership and Management), MBA
Ms Gloria Mnguni	F	A	40	CA(SA)
Dr Ron Josias	M	C	56	NHD Mechanical Engineering , MBA, MPhil: International Business Management, PhD: Public Administration,
Dr Mukondeleli Grace Kanakana-Katumba	F	A	45	B-Tech (Industrial Engineering), MBA, D-Phil (Engineering Management)

Governance Structure



Mandate & Services



Legislative Mandate

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The SABS was established by the **Standards Act, 1945 (Act 24 of 1945)**

The SABS exists as a **public entity** under the Standards Act, 2008 (Act 8 of 2008)

The **objectives** of SABS are as follows:

- Develop, promote and maintain South African National Standards (SANS)
- Promote quality with respect to commodities, products and services
- Render conformity assessment services and matters connected therewith

- SABS – Schedule 3B Entity
- Government funding – 30%
- Revenue – Products and Services – 70%
- Operating in a highly competitive market with accredited conformity assessment bodies:

- > 35 Certification bodies
- > 1000 Testing Labs
- > 200 Inspection Bodies



Turnaround strategy



Journey of the Turnaround Strategy

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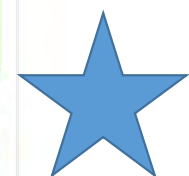
The need for turnaround plan driven by ...



SABS placed under administration in July 2018
Diagnostic process – highlighted....

- **Shareholder/SABS** – unsustainable adversarial policy and mandate creep
- **Stakeholder and client relations** deterioration and sub-optimal resolution of complaints and queries
- Customer specific requirement testing, declining capacity/capability in testing infrastructure
 - Ineffective or sub-optimal business processes – permit expiry, loss of accreditation, standards development
- **Human capital and policies:**
 - Loss of critical skills, long-standing mission critical vacancies
 - Arbitrary shifting of functions and personnel deployment
 - Sub-optimal suite of policies
 - Pervasive bottlenecks – e.g. procurement
 - Degraded Performance Management
- **Maintenance and facilities :**
 - Serious shortcomings and lack of capex investment in plant and equipment.
- **Finances;**
 - Disclaimer audit opinion in FY2018
 - Steep fall in revenue in certification and laboratory services

Turnaround plan developed with ongoing refinement



Current Status



Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Governance	<ul style="list-style-type: none"> Appointment of the SABS Board Appointment of the CEO Disclaimer Audit Opinion 	<ul style="list-style-type: none"> The SABS Board has been appointed effective 1 December 2022. Three Board committees have been established and convened their first meetings in January 2023. The Board has developed a recruitment plan and has prioritized the process for the appointment of a permanent CEO. The SABS has progressed from a disclaimer audit opinion in 2018 to an unqualified audit opinion with findings during the past three years An unqualified audit without findings is an important goal set by the SABS
Financial Sustainability	<ul style="list-style-type: none"> Loss of revenue 	<p>Revenue remains a challenge for the SABS as it operates in a highly competitive market. New services and schemes has been introduced and the market uptake of these is low. The impact of COVID-19 on businesses was severe with a subsequent ripple effect on the uptake of SABS services. The downward revenue trend is in a stabilization phase and various initiatives to maintain current revenue whilst create new revenue opportunities are underway. These include new products and services, focused customer engagements, enhanced marketing, sales and promotional initiatives including media engagements</p> <p>Laboratory Services</p> <ul style="list-style-type: none"> The Laboratory Services Division achieved revenue of R97.4 million against the Q3 target of R92.1 million. This is R5.3 million ahead of the budget. <p>Certification</p> <ul style="list-style-type: none"> The Division achieved revenue of R192.1 million against a year-to-date target of R214.5 million (Quarter 3) with a shortfall of R22.4 YTD. Execution of new business and pipeline projects are expected to address the revenue shortfall

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Financial Sustainability	<ul style="list-style-type: none"> Loss of revenue 	<p>Local Content</p> <ul style="list-style-type: none"> Within the DPE programme the SABS has undertaken local content verification projects for Transnet (eleven) and Eskom (four) which have been completed - (4M) The 15 projects tender value amounted to >2 Billion rands <p>Training Academy</p> <ul style="list-style-type: none"> Training Academy Q3 revenue of R7.5 million which is R1.7 million below budget and R2.0 million above prior year, respectively. Academy continues to experience the impact of COVID-19 on the business with a significant reduction in class-room based training as the virtual training model begins to gain traction <p>Standard Publications</p> <ul style="list-style-type: none"> Publication sales end Q3 - revenue of R25.0 million vs budget of R25.1 million The department is on track to achieve the annual revenue The SABS has implemented an E-commerce system for the sale of standards and is in the process of enhancing the functionality to include subscription model of sales. <p>Sales and Business Development (Testing and Certification)</p> <ul style="list-style-type: none"> Quotes Issued - 94M Quotes Accepted - 42M Tenders responded - 60M Tenders successful - 15M <p>Total Income end Q3 – R332M vs a budget of R356M</p> <p>Net profit of 76M achieved at the end Q3.</p>

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Financial Sustainability	<ul style="list-style-type: none"> Diversify Revenue Sources 	<p>Business Solutions and Advisory Services (BSAS)</p> <ul style="list-style-type: none"> Initiation of the Business Solutions and Advisory Services portfolio Introduced outcomes-based workplace programs to enable expansion of accreditation into SAQA programs Collaborative programs with neighbouring African standards bodies through virtual learning systems A proactive marketing campaign for the BSAS products is under development <p>Laboratory Services</p> <ul style="list-style-type: none"> Testing to new test methods. Two new test methods added to the scope of accreditation over 2022/23 period, SANS 1713 (medium voltage aerial bundled conductors) and SANS 51276 (quantitative tests for the evaluation of bactericidal activity of chemical disinfectants and antiseptics). The Laboratory Services Division achieved revenue of R97.4 million against the Q3 target of R92.1 million. This is R5.3 million ahead of the budget. The Certificate of Compliance (CoC) and Electro Magnetic Compatibility (EMC) services underwent the WTO/TBT consultations process before implementation in line with the ICASA gazette issued in January 2022 and implementation commenced from 01 November 2022 This is to cater for the inclusion in the scheme of labs accredited by Accreditation bodies that are signatories to the International Laboratory Accreditation Cooperation (ILAC) agreement <p>Certification</p> <ul style="list-style-type: none"> Expansion of Consignment Inspection Services to national standards bodies in the region. SABS has been accredited to provide consignment inspection services for Botswana Bureau of Standards (BOBS) in the food sector as part of their export programme in support of local manufacturers access to market. This has created the opportunity to enter into similar types of arrangements with other countries in the African continent and expand to other sectors i.e. Electrotechnical Implementation of the Local Content Verification Grading Scheme. The scheme targets private sector entities, impacting mining procurement patterns etc. thereby providing proactive verifications to market participants Exploratory studies are being conducted to establish capabilities for Inspection and Certification services within the scope of medical devices, Hemp and Cannabis Sector and energy management inspections and related conformity assessment services

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Financial Sustainability	<ul style="list-style-type: none"> Diversify Revenue Sources 	<p>Customer Partnering</p> <ul style="list-style-type: none"> Four hundred and eleven (411) new customers transacted with SABS during the current financial year R25 million worth of new revenue was generated from new customer acquisition Sixty-seven (67) prioritized existing customer engagements by Sales against a year-to-date target of eighty-one (81) <p>Exhibitions and events</p> <ul style="list-style-type: none"> ENLIT – Energy Indaba and related activities Africa Big 5 – Construction Manufacturing Indaba Smart Procurement – SMME Focus Association of Municipal Electricity Utilities World Quality Day <p>Digital Marketing</p> <ul style="list-style-type: none"> Over 80 000 followers on LinkedIn Posted over 350 posts [products, services and solutions promotions] Over 1 million views and 230 000 SABS websites users [standard development, products, services and solutions promotions] Standards development and awareness and webinars

Progress on the SABS Turnaround Strategy

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Theme	Issues	Status
Financial Sustainability	<ul style="list-style-type: none"> High cost structure 	<ul style="list-style-type: none"> The SABS implemented s189 process due to significant financial pressure. Opportunities for early retirement and VSP were introduced and implemented with an estimate cost saving of 100M. Other initiatives have been implemented include : renegotiation of supplier contracts, use of transversal contract opportunities i.e 3G and Cellphones, Laptops and Printers Internal discussions to consider the discontinuation of the post retirement medical aid and rationalisation of leave days Development and Implementation of the organisational pricing model Implementation of a revised grant-allocation and cost-allocation methodology
Organisation Structure	<ul style="list-style-type: none"> Lack of business integration 	<ul style="list-style-type: none"> Designed a new operating model and established a new organizational structure that is fit for purpose. The transition to the new structure is in progress with the completion of the following roles – Executive, Heads, Managers, Team Leads. The following initiatives of the organizational review process have been completed : <ul style="list-style-type: none"> Organisational skills audit Role profile and grading Design of Salary scales



Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Infrastructure	<ul style="list-style-type: none"> Inadequate investment in Laboratory and Facilities infrastructure 	<p>SABS has invested R27M on CAPEX by the end of Q3 2022/23. The total CAPEX spend from 2019-2022 is R191M. The pace of CAPEX investment is not optimal due to resource constraints in designing engineering specifications for infrastructure upgrade. SABS, through our procurement process acquired a portfolio of consulting engineers utilized through a rotation process to support the development and design of specifications to ensure the procurement of requisite equipment as well as installation and commissioning of CAPEX projects.</p> <p>Laboratory Services <u>Radiation Protection Services</u> – Investment of R40M – System installed in 2022 and application for SANAS assessment is in progress <u>Condom Laboratory</u> – Investment of R2.5M – Resource capacitation due to increase in workload. <u>Cement Lab</u> - Investment of R2.5M - Additional test bench. 60% of equipment received with 40% to be delivered by end March 2023</p> <p>Facilities SABS conducted infrastructure assessments in the current financial year in the following Scopes: HVAC, Pipe reticulation network, Roofing and Electrical The reports are categories as : Emergency repair; Repair; Service; Maintenance</p> <p>Total infrastructure investment requirements R770M Need to prioritise projects on ROI, legal compliance, Health and Safety</p> <p>The next three years includes the following CAPEX investments:</p> <ul style="list-style-type: none"> Enterprise Resource Planning (ERP) system incl. LIMS, SABS CIMS and E- Learning (75M) Equipment server replacement (10M) Facilities – compliance and upgrades (30M). 25M has been specifically ring-fenced for the roof and piping project Laboratories - (73M)

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Customer Focus	<ul style="list-style-type: none"> Declining customer base Poor response to customer enquiries Customer Specific Requirements Testing Services 	<ul style="list-style-type: none"> This trend appears to be stabilizing however it maintains a downward trajectory which is not a healthy state. There is a 3% drop in active customers in 2022/23 YTD compared to the previous year (6997 vs 6790) Acquisition of 411 new customers at the end of Quarter3 Centralised dedicated customer services centre that receives, monitors and responds to all enquiries through the current CRM system Sixty-seven (67) prioritized existing customer engagements by Sales against a year-to-date target of eighty-one (81) With the withdrawal of partial testing, SABS has introduced customer specific testing in a controlled and rules based environment with specific conditions of testing requirements and reporting. This testing option continues to be implemented for customers however the demand for these services are not as anticipated
Accreditation	<ul style="list-style-type: none"> Loss of Accreditation 	<ul style="list-style-type: none"> SABS has maintained its accreditation status for laboratory and certification services and there are no immediate accreditation status concerns
Stakeholder Engagement	<ul style="list-style-type: none"> Lack of Stakeholder Engagement plan 	<ul style="list-style-type: none"> Stakeholder Engagement Strategy has been concluded. Mapping of key Stakeholders according to interest and influence has been concluded. Initiated quarterly reporting of stakeholder engagements and analysis of collaboration and opportunities

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Human Capital	<ul style="list-style-type: none"> Filling of critical vacancies 	<ul style="list-style-type: none"> The placement process into the new structure is underway and critical positions have been prioritized for placement. The challenge is to complete the placement process by the end of Quarter 4 SABS has been losing critical skills due to resignations. Critical positions are being filled on fixed-term contracts where necessary Opportunity for SABS to obtain support from the business community to transfer technical skills to SABS employees in specific technically deficient areas Women in Leadership Programme in partnership with the UCT Graduate School of Business. 43 female employees are enrolled and will be graduating in April 2023. The Youth Development Programme enabled the intake of 56 Internship students for 2022/23. This number has been increased to 65 for the 2023/24 period. Awarded bursaries to 34 employees for 2022 and 32 for 2023
	<ul style="list-style-type: none"> Poor performance management 	<ul style="list-style-type: none"> Approved Performance Management Policy and digital system has been implemented including a 360 degree review of staff
	<ul style="list-style-type: none"> Policy Review 	<ul style="list-style-type: none"> Key policies reviewed and approved: Whistle Blowers, Anti-corruption & Fraud Prevention, Anti-Harassment, ICT Security, ICT Disaster Recovery, Delegations of Authority, Supply Chain, Remote Working Arrangements.
	<ul style="list-style-type: none"> Labour relations climate 	<ul style="list-style-type: none"> No active employee relations disputes and engagement & consultation structures are in place The labour relations climate remains stable. Structures are in place for regular engagements and consultations on the changes and development in the organisation. All disputes that emanated from the organisational review and section 189 process were resolved internally.

Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Business Processes	<ul style="list-style-type: none"> Sub-Optimal Business Processes Operational Efficiencies 	<ul style="list-style-type: none"> Business process mapping is an area that requires enhanced focus and priority. Inadequate process definition and controls places potential risks of compliance and fraud. Mapping of processes and defining critical control points are at various levels of maturity in departments. A focused project equipped with requisite resources is being initiated to review and map critical processes Conducted a study on resource planning in 5 labs to measure utilization of equipment and personnel productivity. The study will enable the fine-tuning of the tool to cater for individual lab needs followed by a rollout phase to other labs. This initiative is expected to monitor and enhance the turnaround time within the labs Strengthened collaboration between Laboratory Services and Certification with regular engagements to monitor and improve the TAT on testing for Product Certification clients Significant improvement in the average turnaround time to publish national standards - current days to publication is 321 days against the 450 days recorded in 2019. There is a further opportunity to benchmark best practice models of efficient standards development and publications to ensure timely delivery to market Implementation of productivity tools in Standards to ensure effective management of projects and resources



Progress on the SABS Turnaround Strategy



Theme	Issues	Status
Supply Chain Management	<ul style="list-style-type: none"> Process bottlenecks and inefficiencies 	<ul style="list-style-type: none"> Reduced turnaround times by 40 - 50% across SCM functions to improve service delivery while enabling effective business operations. RFQs reduced from 32 days to 19 days, RFPs from 88 days to 42 days and purchase orders from 6.7 days to 2.9 days Revised SCM policy and associated processes and procedures to be agile, compliant with all legislative and regulatory frameworks, and responsive to business needs Implemented demand planning, developed and implemented contracts management strategies, created and executed automated SCM systems and implemented and achieved cost savings through effective SCM strategies implementation.
dtic Industrial Priority	<ul style="list-style-type: none"> Enhanced support of dtic industrial priority sectors Standardisation in support of the AfCFTA 	<ul style="list-style-type: none"> Published 271 SANS at the end of Q3 New areas of standardisation include – Plastics Circularity, Hemp and Cannabis, and Hydrogen Technology Leadership in the development of the ARSO Mutual Recognition Agreement Framework for Conformity assessments in support of the AfCFTA Governance and Leadership portfolio at ARSO – 5 Roles Active participation in 35 ARSO Technical harmonization committees

Financial Results

Overview of Quarter 3 FY2023



Financial Turnaround - Quarter 3 FY2023

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Items in R'm	Actual 2016/17	Actual (Restated) 2017/18	Actual 2018/19	Actual (Restated) 2019/20	Actual (Restated) 2020/21	Actual 2021/22	Budget Dec 2022 YTD	Actual Dec 2022 YTD	Forecast 2022/23
Revenue	500.9	514.4	506.5	444.8	415.9	448.4	356.0	332.3	448.6
Sale of standards	29.5	23.5	31.2	31.7	32.3	30.6	25.1	25.0	34.8
Laboratory Services	174.6	180.0	181.9	150.3	123.8	144.1	103.0	107.5	134.6
Design Institute Services	7.2	7.5	1.8	0.8	0.2	-	-	-	-
Product and system certification	277.8	290.9	281.4	250.0	254.4	265.1	216.4	192.3	266.2
Training	11.7	12.5	10.2	12.1	5.1	8.6	11.6	7.5	13.0
Other income	235.9	307.5	309.6	326.2	296.6	349.0	255.4	250.1	341.5
Other income	52.7	64.3	77.1	80.7	81.9	81.9	51.0	45.8	68.4
Government grants	183.2	243.2	232.5	245.6	214.7	267.1	204.4	204.4	273.1
Total income	736.8	821.8	816.1	771.0	712.5	797.3	611.4	582.4	790.1
Expense item	(811.3)	(901.3)	(847.4)	(881.2)	(824.3)	(745.7)	(631.3)	(528.7)	- 739.9
Employee benefits	(525.4)	(551.6)	(516.4)	(552.5)	(561.1)	(450.9)	(351.8)	(297.6)	(407.2)
Other expenditure	(285.9)	(349.8)	(331.0)	(328.8)	(263.2)	(294.9)	(279.5)	(231.1)	(332.7)
Operating (loss) /profit	(74.5)	(79.5)	(31.3)	(110.2)	(111.8)	51.6	(19.9)	53.7	50.1
Net Interest	30.1	29.1	30.1	48.6	27.6	17.6	8.4	23.3	29.5
Profit/(Loss) before taxation	(44.4)	(50.4)	(1.2)	(61.6)	(84.3)	69.2	(11.5)	76.9	79.7
Taxation	-	(20.3)	-	-	44.2	(18.4)	-	-	-
Profit/(Loss) after taxation	(44.4)	(70.7)	(1.2)	(61.6)	(40.1)	50.8	(11.5)	76.9	79.7

Group Revenue:

- The positive performance of the SABS Group (for the year-to-date 31 Dec 2022 period) is reflective of the activities of the turnaround strategy even against very tough global and national trading conditions,
- The current year-to-date performance indicates a positive outlook.

Divisional Revenue:

- Certification is the biggest contributor to revenue - however, achieved revenue is below the Q3 budget and is affected by a decline in new business.
- The LSD revenue is above Q3 budget
- Revenue from Standard Sales is expected to achieve the annual budget
- The Training Academy has recovered from the impact of the COVID-19 pandemic and the lack of face-to-face training sessions. Business-to-business solutions and other consulting services will be delivered by Business Services & Advisory Service (BSAS) will generate new revenue opportunities.

Other Income:

- The SABS receives rental income from tenants; such as Construction Industry Development Board (CIDB), National Regulator for Compulsory Specifications (NRCS) and National Consumer Commission (NCC) that leased SABS properties

Expenditure:

- The SABS continues to realise operating expenditure savings due to cost saving initiatives that have been implemented.
- The VSP's and ER's, offered as part of the s189 process, have resulted in a reduction in the employee benefit expenditure resulting in a current savings of R7.5 million per month (the final figure will be determined after the new structure is populated in its entirety)



Conclusion



Next Steps.....

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- Entrench the new operating model
- Efficiently transition to the new organizational structure
- Focus on customer centricity and implement our value proposition
- Implement proactive plans to protect current revenue sources
- Establish new revenue generating opportunities underpinned by effective resource planning for long term financial sustainability
- Capacitate and mature the business solutions and advisory services portfolio
- Embed operational excellence through high performance teams
- Equip and capacitate staff with the requisite skills and competencies to deliver quality and timely services supported by a recruitment plan
- Funding strategies to support the ICT and Infrastructure CAPEX requirements
- Efficient implementation of a digitized working environment
- Strengthen the Regional Engagement Strategy to support the AfCFTA

The SABS acknowledges that the next financial year comes with a set of challenges underpinned by difficult trading conditions impacted by global economic uncertainty, global inflation, high fuel prices and disruption to supply chains.

The energy crisis in South Africa continues to have a significant impact on productivity and sustainability of businesses.

These global risks and national challenges impact our clients and their businesses, and we anticipate this to have a knock-on effect on the revenue of SABS.

However, the SABS Executive Committee will work with the new Board of Directors (Accounting Authority) to formulate a medium—to-long term strategy and action plans to navigate the challenges and opportunities of the coming financial years.



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