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# SABS

## Corporate Plan

**FY2021/22 to FY2023/24**



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## ACRONYMS AND ABBREVIATIONS

ARSO	African Organisation for Standardisation
BSC	Balanced Scorecard
BU	Business Unit (lowest organisational unit in SABS)
CRM	Customer Relationship Management
COC	Certificate of Compliance
ENE	Estimates of National Expenditure
ERP	Enterprise Resource Planning
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NIPF	National Industrial Policy Framework
NRCS	National Regulator for Compulsory Specifications
OHSA	Occupational Health and Safety Act
PASC	Pacific Area Standards Congress
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SADCSTAN	SADC Cooperation in Standards
SANS	South African National Standards
SOE	State-Owned Enterprise
SQAM	Standards, Quality Assurance, Accreditation and Metrology
<b>the dtic</b>	The Department of Trade, Industry and Competition

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## PREFACE

It is hereby certified that the Corporate Plan was:

- developed by the management of the South African Bureau of Standards (SABS) under the guidance of its Co-administrators,
- that it considers all the relevant policies, legislation and other mandates for which the SABS is responsible, and
- has accurately reflected the performance targets that management will endeavour to achieve, given the resources available, over the FY2021/22 – FY2023/24 period.

**Tina Maharaj**

Chief Financial Officer



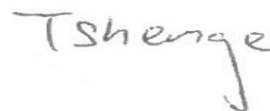
**Jodi Scholtz**

Lead-administrators



**Tshenge Demana**

On behalf of the Co-administrators



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**DISCLOSURE REQUIREMENTS IN TERMS OF PRACTICE NOTE 4 OF 2009/10**

No	Description	Reference
1	Strategy	Section 4
2	Key performance indicators	Section 5
3	Governance structure <ul style="list-style-type: none"><li>• Governance structures and roles/responsibilities</li><li>• Structure of Board of committees</li><li>• Structure of Executive management</li></ul>	Section 2
4	Financial plan (covering the next three years) including <ul style="list-style-type: none"><li>• Projects income statement</li><li>• Projects balance sheet</li><li>• Projects cash flow statement</li></ul>	Section 7
5	Dividend policy	Par 7.7
6	Capital expenditure plan (covering the next three years)	Par 7.4
7	Borrowing programme (covering the next three years)	Par 7.6
8	Risk management plan <ul style="list-style-type: none"><li>• Description of risk management process</li><li>• Key operational risks</li></ul>	Section 8
9	Fraud prevention plan	Par 8.2
10	Materiality and significance framework	Annexure B
11	Other supporting frameworks/plans <ul style="list-style-type: none"><li>• Procurement policy</li><li>• Financial projections for SABS Commercial SOC Limited</li></ul>	Par 8.8 Annexure A

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## FOREWORD BY THE MINISTER



*Mr Ebrahim Patel - Minister of Trade, Industry and Competition*

This Corporate Plan of the South African Bureau of Standards (SABS) has been prepared by the management for consideration by the Executive Authority and tabling in Parliament. The Annual Performance Plans (APP) and Corporate Plans of public entities identify the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible to ensure the Corporate Plan is aligned with the Strategic Plan, the institution's mandate and government's priorities and to provide direction on the development and implementation of strategic priorities and policies.

The Covid-19 pandemic changed the landscape within which DTIC-entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

In particular, the Corporate Plan for the 2021/22 financial year will need to reflect the policy priorities set out in Budget Vote statements tabled in Parliament during this Administration and those that arise from:

- The Economic Recovery and Reconstruction Plan tabled in Parliament in October 2020 by President Ramaphosa;
- The priorities set out in the 2021 State of the Nation Address;
- The new performance compacts between members of the Executive and the Presidency signed in November 2020; and
- The New District Development Model as an integration of development efforts at local level.

As the practical means to ensure alignment between Corporate Plans and policy priorities, the Annual Performance Plan for **the dtic** itself has sets out the requirement to ensure integration between the work of the department and all public entities that report to it. Seven new Joint Indicators (J-KPIs) have been developed for **the dtic** that contain the major policy priorities and these are expected to be included in the work of SABS, with progress against these to be reported to the Ministry on a quarterly basis.

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The SABS has projected a financial loss at group level of R148.8 million. The department has been instructed to work closely with SABS to develop sustainable measures which can address the potential losses. Any updates to the Plan – when these are effected – will be tabled in Parliament in due course, taking account of the above.

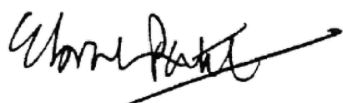
The SABS will be expected to show how, within its legal mandate, it has contributed to the achievement of the outcomes for the following seven Joint Indicators (details of which are contained in more detail in the APP of the department itself):

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner. The Joint Indicators cover, among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state.

In respect of Joint Indicator 7 for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

This Corporate Plan is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work. I therefore endorse the work to align the Corporate Plan of SABS with the national priorities and accordingly table the Corporate Plan for SABS in accordance with the request by the Speaker.



**Ebrahim Patel**

Minister of Trade, Industry and Competition

Date: 31 March 2021



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## OVERVIEW BY THE CO-ADMINISTRATORS

The Covid-19 global pandemic has resulted in massive disruption to all aspects of human interaction. The economic impact of managing this crisis as well as the significant public health challenges that have been exacerbated by this crisis has drawn global attention to the unequal and inequitable patterns of growth and uneven development.

Social protests notably the Black Lives Matter movement has further highlighted racial inequalities that as South Africans, we are still working to eradicate. South Africa's growth has been unequal, and this pandemic is an opportune time to rethink our collective economic response. This requires an agile and an organisational culture that is focussed on continuous improvement while at the same time ensuring that all stakeholders are kept updated and engaged in the strategic and evolving direction of the SABS.

The impact of the Covid-19 pandemic has been severe on families, economies and businesses across the world. SMMEs, which represents many of our customers, have been severely impacted and this impact is felt directly by the SABS. In addition, the co-administrators, in conjunction with the management team, have put measures in place to return the organisation to integrated operational excellence. As such notable changes include:

- The SABS has refined its vision, mission, values and desired outcomes
- A revised financial plan was prepared to include the reduction of R151 million in revenue due to Covid-19 and incorporated a reduction of R65 million including VAT in the annual grant allocation from **the dtic**. The SABS has identified other revenue generation opportunities as well as further cost reductions to close the gap, with cost savings of R119 million incorporated into the revised financial plan. The revised budgeted net loss for the FY2020/21 year will increase from R51.5 million to R148.8 million. The SABS anticipates reducing the loss to R75.5 million in 2023/24.
- Performance indicators were reviewed and updated.
  - Introduced two new measures:
    - Support the promotion of standards to ensure that more South African National Standards are referenced in public policy and procurement, legislative and regulatory instruments
    - Increased diversification of SABS products, services and solutions
  - Updated financial targets to incorporate the changes to the financial plan
  - Reviewed all key performance indicators and targets to assess whether they are still appropriate and achievable. As a result, removed the indicators: Growth in number of customers, as economic predictions indicate a contraction in GDP for South Africa of 7% due to the corona virus pandemic.

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Over the next three years, emphasis will be placed on the integration of excellence into key operational systems and processes, achieving operational and policy coherence, supporting Government's industrialisation effort and providing the best customer experience and improving returns and performance. It also means that the SABS supports industries to become more competitive to secure entry into new markets; the public is kept safe through the provision of quality products and services; infrastructure is maintained and upgraded; systems and processes optimised; employees are engaged and that the highest levels of institutional governance are maintained.

Standardisation is indispensable and supports a wide range of developmental outcomes. Without appropriate standards it will be impossible to address other multiple challenges at a global and national level since standardisation provides tools to achieve sustainable development, to counter the immediate threat posed by climate change and amongst others secure gender equality and optimal healthcare.

In addition, quality assurance provides trust and confidence which enables global trade, supporting each element of the value chain, from sourcing, production to distribution and consequently enabling healthy competition while safeguarding users and consumers from sub-standard products and services.

Continental Africa is seen as the new frontier for global growth, abounding with huge mineral, natural and human resource endowments. The much anticipated African Continental Free Trade Area (AfCFTA) came into effect on January 1, 2021 and aims to eliminate tariffs on 90% of goods produced on the continent. The creation of the AfCFTA is significant because it aims to harmonise rules between overlapping regional economic communities that emerged in the 1980s.

Trade across borders in Africa has presented challenges for decades, partly because patterns of trade reflect those established during colonial periods, namely, to facilitate the export of commodities to the developed countries and the import of value-added goods from these countries. Of immediate relevance, is the development and harmonisation of African standards which is aligned to ISO standards and best practices and which serve the needs of both African member countries and continental standards requirements.

South Africa's industrial policy is currently being implemented through a series of Master Plans, targeting specific sectors and leading to specific interventions needed to redress structural economic imbalances. The industrial strategy will seek to unlock private investment and energise the state to boost economic growth and inclusion. This is an essential part of building investor confidence and the platform for job-creation.

The strategy will prioritise ten industrial sectors, including: the automotive industry; clothing, textiles, leather and footwear; gas; chemicals and plastics; renewable energy; steel and metal fabrication; tourism; high-tech industries; the creative industry; the oceans economy; and agriculture and agro-processing.

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The strategy will be export-oriented and target labour-intensive sectors. It will also seek to diversify the economy and facilitate the participation of black people and women in the economy and create jobs. SABS will participate in the development of the respective master plans by clearly articulating the role of standardisation in the industrial effort as well as support industry with the relevant standards and efficient conformity assessment services.

Achieving and maintaining the long-term financial sustainability of the SABS Group is an important focus for the organisation. Investment in infrastructure and equipment will be guided by the ability of that investment to generate an acceptable market return. In areas identified as part of Government's priority sectors where an acceptable market return cannot be achieved, the funding model for the provision of services aligned to government's industrialisation drive will be agreed with the Shareholder.

Over the past couple of months, the SABS has been involved in activities in supporting the national efforts to combat the impact of Covid-19:

- Supported various essential services industries as well as assisted manufacturers and distributors to prepare for licensing, approval of products and assisting government entities with procurement decisions;
- Collaborated with Business for South Africa in verifying the products and documents that are uploaded by potential suppliers on the B4SA COVID-19 manager website. This ensured compliance with national and/or international requirements before possible procurement by the government and other interested organisations that are offering support to the government and the nation;
- Supported local manufacturers with the certification of masks and hand sanitisers. The SABS introduced a quick mechanism for the issue of letters of conformance (LoC) in terms of the SABS Product Certification (Mark) Scheme. The LoC process allowed for the new manufacturers of masks and hand sanitisers to be audited, tested in part and issued with a temporary license to supply their products into the market whilst the balance of the testing continues. The temporary license is valid for eight months, thereafter the second phase of certification would be completed, and the permit issued for three years, subject to meeting compliance standards;
- Provided free access to a limited set of standards, including four business continuity management standards and several standards for PPE available to domestic companies at no charge (the list of standards is available on our website).

The SABS continues to be an organisation with significant capacity and great potential. The services that the SABS provides are an indispensable part of a broader suite of the industrial policy measures at the disposal of Government to support the private sector in a collaborative effort to reindustrialise the economy and address race-based inequality, unemployment and poverty.

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I wish to express my gratitude to **the dtic** under the leadership of Minister Ebrahim Patel, Deputy Ministers Gina and Majola, DG October and the colleagues at **the dtic** for their support and guidance. A very special thanks to both the staff and management of the SABS for the co-operative spirit with which the difficult tasks facing SABS have been approached and implemented.

The foundations have been laid but a sustained effort by all concerned over a long period will be required to return the institution to operational excellence and financial sustainability.

A handwritten signature in black ink, appearing to read 'Jodi Scholtz', with a horizontal line extending from the end of the signature.

**Jodi Scholtz**

Lead-administrator

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## **PART A:**

# **SABS OVERVIEW AND GOVERNANCE**

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## **1. SABS OVERVIEW**

### **1.1 Legislative mandate**

The SABS is the apex national standardisation institution in South Africa, established by the Standards Act, 1945 (Act 24 of 1945). 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

### **1.2 Principal activities**

The SABS services include the following:

#### ***Standards***

The SABS provides the governance framework, coordinates and leads stakeholder engagements that underpins the development, promotion, maintenance and dissemination of national standards. Standards provide solutions, knowledge and information that support national industrial objectives, socio-economic and environmental priorities, contributing to sustainable growth, thereby improving the lives of South African citizens.

#### ***Certification***

The SABS provides conformity assessment services and assurance for product- and management- systems, through its numerous certification schemes. The SABS Mark has a long and distinguished history as the premium quality assurance symbol in the domestic and international markets. The SABS Mark is in addition utilised by numerous regulators to enforce their specific regulations where the SABS Mark is a mandatory regulatory requirement e.g. Road Traffic Act requirements for number plates. The SABS also support regulators to ensure compliance to their scheduled requirements, such as Letters of Conformity for ICASA.

#### ***Consignment inspection***

The SABS assists bulk purchasers of products with tender documents, product descriptions, reference materials and inspection of delivered goods.

#### ***Local content verification***

**The dtic** and the **Department of Mineral Resources and Energy (DMRE)**, under the Mining Charter, appointed SABS as the local content verification agency to fulfil the requirements of the amended regulations to the Preferential Procurement Policy Framework Act (PPPFA), Act 5 of 2000, promulgated in June 2011 and which became effective in December 2011.

The regulations empower **the dtic** to designate products and sectors for local public procurement to support local manufacturers by raising aggregate domestic demand and subject to stringent reciprocal competitiveness obligations.

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All organs of state as contemplated in section 1(iii) of the PPPFA, and all public entities listed in Schedules 2, 3A, 3B, 3C and 3D to the PFMA and municipal entities are required to comply with local procurement requirements set out in the designation process.

### ***Laboratory services***

The extensive national testing infrastructure at the SABS performs conformity assessment tests and produces test results that give important information about products' conformance to SANS and other technical regulations. The SABS' testing services provide conformity assessment support to:

- Regulators to enforce their specific regulations
- Manufacturers and importers to ensure that their products meet applicable SANS
- Government supply chain management activities to ensure that goods procured for the public meet set quality requirements

The testing infrastructure is spread throughout the country with most laboratories located in Pretoria. Certain specialist laboratories are strategically located across the country.

### ***Training and Business Advisory***

The SABS Training Academy is a critical part of the value chain of the SABS services that seek to enhance the skills of industry and government professionals to understand and implement SANS. The Academy currently offers a diverse portfolio of training courses, focusing mainly on management system standards. A new service arm will reside in this business unit and will provide advisory services to clients that support conformity assessment and related services. The provision of services to SMMEs and the Black Industrialist programme will be continuing within this portfolio.

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## 2. GOVERNANCE STRUCTURE

### 2.1 Introduction

The SABS exists as a public entity in terms of the Standards Act, 2008 (Act 8 of 2008), under the Executive Authority of the Minister of Trade, Industry and Competition. In accordance with this Act, the appointment of the SABS Board is by the Executive Authority (the Minister of Trade, Industry and Competition). This Act also makes provision for the appointment of the Chief Executive Officer as well as the employees of the SABS. In order to achieve its objectives, the SABS may perform, in so far as it is not inconsistent with the provisions of any Act of Parliament, such functions as the Minister of Trade, Industry and Competition may assign to the SABS.

The SABS Commercial SOC Ltd is a wholly-owned subsidiary of the SABS which houses the SABS' conformity assessment services business and is funded through revenue derived from services to customers. This Corporate Plan includes activities of both the SABS and the SABS Commercial SOC Ltd.

In terms of Treasury Regulations, the SABS as a Schedule 3B Public Entity, must conclude an annual Shareholder's Performance Compact Agreement with its Executive Authority to document the mandated key performance objectives, measures and indicators to be attained by the SABS as agreed between the two parties.

The Shareholder's Compact promotes good governance practices in the SABS by clarifying the roles and responsibilities of the Board and the Executive Authority, as well as ensuring agreement on the mandate and key objectives of the SABS. Good corporate governance is critical to the success of any entity and the SABS fully subscribes to good corporate governance principles set out in the relevant legislative and policy prescripts.

### 2.2 Composition of Accounting Authority

In June 2018 the then Minister of Trade and Industry placed the SABS under administration, in terms of the provisions of Section 49(2) of the PFMA. The Minister designated three Co-administrators as the Accounting Authority of the SABS of which one has subsequently resigned.

The Co-administrators were charged with producing a diagnostic report and turnaround action plan for the SABS. Until such time as the appointment of a new Board, the Co-administrators will provide effective oversight and stewardship in line with leading governance practices, ensure that the SABS delivers on its fiduciary duties, is transparent and accountable and delivers on its legal and constitutional mandate.

The two Co-administrators are:

- Ms Jodi Scholtz – the Chief Operating Officer of **the dtic**
- Dr Tshenge Demana – the Chief Director, Technical Infrastructure Institutions **the dtic**



The table below reflects a summarised profile of the Co-administrators

NAME	AGE	GENDER	RACE	QUALIFICATIONS	AREAS OF EXPERIENCE
Jodi Scholtz	48	F	Black	<ul style="list-style-type: none"> <li>BA Arts</li> <li>B Com Hons</li> <li>MBA</li> </ul>	Strategy, operations, risk management and governance, marketing and stakeholder engagement
Tshenge Demana	59	M	African	<ul style="list-style-type: none"> <li>PhD (Chemistry)</li> </ul>	Quality management and laboratory services

Following the appointment of the Co-administrators, an Interim Audit and Risk Committee was established to undertake the necessary audit functions as set out in the law.

The Risk, Social and Ethics Committee has been established by resolution. The terms of reference will be finalised in due course. The Finance and Investment, HR and Remuneration as well as the Nominations committees will be re-established once the Board has been reconstituted.

### ***Interim Audit Committee***

The Interim Committee comprises three independent non-executive members and one executive member who is the Co-administrator. All have the requisite financial skills and experience to fulfil the committee's duties. The Committee's mandate is, amongst others, to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance, and maintain oversight of financial results and integrated reporting.

The table below reflects a summarised profile of the Interim Audit Committee members:

NAME	GENDER	RACE	QUALIFICATIONS	AREA OF EXPERTISE
Sikkie Kajee (Chairman)	M	Indian	<ul style="list-style-type: none"> <li>CD(SA)</li> <li>MBA</li> <li>Professional accountant (SA)</li> <li>Certified internal auditor</li> <li>BCompt(Hons) Accounting and auditing</li> </ul>	Finance, auditing, internal auditing, compliance and business turnaround
Rene Van Wyk	F	Coloured	<ul style="list-style-type: none"> <li>CA(SA)</li> <li>MBA</li> <li>Diploma in Advanced banking</li> </ul>	Finance, risk management and governance, human capital management, business turnaround
Jodi Scholtz	F	Black	<ul style="list-style-type: none"> <li>BA Arts</li> <li>B Com Hons</li> <li>MBA</li> </ul>	Strategy, operations, risk management and governance, marketing and stakeholder engagement
Shabeer Khan	M	Indian	<ul style="list-style-type: none"> <li>CA(SA)</li> </ul>	Finance, auditing, governance and risk

## 2.3 The Executive Committee

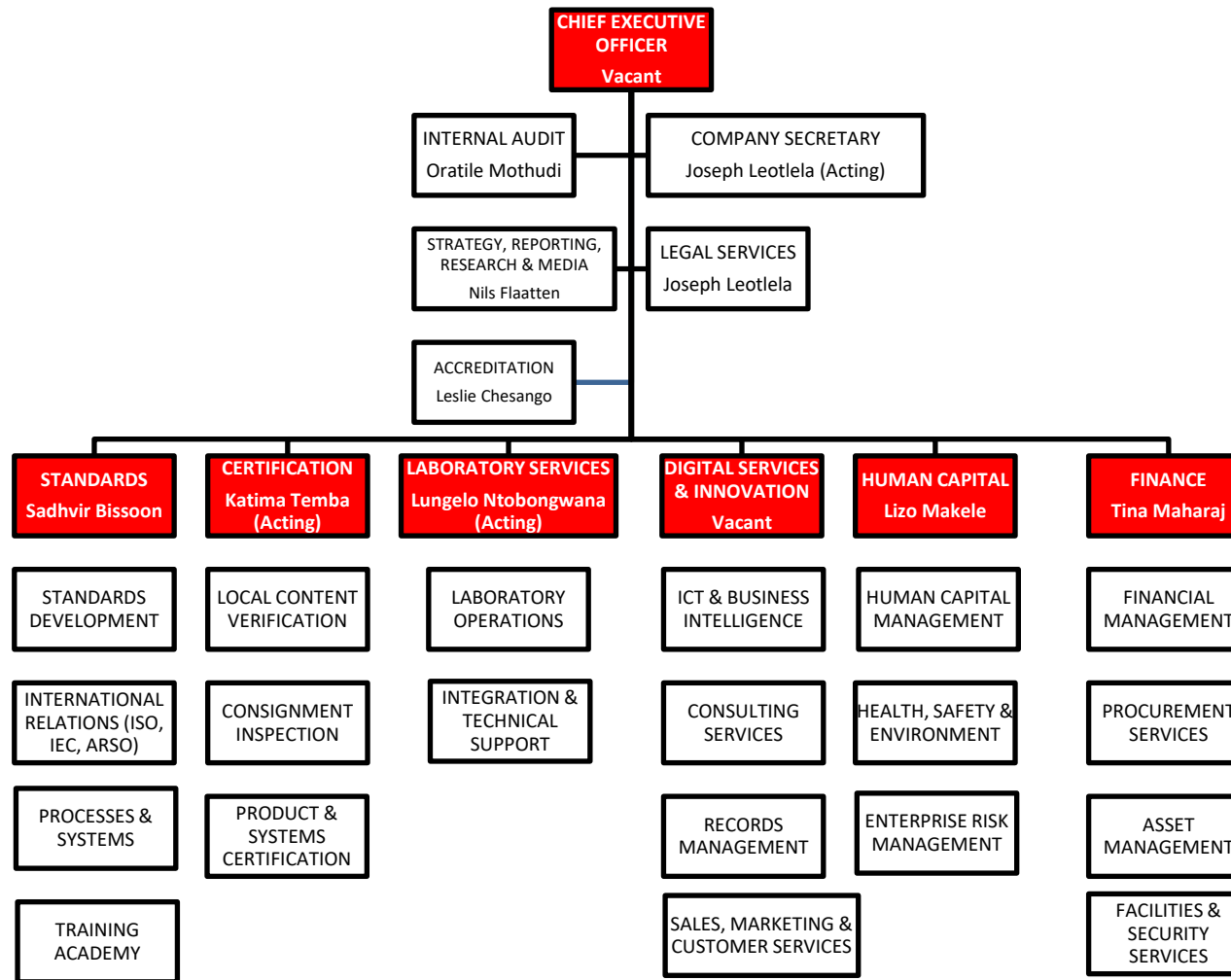
The previous Board had delegated a wide range of matters to the Executive Committee, including governance, financial, operational, risk and functional issues. A six-member Executive Committee (EXCO) supports the Lead-Administrator with the day-to-day affairs of the organisation.

It ensures that the relevant legislation, policy and regulations are adhered to and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of the accounting records, integrity and the reliability of financial statements and the safeguarding of assets. The performance of members of the Executive Committee is evaluated against their agreed performance contracts which are aligned to the Organisational Scorecard and which is annually approved by the Accounting Authority.

The Executive Committee is comprised of the following members:

NAME	AGE	GENDER	RACE	QUALIFICATIONS	DATE OF APPOINTMENT AS AN EXECUTIVE
<b>Jodi Scholtz</b> Lead administrator	48	F	Black	<ul style="list-style-type: none"> <li>BA Arts</li> <li>B Com Hons</li> <li>MBA</li> </ul>	-
<b>Tina Maharaj</b> Chief Financial Officer	39	F	Indian	<ul style="list-style-type: none"> <li>CA (SA)</li> <li>MBA</li> <li>MCom (Tax)</li> </ul>	15 Oct 2018
<b>Sadhvir Bissoon</b> Executive: Standards	48	M	Indian	<ul style="list-style-type: none"> <li>BSc Hons</li> <li>MSc (Biotechnology)</li> <li>D-Tech (Biotechnology)</li> </ul>	1 Aug 2011
<b>Lungelo Ntobongwana</b> Executive: Laboratory Services (Acting)	41	M	African	<ul style="list-style-type: none"> <li>MBA</li> <li>MCom (Business management)</li> <li>BTech (Project management)</li> <li>Diploma: Analytical Chemistry</li> </ul>	19 Nov 2019
<b>Katima Temba</b> Executive: Certification Services (Acting)	42	M	African	<ul style="list-style-type: none"> <li>MBA</li> <li>B.Tech: Electrical Engineering</li> <li>Diploma: Electrical Engineering</li> </ul>	1 March 2020
<b>Lizo Makele</b> Executive: Human Capital	50	M	African	<ul style="list-style-type: none"> <li>MBA</li> <li>BTech (Human Resources Management)</li> <li>MDP</li> </ul>	1 July 2018

## 2.4 Organisation structure



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## **PART B: SITUATIONAL ANALYSIS**

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### **3. SITUATIONAL ANALYSIS**

The SABS is an entity operating under a legislative and government policy mandate. The operational environment of the SABS is influenced by a wide range of internal and external factors, some of which are set out below.

#### **3.1 External environmental**

##### **Political**

The development and uptake of National Standards is of strategic national importance that supports the efficient functioning of the economy. It is a jointly funded activity between government and the private sector, whereby the government provides for the institutional resources and infrastructure whilst the private sector invests in the technical resources for the development of national standards. The uptake of voluntary national standards by industry provides a self-regulatory mechanism on the quality of products and services introduced into the market.

Policy makers and regulators utilize voluntary national standards to support the attainment of policy and regulatory objectives. Regulations are generally developed and enforced to protect the market from poor quality goods and services thereby protecting the health and safety of consumers and addressing environmental concerns. The development and enforcement of regulations by regulatory authorities should be established through effective stakeholder engagement and consultation and establishing an economic impact assessment. It is therefore in the interest of legislators and regulators to work closely with the SABS standards development portfolio in order to reference relevant national standards that support the achievement of regulatory objectives.

The strategic value of standards in support of government policy and regulations is not clearly understood by the public sector and therefore requires an enhanced effort to engage with various stakeholders in government to promote the value of national standards and the application thereof.

The mooted progressive reduction in funding of the standards division should be assessed in order to provide the requisite resources and infrastructure in elevating the value of national standards.

##### **Economic**

The global economy entered a phase of 'slowbalisation' before the world became aware of the accelerating public health emergency surrounding the coronavirus disease 2019 (COVID-19). Even before the COVID-19 panic set in and concern was raised about the impact of a crisis on South Africa's largest trading partner, China, the domestic economic outlook for FY2020 was feeble. South Africa is currently in its longest downward business cycle since records started in 1945, with rising unemployment, declining real GDP per capita, and dismal business sentiment.

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South African industries are therefore expected to plan for a variety of scenarios. Humanitarian crises also have significant implications for business, with people being displaced, the movement of goods restricted or suspended, and supply chains disrupted. Wuhan in China's Hubei province (the source of the outbreak) is a major industrial and transport hub with 6,000 foreign-invested companies from over 80 countries. The complexity of global supply chains means that businesses may be reliant on Chinese products without being aware of it.

According to research by the International Monetary Fund (IMF), a one percentage point drop in Chinese growth would reduce South African growth by 0.2 percentage points. Based on the latest South African Reserve Bank (SARB) predictions, this would cut GDP growth from anything between 5-17% this year. This calculation is based on the anticipated impact of trade disruption on the local economy. From an export perspective, for example, under-pressure Chinese steel and copper manufacturing industries will have weaker demand for South Africa's largest exports – mineral ores – to China.

Nobody knows how quickly the epidemic can be controlled or how widely it will spread. What is certain is that supply chain disruption will be felt by companies across many sectors, both locally and abroad, especially automotive, retail and pharmaceuticals. The difficulty for many businesses is that their reliance on Chinese exports is not always immediately apparent as China is a significant exporter of intermediate manufacturing, i.e. manufactured goods used as inputs elsewhere.

According to the Organisation for Economic Cooperation and Development (OECD), more than 52% of the country's exports are of this nature. Many of South Africa's industries will see an adverse impact from COVID-19, including mobile operators, automotive manufacturers, as well as hospitality and retail establishments.

The scope for Covid-19-induced business disruption in South Africa is vast. China is South Africa's largest supplier of imports and biggest buyer of exports. Mobile phones, for example, are South Africa's largest import category by value from China, with the latter supplying 85% of South Africa's mobile phone imports. A disruption in this context would have knock-on effects on the wider telecommunications sector. The construction industry, as another example, reported experiencing delays in delivery of construction materials like metals sourced from Asia

### **Socio-economic**

The global shock prompted by the COVID-19 pandemic, and unprecedented restrictions designed to protect public health, have led to a sharp contraction in the domestic economy. Government interventions have cushioned the impact on workers and businesses but have not offset the full decline.

South Africa's economic growth is forecast to fall significantly in FY2021 as a result of the crisis, the March and April 2020 credit rating downgrades, and the compounding effects of weak investor confidence. The economic outlook is highly uncertain.

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In response to the pandemic, governments worldwide have increased health spending, introduced restrictions on economic activity to limit the spread of the virus, and taken steps to alleviate the effects of lockdowns on households and businesses. Authorities have prioritised income support and wage subsidies for workers, alongside tax relief, lower interest rates and favourable loan schemes to support businesses.

Government's R500 billion fiscal relief package provides significant support to households and businesses. But government's weak fiscal position going into the crisis means that it cannot afford to fully offset the effects of the pandemic.

To protect South Africans and prevent the public health system from being overwhelmed, government restricted most economic activity from 26 March to 1 June 2021 and subsequently President Cyril Ramaphosa announced the extension of South Africa's adjusted level-3 lockdown, with some changes to the current restrictions on 11 January 2021.

The lockdown has taken a severe toll on an already fragile economy. The data available suggests a steep contraction across all sectors. Construction, retail and hospitality were particularly hard hit, and retail sales restrictions had significant knock-on effects across the economy. Reduced global demand and border closures, alongside uncertainty about the application of lockdown regulations, further hampered activity.

High levels of uncertainty about the spread of COVID-19, and its containment and treatment, have complicated decision-making for businesses, investors and households the world over. In addition, regular economic surveys have been disrupted and delayed, making policymakers more reliant on smaller, less representative surveys. As a result, estimating the economic impact over the period ahead is exceedingly difficult.

According to the SA Reserve Bank (SARB) domestic economic growth, in both nominal and real terms, rebounded significantly in the third quarter of FY2020 with the easing of the coronavirus COVID-19 disease lockdown restrictions. This follows the unprecedented contraction in the second quarter at the height of restricted economic activity to curb the spread of COVID-19. South Africa's real gross domestic product (GDP) accordingly increased at an annualised rate of 66.1% in the third quarter of FY2020 after the revised contraction of 51.7% in the second quarter – representing both the largest contraction and rebound since quarterly records began in 1960. Despite the strong rebound in the third quarter, real GDP was only at a level like that in the first quarter of 2013.

Real gross domestic expenditure (GDE) rebounded from a revised contraction of 42.9% in the second quarter of FY2020 to an annualised increase of 23.7% in the third quarter, emulating the recovery in real GDP.

Real final consumption expenditure by households rebounded strongly alongside a lesser increase in real gross fixed capital formation, while the de-accumulation of real inventory holdings continued at a much faster pace. Real final consumption expenditure by households

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and the real net exports of goods and services contributed the most to growth in overall real GDP in the third quarter of FY2020.

The preliminary non-financial public sector borrowing requirement doubled to R369 billion in the first six months of fiscal FY2020/21 compared with the same period of the previous fiscal year. This reflected the significantly larger cash deficits of both national government due to continued revenue shortfalls and the social security funds due to COVID-19 relief payments. In financing the borrowing requirement, the total gross loan debt of national government increased sharply by 20.3% year on year to R3 714 billion (75.2% of GDP) as at 30 September FY2020.

The FY2020 MTBPS projected total gross loan debt to increase to 81.8% of GDP by the end of fiscal 2020/21, and even further over the medium term to 92.9% of GDP in fiscal FY2023/24.

The nominal effective exchange rate (NEER) of the rand decreased significantly during the onset of the COVID-19 pandemic in the first quarter of FY2020, but then stabilised during the subsequent two quarters, like most other emerging market currencies.

#### *Implications for the SABS*

It is imperative that the SABS is aligned with and proactively supports Government, in a close collaborative effort with the private sector, in the complex task of the re-industrialisation of the economy and the national effort to overcome deep-seated structural problems which characterise the economy. Such a scaled up effort requires a coherent and well-managed strategy for the institution to ensure that it achieves a greater level of financial sustainability; a cost effective and efficient delivery of services across the conformity assessment and standards spectrum as well as higher levels of investment in infrastructure and equipment to enable the SABS to deliver on its mandate in a close collaborative relationship with all its stakeholders in the public and private sector.

As part of Government's June 2020 supplementary budget, the annual allocation to the SABS was reduced by R65 million for the FY2020/21 financial year.

The grant allocation was revised upwards by a net amount of R15.8 million in December FY2020.

This will require the SABS to reassess its operations and activities to mitigate the impact of overall reduction in income.

The weak economic conditions and outlook means the organisation is confronted with a very challenging business environment, which subdued growth anticipated in key sectors that utilises the SABS conformity assessment services.

This will have an adverse impact on the organisation's revenue, which has already been under strain. Consequently, the commercial revenue budget for FY2020/21 has been reduced by



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R151 million from the budget previously submitted. The organisation also anticipates that the commercial revenue for FY2020/21 will be lower than the revenue achieved in FY2019/20.

Increasingly, the SABS must focus on promoting and increasing awareness of standardisation amongst decision makers across the economy as well as rigorously focusing on cost cutting measures.

### **Competitive landscape**

The conformity assessment industry is highly competitive and revenue opportunities and margins are increasingly constrained. The domestic market is made up of a few big players, including multinationals, who provide a broad range of conformity assessment services. Many have also started to offer their own mark schemes, in direct competition with the SABS Mark Scheme. In addition, there are also various small players who specialise in price competitive niche markets, offering specialised testing services.

#### *Implications for the SABS*

In order to maintain its relevance in a highly competitive conformity assessment market, it is imperative that the SABS develop a robust market intelligence function to keep abreast of changing market dynamics and customer expectations. The SABS must continue to focus on providing quality certification and conformity assessment services, continuously investing in new equipment, systems and processes, as it is a vital pillar of being recognised as a partner of choice by customers.

### **Technology factors**

Globalisation and quantum leaps in technology will increasingly bring about significant disruptive impacts to the global and domestic economy. Digitisation and data utilisation, including connectivity, e-commerce and the internet of things (IoT), to name a few, have already and will increasingly drive economic disruption. Disruption is also flowing from agile, innovative competitors who, through access to global digital platforms for research, development, marketing, sales, and distribution, can displace well established incumbents faster than ever, by improving the quality, speed or price at which value is delivered.

Major shifts on the demand side are also occurring, as growing transparency, consumer engagement, and new patterns of consumer behaviour emerge which are increasingly built upon access to mobile networks and e-commerce which is forcing companies to adapt the way they design, market and deliver products and services.

Globalisation and quantum leaps in technology will increasingly bring about significant disruptive impacts to the global and domestic economy. The 4IR underpinned by digitisation and data utilisation, including connectivity, e-commerce and the internet of things (IoT), to name a few, have already and will increasingly drive economic disruption. Disruption is also flowing from agile, innovative competitors who, through access to global digital platforms for research, development, marketing, sales, and distribution, can displace well established

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incumbents faster than ever, by improving the quality, speed or price at which value is delivered.

#### *Implications for the SABS*

The SABS must embrace and adapt to the challenge of the digital revolution. This implies that SABS embraces new technology platforms to deliver a range of services in an increasingly digitised economy.

#### **Legislative framework**

In the global and domestic market, companies operate in a more challenging environment with increased geo-political uncertainty, uncertain trading conditions, increasing and complex regulatory requirements, including important environmental and societal challenges and expectations.

Regulations relating to occupational health and safety, environmental protection, data privacy and localisation continue to evolve, contributing to increased obligations for all organisations. Failure to comply with these requirements could have an adverse financial, operational and new business impact on organisations, the SABS included.

#### *Implications for the SABS*

It is anticipated that the regulatory environment will continue to be increasingly dynamic. This exposes the SABS to various and greater risks but also provides opportunities for greater and more competitive service provision to clients.

#### **Environmental factors**

Sustainable economic and industrial development is a key objective set out in a range of Government policy framework documents and as a requirement for South Africa to meet its global environmental commitments. This requires, amongst other considerations, a just transition to a less carbon intensive energy programme; policies and programmes to minimise environmental degradation including with respect to the use of water, measures to minimise air pollution as well as a wide range of waste management and recycling policies and systems across the industrial economy.

Disruptive technologies and 'circular economies' in water recycling and sanitation; energy generation and efficiency; manufacturing processes; resource exploitation; transport and logistics; waste management and recycling and other factors - create enormous opportunities and pose certain risks.

#### *Implications for the SABS*

As a technical infrastructure institution, the SABS must play a key role, in developing standards that have a positive impact on the environment and facilitate the exclusion of non-compliant and unsafe products from the economy.

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Internally, the SABS is a significant energy and water consumer and will continue to focus on putting mechanisms in place to reduce its consumption of energy and water. The organisation also generates substantial amounts of hazardous and non-hazardous waste as part of its activities and processes. To mitigate the risk to the environment and society, the SABS will continue to implement an appropriate waste management programme to ensure that waste is collected, separated, stored, transported, recycled and/or disposed of, using environmentally responsible and legally compliant methods.

### **3.2 Internal environment**

Over the past few years, the SABS has been confronted with various challenges that impacted on its ability to effectively execute its mandate and remain financially sustainable. Key amongst these were the inability to retain customers and the growing expenditure base, a high employee attrition rate, sub-optimal business processes and systems and lastly, inadequate skills levels in certain business areas.

In the context of the governance, institutional, financial and operational failings, the SABS was placed under administration by the Minister of Trade, Industry and Competition in June 2018 and three co-administrators appointed.

The administrators were mandated to stabilise the organisation, conduct a diagnostic analysis of the SABS and develop and implement turnaround plans, in consultation with the shareholder, for the institution.

Following an in-depth analysis, turnaround planning and execution was implemented focusing on the following:

- Ensuring that the development of South African National Standards, the anchor point of the standards and conformity assessment value chain, is significantly upgraded.
- Undertaking urgent maintenance of long overdue and high-risk critical SABS infrastructure.
- Revitalising testing protocols, operations and facilities in the laboratories; reinstating customer specific requirement testing; rolling out carefully sequenced and adequately designed investment in testing infrastructure, to overcome inefficiencies which, in some cases, resulted in a significant loss of capacity, capabilities and client services, confidence and revenue.
- Putting in place management and operational systems and consequence management to ensure that serious operational failures including the loss of accreditation and permit expiry processes do not re-occur.
- Ongoing cost containment, including assessment and reprioritisation of operating expenditure, review of all vacancies and only filling critical vacancies, implementing a new cost allocation and pricing model. No performance bonuses were paid for the 2018/19 financial year and executive salary increases for 2019/20 was limited to 2.8%.

- Strengthening institutional finance, governance, policy frameworks and operational plans for the entire institution. In so doing, pay attention to the implementation of a digital strategy to secure higher levels of integrated operational efficiency and productivity; increased stakeholder communication and engagement and client satisfaction.

### 3.3 Strengths and Weaknesses Analysis

The strengths, weaknesses, opportunities and threats are listed in the table below:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The SABS legislative mandate to develop and publish South African National Standards</li> <li>• Relationships with regional and international standards bodies</li> <li>• The integrity and standing of the SABS brand and Mark Scheme which continues to attract customers</li> <li>• Offer services across the conformity assessment value chain</li> <li>• Strong geographical presence across South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Slow turnaround times due to:               <ul style="list-style-type: none"> <li>○ Cumbersome processes</li> <li>○ Lack of integration between front and back office</li> <li>○ Loss of key, skilled staff</li> <li>○ Ageing testing infrastructure</li> </ul> </li> <li>• Legacy ICT technology that requires upgrading</li> <li>• Low staff morale and productivity</li> <li>• Poor culture of performance</li> <li>• Inadequate B-BBEE rating, placing the SABS at a disadvantage during tendering stage</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Targeted focus on servicing Government departments and entities</li> <li>• Expand local content verification services based on an appropriate funding model</li> <li>• Potential to expand services offering to the rest of Africa</li> <li>• Diverse services that can be formulated into value streams of targeted offerings for customers in public and private sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty around the COVID-19 impact</li> <li>• Increased competition - Foreign and domestic conformity assessment companies targeting niche industries and market segments</li> <li>• Current financial constraints of the fiscus may impact future grant allocations further</li> </ul>

### 3.4 Industry Key Success Factors

Critical Success Factors	Origin of Critical Success Factors	Key Industry Requirements
<b>Participation in the Technical Committee when developing new standards</b>	Standards Division	<ul style="list-style-type: none"> <li>• Ability to participate and represent the interests of the country in providing technical solutions (SANS) to national priorities and support industrial opportunities</li> <li>• Transparency during the standards making process in the TCs</li> </ul>
<b>Skilled Auditors</b>	Human Capital	<ul style="list-style-type: none"> <li>• Knowledgeable and accredited auditors with deep industry knowledge</li> <li>• Auditors who are accredited across more than one management system</li> <li>• Reliable planning for audit dates</li> </ul>
<b>High Technology Laboratories</b>	Laboratories Services	<ul style="list-style-type: none"> <li>• State of the art testing equipment</li> <li>• High degree of automation</li> <li>• Develop new testing methodologies to stay current with new technology</li> </ul>
<b>Efficient operations</b>	Laboratories Services	<ul style="list-style-type: none"> <li>• Quick testing turn-around times,</li> <li>• High levels of accuracy,</li> <li>• Automation of equipment &amp; systems,</li> <li>• Remote digital sensors for product auditing,</li> <li>• Energy efficiency and waste management control</li> </ul>
<b>Customer Experience (CX)</b>	Customer Services and Marketing	<ul style="list-style-type: none"> <li>• Rising customer expectations for a single channel to deliver all services</li> <li>• Industry has moved to delivery through single omni-channel</li> </ul>
<b>Industry leadership</b>	Certification and Testing	CB and Testing Houses that are leading technological developments, that understand the components of 4IR and can communicate of these through thought leadership, colloquiums, white papers, etc.

### 3.5 Customer Needs Analysis

Segment Description	Current Customer Need	Future Customer Need
<b>National Government</b>	<ul style="list-style-type: none"> <li>Promulgates safety legislation and regulations</li> <li>Authorises the establishment of professional or industry bodies</li> <li>Effects supply side policies</li> <li>Issues SCM and tender rules</li> <li>Third party testing or consignment inspections</li> </ul>	<ul style="list-style-type: none"> <li>Government will seek an automated SATS 1286 solution for SCM</li> <li>Actively market inspection services with national bodies</li> <li>Consider acting as outsourced inspection agent for national authorities</li> <li>Work with customs authority to offer pre-clearance services for import and export of goods</li> </ul>
<b>Local Government</b>	<ul style="list-style-type: none"> <li>Promulgates safety and health bylaws and regulations</li> <li>SCM and tender rules</li> <li>Anti-bribery standard and training?</li> </ul>	<ul style="list-style-type: none"> <li>Local Authorities will seek an automated SATS 1286 solution for SCM</li> <li>They begin to request their own mark scheme requirements</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Establishes industry rules and pricing</li> <li>Develops industry norms</li> </ul>	<ul style="list-style-type: none"> <li>Regulators will want to introduce globally accepted standards</li> </ul>
<b>Wholesalers &amp; Retailers</b>	<ul style="list-style-type: none"> <li>Comply to government safety standards</li> <li>Third party testing or consignment inspections</li> </ul>	<ul style="list-style-type: none"> <li>Will require automated sampling process with the ability to access the information in real-time</li> </ul>
<b>Certification Bodies</b>	<ul style="list-style-type: none"> <li>Require partnerships with the SABS so that one party does consulting, and other party does the certification</li> <li>Opportunity for medium sized global CBs to outsource certification services to SABS</li> </ul>	<ul style="list-style-type: none"> <li>Long term partnerships in both certification and testing</li> <li>SABS digital platform that integrates with their technology</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Wants safe products with recognisable SABS Approved mark on the products</li> </ul>	<ul style="list-style-type: none"> <li>Will require on-demand and virtual verification of SABS Approved products</li> </ul>
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>Require standards development for industry specific purposes</li> <li>SABS should be able to test to international standards for which there is no SANS in their industry vertical</li> </ul>	<ul style="list-style-type: none"> <li>Industry Associations will require the SABS to be at the cutting edge of international standards development and to play a leading role</li> <li>Will require a highly efficient WTO TBT early warning system</li> </ul>
<b>Export Councils</b>	<ul style="list-style-type: none"> <li>Rely on the SABS for WTO TBT notification of new standard being introduced by other countries</li> </ul>	<ul style="list-style-type: none"> <li>Will require a highly efficient WTO TBT early warning system</li> <li>Will require conformity assessment services that assist with market access, such as British Retail Consortium (BRC)</li> </ul>

### 3.6 Main Drivers of Customer Buying Patterns

Segment	Current Customer Needs	Future Customer Needs
<b>Standard Sales</b>	Quick and easy online ability to purchase affordable SANS	Online ability to purchase SANS and other international Standards
<b>Standard Subscription Sales</b>	Complete collection or a selection of sector-specific standards	Large sector specific collections at affordable rates and easy to download
<b>Management System Certification</b>	Largely restricted to ISO 9001, ISO 14001, ISO 18001, (moving to ISO 45001 and FSSC)	New management scheme development
<b>Product System Certification</b>	SABS Mark Scheme on their products to : <ul style="list-style-type: none"> <li>• Be able to sell to their customer, wholesalers and retailers</li> <li>• Be able to bid for work in governments procurement process</li> </ul>	Automated solution for auditing and real-time monitoring Customers want a one-stop shop
<b>Local Content Verification</b>	To satisfy government that a domestic producer has met the regulatory requirement for domestic contribution in their production process	Would need to meet all the regulatory requirements set by National Government which are highly likely to remain until the medium term
<b>Training Services</b>	Require staff members with appropriate accreditation to work in a safe and productive workplace	Trained staff member with accreditation for the new scheme

### 3.7 Analysis of Profit Drivers

Profitability Influencers	Main Drivers	Company's Current Strategy	Insights
Sales Volumes	National Footprint	<ul style="list-style-type: none"> <li>Standard Sales and the Training Academy have demonstrated a small uptick in annual revenues</li> <li>The SABS still holds dominance in many of the Mark Schemes and it is often unrivalled in product certification</li> </ul>	<ul style="list-style-type: none"> <li>The SABS needs to emulate global CB who have made assurance services a central part of the value offering</li> <li>Training should be vertically integrated into all aspects of the business and should receive greater resources</li> <li>The online delivery of services is a critical success factor in new revenue generation</li> </ul>
	Regional Market	<ul style="list-style-type: none"> <li>The SABS brand and demand for its Mark Scheme still has currency on the continent but is under significant challenge by other CBs</li> </ul>	<ul style="list-style-type: none"> <li>The SABS need to design a regional model</li> </ul>
Sales Prices	Standards	<ul style="list-style-type: none"> <li>Strong subscription sales</li> <li>The SABS is a monopoly seller and single provider of all national standards (SANS)</li> </ul>	<ul style="list-style-type: none"> <li>Consider re-pricing standard sales to be more affordable to individuals and industry</li> </ul>
	Certification: Management Systems	<ul style="list-style-type: none"> <li>Strong focus on management systems and the introduction of new ISO management systems</li> </ul>	Future focus on the introduction of new standards
	Certification: Product Systems	<ul style="list-style-type: none"> <li>Large pool of technical signatories for SANS in South Africa</li> <li>ISO 17025 accredited laboratories</li> </ul>	Maintain testing officer accreditation and develop state of the art testing methods
	Customer Specific Testing (CSR)	<ul style="list-style-type: none"> <li>Pricing is asymmetrical and depends on the SABS capacity and skills to deliver the CSR</li> </ul>	<ul style="list-style-type: none"> <li>Focus on testing capacities which support the national masterplans</li> </ul>



### 3.8 Critical Issues and Key Milestones

Critical Issue	What Must We Achieve in The Next Year	What Must We Achieve in The Next 3 Years
Implement the operating model and fit for purpose structure	<ul style="list-style-type: none"> <li>• Finalise and communicate the SABS strategy</li> <li>• Implement SABS operational model and structure</li> <li>• Map and optimise detailed processes</li> <li>• Develop and implement HC plan</li> <li>• Review/ design and implement the operational models for the functional components – sales model is critical</li> <li>• Conduct skills audit and matching and placing</li> <li>• Fill all critical posts</li> <li>• Develop and implement the culture model</li> <li>• Implement aggressive Change Management</li> <li>• Break down the siloed way of working</li> </ul>	<ul style="list-style-type: none"> <li>• Culture realisation</li> <li>• Performance management</li> <li>• Fill the balance of posts</li> <li>• Optimise operational processes</li> <li>• Integrated work mode</li> </ul>
Improve the customer engagement process	<ul style="list-style-type: none"> <li>• Implement the CRM system</li> <li>• Conduct training and capacitation</li> <li>• Conduct interventions to increase customer retention</li> </ul>	<ul style="list-style-type: none"> <li>• A customer centric SABS</li> <li>• Customer satisfaction targets achieved</li> </ul>
Information & Communication Technology	<ul style="list-style-type: none"> <li>• Establish ICT governance functions – including CAPEX/Technology investment committee</li> <li>• Conduct risk assessment on operational software and systems</li> <li>• Revise ICT strategy to ensure alignment with SABS strategy</li> <li>• Make decision and commence implementation of ERP system</li> <li>• Renew critical system licences and conduct updates</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate all operational systems</li> <li>• Introduce new technologies for process improvements</li> </ul>

Critical Issue	What Must We Achieve in The Next Year	What Must We Achieve in The Next 3 Years
	<ul style="list-style-type: none"> <li>• Implement the E-commerce platform</li> <li>• Implement the Enterprise Customer Portal</li> <li>• Enhance finance and resource planning</li> <li>Rollout and integrate key operational systems</li> </ul>	
Facilities	<ul style="list-style-type: none"> <li>• Develop facilities management strategy (consider remote working conditions)</li> <li>• Implement energy efficient solutions</li> <li>• Finalise property development plan (including Q block)</li> <li>• Upgrade critical laboratory infrastructure and equipment</li> <li>• Conduct mission critical maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that employees have proper tools of the trade for remote work</li> <li>• Save on energy consumption</li> <li>• Fund and monitor maintenance programme</li> </ul>
Knowledge management	<ul style="list-style-type: none"> <li>• Develop and implement Knowledge management strategy</li> <li>• Develop a plan to manage the institutional knowledge of the SABS</li> <li>• Implement the knowledge database</li> <li>• Records management</li> <li>• Increase participation in industry gatherings</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge management processes working effectively</li> <li>• Contribution of SABS to the sector (SA and global) increased</li> </ul>

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## **PART C: STRATEGIC FOCUS**

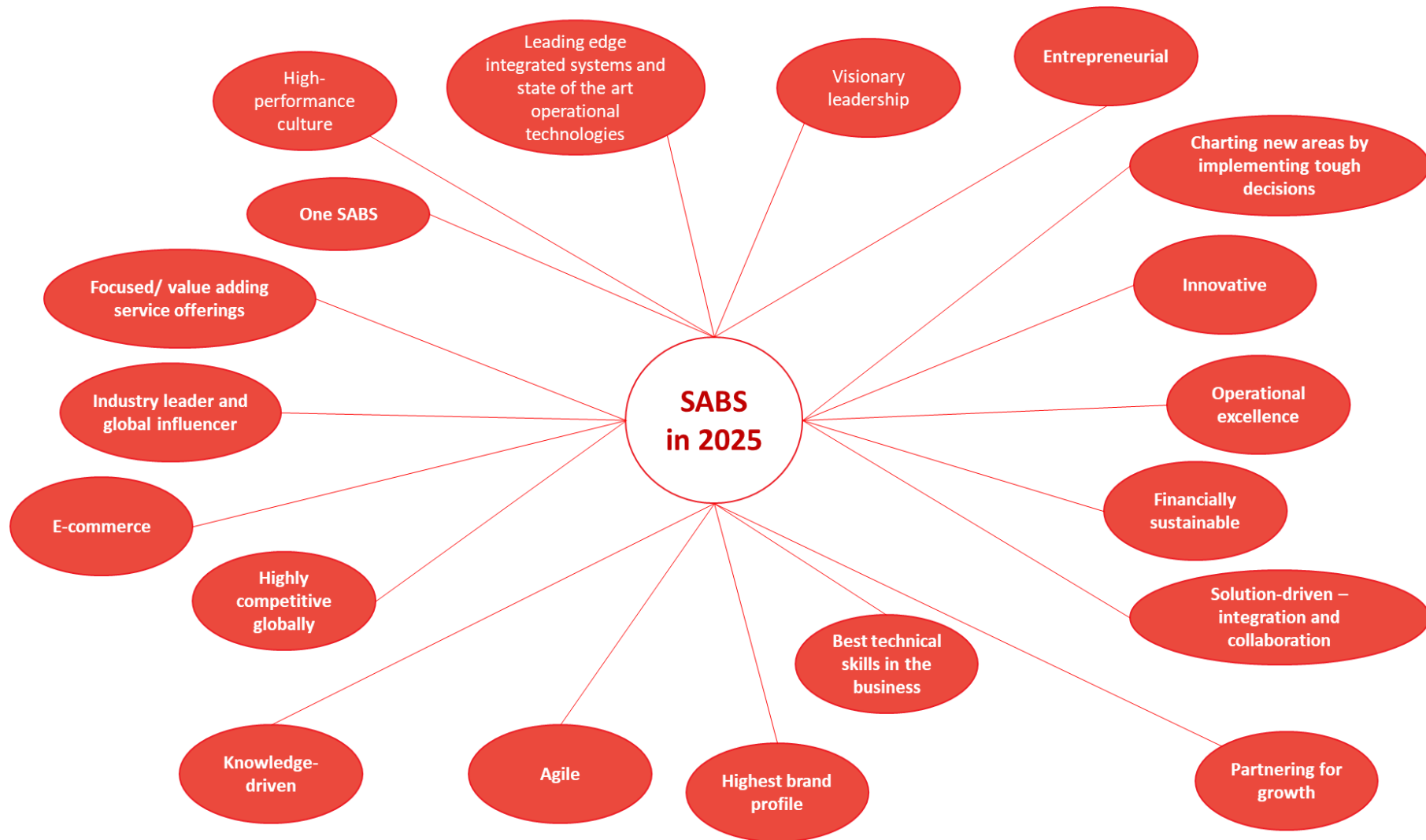
## 4. STRATEGY

### 4.1 Core Aspirational Description and Analysis

A business' core values are those highest aspirational values that the guide a firm's actions, unite its employees, and define its brand.

VISION							
We are the trusted standardisation and business assurance solution provider of choice							
CORE VALUES							
<b>Transparency</b> Being open in all communication and engagements	<b>Professionalism</b> Observing the highest standards with respect to be reliable, delivery work of the highest quality, on time, behaving in a manner worthy of the SABS creed	<b>Confidentiality</b> Being respectful of the need to safeguard confidential information shared with us	<b>Courtesy</b> Being polite, civil and showing good manners to all we engage with	<b>Responsibility</b> Doing what is expected of us	<b>Good governance</b> Describes how the SABS will conduct public affairs and manage public resources in an effective and responsible manner	<b>Collaboration</b> The process of two or more people or organizations working together to complete a task or achieve a goal	<b>Knowledge driven</b> Proactively seeking information and knowledge that always enables one to deliver the best possible relevant solutions, providing thought leadership in areas of focus, leading the knowledge development in the sector
Strategic Objectives				SABS Value Proposition			
<ul style="list-style-type: none"> <li>Develop, promote and increase the use of standards</li> <li>Provide integrated conformity assessment service solutions</li> <li>Achieve and maintain financial sustainability</li> <li>Continuous improvement in internal systems and process</li> <li>Creating and maintaining a high-performance culture</li> </ul>				<ul style="list-style-type: none"> <li>The SABS has the large pool of auditors and is accredited over the largest number of schemes in South Africa</li> <li>It has the largest number of laboratories and it the only entity able to test high and low voltage electrical equipment in Africa</li> <li>In certain instances it has the only laboratory in the country</li> <li>All accreditation bodies that are used by the SABS are IAF accredited</li> </ul>			

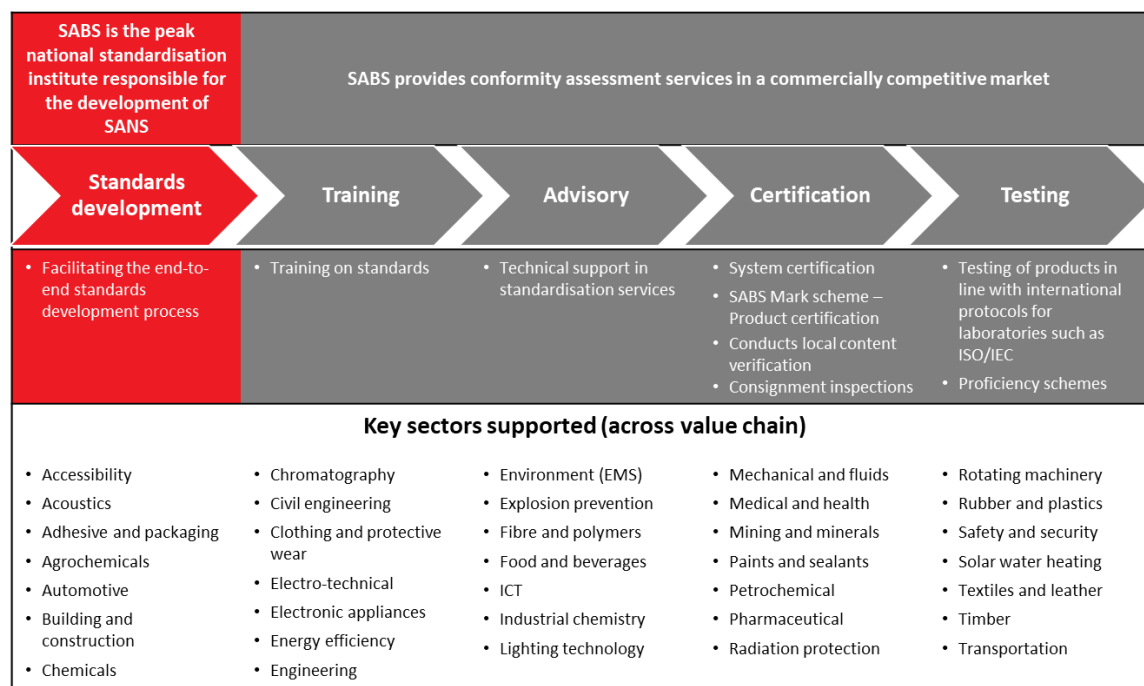
## 4.2 Vision of the Organisation



### 4.3 Priority markets and activities

The SABS provides services across the standards development and conformity assessment services value chain. The diagram below illustrates the various services as well as key sectors supported.

#### SABS role in the standards value chain



### 4.4 Alignment to the dtic objectives

The Department of Trade, Industry and Completion relies on a group of specialised agencies and institutions, such as SABS, to support the national industrial and economic growth, employment and equity objectives by delivering a range of products and services for the economic benefit of the country.

Consequently, the strategic objectives and key programmes of SABS to fulfil its statutory mandate must be fully aligned with **the dtic's** Impact Statements and Outcomes, other shareholders as well as the requirements of the Presidential Economic Reconstruction and Recovery Plan, the National Development Plan and the National Industrial Framework and **the dtic's** sector plans.

## Alignment to dtic (continued)

Outcomes		SABS key initiatives/deliverables
SABS	the dtic	
<p><b>Desired outcome 1:</b> Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans</p>	<ul style="list-style-type: none"> <li>• <b>Programme 2:</b> Trade Policy, Negotiations and Cooperation. Build an equitable global trading system that facilitates development by strengthening trade and investment links with key economies and fostering African development, including regional and continental integration and development cooperation in line with the African Union Agenda 2063.</li> <li>• <b>Programme 10: Economic research and coordination.</b> Design and oversee socio-economic research, assess policy options and engage stakeholders to facilitate inclusive economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Involved in the harmonisation of African standards as one of the key requirements for the success of the AfCFTA.</li> <li>• Collaboration with and influence in international and regional standardisation bodies</li> <li>• Support the development sector standards plans</li> <li>• Collaborative relationship and alignment with Government policies and programmes</li> <li>• Optimal development, promotion and use of the SABS Mark to support the industrial effort</li> <li>• Collaborative and supportive relationship with the private sector in the development and use of standards</li> </ul>
<p><b>Desired outcome 2:</b> Provide internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy</p>	<ul style="list-style-type: none"> <li>• <b>Programme 3:</b> Spatial Industrial Development and Economic Transformation. Drive economic transformation and increase participation in industrialisation</li> <li>• <b>Programme 4:</b> Industrial competitiveness and growth design and implement policies, strategies and programmes for the development of manufacturing and related economic sectors and contribute to the direct and indirect creation of decent jobs, value addition and competitiveness, in both domestic and export markets.</li> <li>• <b>Programme 6: Industrial financing.</b> Stimulate and facilitate the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Optimal development, promotion and use of the SABS Mark to support the industrial effort</li> <li>• Involvement in local content verification</li> <li>• Collaborative and supportive relationship with the private sector in the development and use of standards</li> <li>• Focusing on providing quality assurance across the value chain for public sector entities, including regulators, to secure agreements that will ensure sustainable income</li> <li>• Partnering with the private sector to provide relevant and value-adding solutions to enable businesses to be more effective and efficient</li> <li>• Support to black industrialist programme</li> </ul>

Outcomes		SABS key initiatives/deliverables
SABS	the dtic	
	<ul style="list-style-type: none"> <li>• <b>Programme 7:</b> Export development, promotion and outward investments. Increase export capacity and support direct investment flows, through targeted strategies, and an effectively managed network of foreign trade office</li> <li>• <b>Programme 8: Inward Investment Attraction, Facilitation and Aftercare.</b> Support foreign direct investment flows and promote domestic investment by providing a one- stop shop for investment promotion, investor facilitation and aftercare support for investors</li> </ul>	
<p><b>Desired outcome 3:</b> Build a capable and efficient SABS:</p> <ul style="list-style-type: none"> <li>• Reduce financial losses</li> <li>• Improve operational efficiencies</li> <li>• Improve employee engagement</li> <li>• Increase economic participation of designated groups</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Programme 1:</b> Administration. Provide strategic leadership, management and support services to the department.</li> </ul>	<ul style="list-style-type: none"> <li>• Modernisation of laboratory processes and technology, operations and stakeholder management to achieve and secure financial sustainability, financial controls and systems</li> <li>• Transform the organisation into an efficient and effective institution utilising the integration of technology, business process optimisation and change management initiatives</li> <li>• Conduct an organisational review</li> <li>• Develop digital operating models that will enable the business through mobile and online capabilities and “paperless” transacting methods</li> <li>• Support the economic participation of women, youth and people with disabilities</li> <li>• Young professional programme</li> <li>• Employee engagement survey</li> </ul>

















#### 4.5 Supporting NDP, Medium-Term Strategic Framework, Industrial Policy and SDGs


As an organ of state and reporting to the Department of Trade, Industry and Competition, it is important that the activities of the SABS are closely aligned in support of the Government's National Development Plan, Medium Term Strategic Framework and industrialisation effort.

##### National Development Plan

The diagram below illustrates the role of the SABS in supporting the NDP objectives.

NDP outcome	SABS' role
Create an economy that will create more jobs	
Investing in economic infrastructure	
Environmentally sustainable and resilient: Transition to sustainable growth	
An inclusive and integrated rural economy	
South Africa in the region and the world	
Transforming human settlement	
Improving the quality of education, training and innovation	
Quality healthcare for all	
Social protection	
Building safer communities	
Building a capable and developmental state	
Fighting corruption	
Transforming society and uniting the country	

 Direct through the provision of various conformity assessment services as well as targeted intervention programmes including the SMME support programme and support to the Black Industrialist Programme

 Indirect through the development and promotion of standards as well as training. The SABS currently manages more than 7 000 SANS.

## Medium-Term Strategic Framework (MTSF)

The diagram below illustrates the role of the SABS in supporting the MTSF objectives. Although the SABS indirectly supports all priorities through the development and promotion of standards, its direct role is mainly in support of priorities 2 and 7.

MTSF priorities	SABS' role	MTSF outcome directly supported	Initiatives in support of MTSF
Priority 1: Capable, Ethical and Developmental State		<ul style="list-style-type: none"> <li>Functional, efficient and integrated government</li> <li>Professional, meritocratic and ethical public administration</li> </ul>	Various organisational improvement initiatives focusing on: <ul style="list-style-type: none"> <li>Reducing financial losses</li> <li>Improving operational efficiencies and employee engagement</li> </ul>
Priority 2: Economic transformation and job creation		Industrialisation, localisation and exports	<ul style="list-style-type: none"> <li>Support the development of sector master plans as part of the standards development process</li> <li>Local content verification</li> <li>Provision of conformity assessment service to enterprises ranging from SMMEs to large enterprises, including government's black industrialist programme</li> <li>As separate SMME unit has been established to elevate the maturity of the management systems of these businesses to enable them to improve the quality of their products or services</li> <li>Develop and promote standards which enables South African enterprises to compete in the global market and gain access to new markets</li> </ul>
Priority 3: Education, Skills and Health			<ul style="list-style-type: none"> <li>Development and promotion of standards</li> <li>System certification services</li> <li>Product certification on regulated products, including health (condoms, radiation, pharmaceutical), local government, construction</li> <li>Consignment inspection on behalf of various departments</li> <li>Ongoing training of staff</li> </ul>
Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services			
Priority 5: Spatial Integration, Human Settlements and Local Government			
Priority 6: Social Cohesion and Safe Communities			
Priority 7: A better Africa and World		Increase intra-Africa trade - implementation of the African Continental Free Trade Agreement (AfCFTA) and other trade agreements	Participate in the standards harmonisation project forums on the African continent
Cross cutting focus areas: women, youth and people with disabilities		Cross cutting: Economic participation of women, youth and people with disabilities	<ul style="list-style-type: none"> <li>Ongoing focus of appointing of women, youth and people with disabilities into the SABS</li> <li>Implementation of a learnership programme</li> </ul>



Direct



Indirect

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## National Industrial Policy

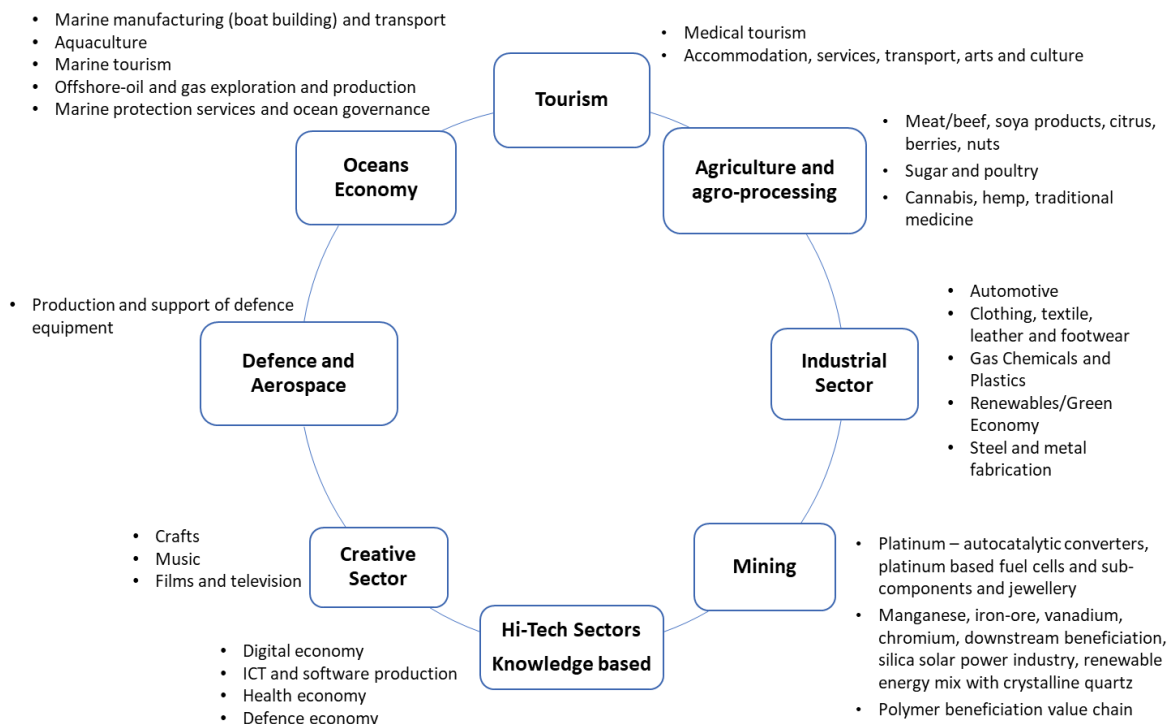
Government's industrial strategy will seek to unlock private investment and secure a collaborative agreement with the private sector and labour to boost economic growth and inclusion. This is an essential part of building investor confidence and the platform for job-creation. The strategy will prioritise the following industrial sectors:

- Clothing, textile, Leather and Footwear
- Automotive sector
- Poultry sector
- Furniture sector
- Sugar diversification
- Steel and metal fabrication
- Gas, chemical and plastics sector
- Tourism sector
- Mining and beneficiation
- Agriculture and agro-processing value chain
- Creative industries

The masterplans will be export-oriented and target labour-intensive sectors. This industrial effort will seek to diversify the economy and facilitate the participation of black people and women in the economy.










The SABS will be expected to support the master plans and industry with relevant standards as well as provide effective and efficient conformity assessment services.




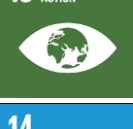

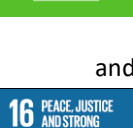


### National Industrial Policy Sectors:



## Sustainable Development Goals

Following on from the Millennium Development Goals (MDGs), the United Nations adopted 17 Sustainable Development Goals (SDGs) to shape a new development agenda up to 2030. The diagram below illustrates examples of standards adopted in South Africa to support the various SDG goals.

SDG outcome	Examples of standard adopted in South Africa
 <p>1 NO POVERTY</p> <p>End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 9001 – Quality management systems</li> <li>• SANS/ISO 14000 family of standards for environmental management</li> <li>• SANS/ISO 37001 - Anti-bribery management systems</li> </ul>
 <p>2 ZERO HUNGER</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 22000 – Food safety management</li> <li>• SANS/ISO 26000 - Social responsibility</li> </ul>
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 13485 – Medical devices</li> <li>• SANS/ISO 11137 series for the sterilisation of healthcare products by radiation</li> </ul>
 <p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 21001 – Educational Organisations – Management Systems for Educational Organisations</li> <li>• SANS/ISO 14000 family of standards for environmental management</li> <li>• SANS/ISO – Quality management systems</li> </ul>
 <p>5 GENDER EQUALITY</p> <p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 26000 - Social responsibility</li> </ul>
 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 14000 family of standards for environmental management</li> <li>• SANS/ISO 5667 – Water quality</li> <li>• SANS/ISO 55001 – Asset management</li> </ul>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 50001 – Energy management systems</li> </ul>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 45001 - Occupational health and safety management systems</li> </ul>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>	<ul style="list-style-type: none"> <li>• SANS/ISO 9001 – Quality management systems</li> <li>• SANS/ISO 10002 – Customer satisfaction</li> <li>• SANS/ISO 14000 family of standards for environmental management</li> <li>• SANS/ISO 55001 – Asset Management Systems</li> <li>• SANS/ISO 19011 -Auditing management systems</li> <li>• SANS/ISO 28000 - Security management systems for the supply chain</li> </ul>

SDG outcome		Examples of standard adopted in South Africa
	Reduce inequality within and among countries	<ul style="list-style-type: none"> <li>SANS/ISO 26000 - Social responsibility</li> <li>SANS/ISO 9001 – Quality management systems</li> </ul>
	Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> <li>SANS/ISO 5667 – Water quality</li> <li>SANS/ISO 55001 – Asset Management Systems</li> <li>SANS 1752 – Strategic Facilities Management Systems</li> <li>SANS/ISO 37001 - Anti-bribery management systems</li> </ul>
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> <li>SANS/ISO 14020 – Environmental labelling</li> <li>SANS/ISO 9001 – Quality management systems</li> <li>SANS/ISO 14000 family of standards for environmental management</li> </ul>
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>SANS/ISO 14000 family of standards for environmental management</li> <li>SANS/ISO 18606 - Packaging and the environment: organic recycling</li> </ul>
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none"> <li>SANS/ISO 9001 – Quality management systems</li> <li>SANS/ISO 26000 - Social responsibility</li> <li>SANS/ISO 14020 – Environmental labelling</li> </ul>
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none"> <li>SANS/ISO 14000 family of standards for environmental management</li> <li>SANS/ISO 5667 – Water quality</li> </ul>
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> <li>SANS/ISO 31000 – Risk management</li> <li>SANS/ISO 45001 - Occupational health and safety management systems</li> <li>SANS/ISO 37001 - Anti-bribery management systems</li> </ul>
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	The SABS recognises the importance of partnerships. SANS are developed with the collaboration and consensus of a wide range of stakeholder including representatives from Government and industry

Source: ISO website (<https://www.iso.org/sdg01.html>)

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## **PART D: MEASURING PERFORMANCE**

## 5. Performance Indicators

### 5.1 Measuring impact and outcomes

Impact statement	Outcome	Outcome indicator	Baseline (FY2021)	Target FY2022
Support domestic and international trade, improve company competitiveness and enhance product performance to keep consumers safe and encourage innovation	Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	Standardisation commitments aligned to <b>the dtic</b> reimagined industrial priority sectors	Not applicable	80% standardisation commitments
		Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	Not measured	4
		Government, SOE, regulatory and related public sector engagements	5	7
	Provide internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy	Customer satisfaction rating	69%	80%
		Number of new products, services, solutions launched	4 courses launched	<ul style="list-style-type: none"> <li>Introduce 2 new online courses</li> <li>2 new certification schemes</li> <li>2 new tests methods</li> </ul>
	Build a capable and efficient SABS: <ul style="list-style-type: none"> <li>Reduce financial losses</li> <li>Improve operational efficiencies</li> <li>Improve employee engagement</li> <li>Increase economic participation of designated groups</li> </ul>	Net profit of SABS Group	R117.3 million loss	Loss below R148.8 million
		Cost-to-income ratio	116%	132%
		Employee engagement survey	Not measured	Minimum rating of 3 out of 5
		Designated groups appointed as % of total headcount	Women: 44.7%	Women: 46.0%
			Youth: 21.4%	Youth: 24.0%
			People with disabilities: 1.6%	People with disabilities: 1.8%

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It should be noted that the activities of the SABS may indirectly contribute to impact or outcomes such as job creation, GDP and/or export growth or safeguarding of natural assets, to name a few. Growth, as an example, is dependent on many various factors working together. SABS would not be able to reliably make claim to its contribution to broad impact indicators.



## 5.2 Annual performance plan for FY2021/22 to 2023/24

Outcome	Indicator	Actual		Estimated performance		MTEF Period	Some key initiatives
		FY2020	FY2020/21	FY2021/22	FY2022/23	FY2023/24	
Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	SANS supporting reimagined industrial priority sectors	Not applicable	80% of Standardisation commitments	80% standardisation commitments	80% standardisation commitments	80% standardisation commitments	<ul style="list-style-type: none"> <li>Publications of SANS aligned to dtic industrial priority sectors</li> <li>Participation in key regional and international standardisation bodies</li> </ul>
	Government, SOE, regulatory and related public sector engagements	5	Not applicable	7	10	12	<ul style="list-style-type: none"> <li>Public sector stakeholder engagement programme</li> </ul>
	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	Not measured	0 reports	4 reports	4 reports	5 reports	<ul style="list-style-type: none"> <li>Quarterly update on interventions supporting initiatives such as Sector Master Plans and the African Continental Free Trade Area</li> </ul>
Provide internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy	Customer satisfaction rate	69.0%	75.8%	80.0%	85.0%	90.0%	<ul style="list-style-type: none"> <li>Integrated customer service model</li> <li>Testing infrastructure upgrade</li> <li>Digitisation programme</li> </ul>
	Number of new products, services, solutions launched	4 courses	<ul style="list-style-type: none"> <li>Not measured</li> </ul>	<ul style="list-style-type: none"> <li>Introduce 2 new online courses</li> </ul>	<ul style="list-style-type: none"> <li>Introduce 3 new online courses</li> </ul>	<ul style="list-style-type: none"> <li>Introduce 4 new online courses</li> </ul>	<ul style="list-style-type: none"> <li>New product/service development</li> <li>Marketing programme</li> </ul>

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Outcome	Indicator	Actual		Estimated performance		MTEF Period	Some key initiatives
		FY2020	FY2020/21	FY2021/22	FY2022/23	FY2023/24	
				<ul style="list-style-type: none"> <li>• 2 new certification schemes</li> <li>• 2 new tests methods</li> </ul>	<ul style="list-style-type: none"> <li>• 2 new certification schemes</li> <li>• 2 new tests methods</li> </ul>	<ul style="list-style-type: none"> <li>• 3 new certification schemes</li> <li>• 2 new tests methods</li> </ul>	

Annual performance scorecard for 2021/22 to 2023/24 (continued)

Outcome	Indicator	Actual	Actual performance (Dec 2020)	MTEF Period			Some key initiatives
		FY2020	FY2020/21	FY2021/22	FY2022/23	FY2023/24	
Build a capable and efficient SABS: <ul style="list-style-type: none"> <li>• Reduce financial losses</li> <li>• Improve operational efficiencies</li> <li>• Improve employee engagement</li> <li>• Increase economic participation of designated groups</li> </ul>	Net profit of SABS Group	Loss of R61.6 million	Loss of R64.4 million	Loss below R121.2 million	Loss below R91.4 million	Loss below R75.5 million	<ul style="list-style-type: none"> <li>• Revenue generation initiatives as detailed above</li> <li>• Prudent cost management</li> <li>• Productivity enhancement programme</li> </ul>
	Cost-to-income ratio of SABS Group	116%	125%	116%	112%	109%	Review of key operational processes Digitisation programme Testing infrastructure upgrade Productivity enhancement programme
	Employee engagement rate	Not yet measured	Not yet measured	Rating of 3 out of 5	Rating of 3 out of 5	Rating of 3 out of 5	<ul style="list-style-type: none"> <li>• Review of key policies and procedures</li> <li>• Review of health, safety and environment practises</li> <li>• Targeted recruitment</li> </ul>
	Economic participation of women, youth and people with disabilities as a % of total headcount <ul style="list-style-type: none"> <li>• % of women supported</li> <li>• % of youth supported</li> <li>• % of people of disabilities supported</li> </ul>	44.7%  21.4%  1.6%	44.7%  20.2%  1.7%	48%  27%  1.9%	50%  30%  2%	50%  30%  2%	<ul style="list-style-type: none"> <li>• Targeted recruitment</li> </ul>

### 5.3 Quarterly breakdown of 2021/22 performance targets

Indicator	Annual target	Quarterly target			
	FY2021/22	Quarter 1	Quarter 2	Quarter 3	Quarter 4
SANS supporting reimagined industrial priority sectors as defined by the dtic	80% standardisation commitments	80% standardisation commitments	80% standardisation commitments	80% standardisation commitments	80% standardisation commitments
SANS supporting public policy procurement/legislative/regulatory instruments	Conduct 7 Government Stakeholder engagements	1	3 (YTD)	5 (YTD)	7 (YTD)
Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	4 reports	1 report (YTD)	2 reports (YTD)	3 reports (YTD)	4 reports (YTD)
Customer satisfaction rate	80%	80%	80%	80%	80%
Number of new products, services, solutions launched	<ul style="list-style-type: none"> <li>Introduce 2 new online courses</li> <li>2 new certification Schemes</li> <li>2 new tests methods</li> </ul>	-	-	-	<ul style="list-style-type: none"> <li>Introduce 2 new online courses</li> <li>2 new certification Schemes</li> <li>2 new tests methods</li> </ul>
Net profit of SABS Group	Loss of R121.2 million	Loss of R121.2 million	Loss of R121.2 million	Loss of R121.2 million	Loss of R121.2 million
Cost-to-income ratio of SABS Group	116%	116%	116%	116%	116%
Employee engagement rate	Rating of 3 out of 5	N/A	N/A	N/A	Rating of 3 out of 5
Economic participation of women, youth and people with disabilities					
• % of women supported	48%	48%	48%	48%	48%
• % of youth supported	27%	27%	27%	27%	27%
• % of people of disabilities supported	1.9%	1.9%	1.9%	1.9%	1.9%

#### 5.4 Joint Indicators with the Executive Authority of the dtic

The following Joint Indicators set out areas of focus that the SABS will report to on a quarterly basis to the Executive Authority. The areas of focus represent key priorities of government that are set out in more detail in the Annual Performance Plan for 2021/22 for **the dtic**.

The SABS will contribute to the achievement of the Joint indicators and the output required is a report (as part of the quarterly report) to the Executive Authority that sets out the actions taken by the SABS highlighting the contribution of the entity to the overall outcomes of **the dtic**.

##### Joint Indicator 1

<b>Outcome:</b>	Increased industrialisation and localisation opportunities implemented	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Four quarterly reports documenting the integrated support to drive industrialisation through master plans in national priority sectors; increased and diversified localisation through government and private sector procurement; and promotion of beneficiation		
<b>Indicator title:</b>	Report on integrated support across <b>the dtic</b> to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation		
<b>Indicator definition</b>	Integrated support across <b>the dtic</b> to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation.		
Annual dtic Targets		Contribution by SABS	Resourcing (MTEF Budget Allocation)
Integrated support to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation		<p>Four quarterly reports on measures enacted by the SABS to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation, which include:</p> <ul style="list-style-type: none"> <li>• Development, publication and promotion of national standards that support the reimagined industrial priority sectors and masterplans</li> <li>• Launch of the SABS local content scheme</li> <li>• Pro-active execution of local content verification to identified sectors inclusive of manufacturing capability assessments</li> <li>• Provision of a compliance regime through Consignment Inspection of goods and the provision of augmented product certification processes for local manufacturers</li> </ul>	This indicator will be resourced within current entity resources

## Joint Indicator 2

<b>Outcome:</b>	Increased export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	A clear plan that indicates the potential opportunities to grow exports in terms of the AfCFTA, with responsibilities assigned to facilitate implementation		
<b>Indicator title:</b>	Completed AfCFTA Export Plan to grow value-added exports to the rest of Africa, setting out the opportunities by product, sector and country		
<b>Indicator definition</b>	AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country		
<b>Annual dtic Target/s</b>	<b>Contribution by SABS</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Completed AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country completed	<p>Four quarterly reports on measures enacted by the SABS to contribute to an AfCFTA export plan to grow value-added exports to the rest of Africa, which include:</p> <ul style="list-style-type: none"> <li>• Active participation of the SABS in ARSO, AFSEC and SADCSTAN technical harmonisation committees to support regional harmonisation of standards for products and services. The initiation of mutual recognition agreements with other conformity assessment bodies on the continent to support South African exporters</li> <li>• Participate in the development of the Made in Africa standard and associated conformity assessment services</li> <li>• Establish bilateral agreements with relevant National Standards Bodies (NSBs) on the continent with the potential to provide Laboratory, Certification, Inspection, Verification and Training Advisory services to support quality assurance of products and services for regional and international markets</li> </ul>	This indicator will be resourced within current entity resources	

### Joint Indicator 3

<b>Outcome:</b>	Strategic investment by enterprises (private and public) to support growth of South African economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Four Quarterly reports showing Investment projects facilitated and investment directed towards key sectors of the economy		
<b>Indicator title:</b>	Report on Investment facilitation and growth: steps taken to support new investment in key sectors		
<b>Indicator definition</b>	Investment facilitation and growth through steps taken to support new investment in key sectors		
<b>Annual dtic Target/s</b>	<b>Contribution by SABS</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Report on investment facilitation and growth: steps taken to support new levels of investment in key sectors that are developed	<p>Four quarterly reports on measures enacted by the SABS to support investment in South Africa</p> <ul style="list-style-type: none"> <li>• Implement prioritised SABS digitisation and infrastructure development strategy</li> <li>• Create awareness and promote the benefits of standardisation to policy makers, regulators and public procurement</li> </ul>	This indicator will be resourced within current entity resources	

#### Joint Indicator 4

<b>Outcome:</b>	Contribute to intergovernmental action in implementation of the District Development Model towards district economic development	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	District integrated report with district development economic maps		
<b>Indicator title:</b>	Report on District Development Model and Spatial equity including incorporating all work within the District Model		
<b>Indicator definition</b>	District Development Model and Spatial equity including incorporating all work within the District Model District Development Model and Spatial equity including incorporating all work within the District Model		
<b>Annual dtic Target/s</b>	<b>Contribution by SABS</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
District Development Model and Spatial equity including incorporating all work within the District Model	<p>Four quarterly reports by the SABS which set out how the work has contributed to the economic development in each of the Districts and Metropolitan Areas of South Africa.</p> <ul style="list-style-type: none"> <li>Advisory and/or Conformity Assessment Services that support the quality of products and services delivered by SEZs, Industrial Parks and Digital hubs</li> </ul>	This indicator will be resourced within the current entity resources	



## Joint Indicator 5

<b>Outcome:</b>	Promoting a growing and inclusive economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Report (Four Quarterly Reports) on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Indicator title:</b>	Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Indicator definition</b>	Actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Annual dtic Target/s</b>	<b>Contribution by SABS</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Actions to promote transformation through both structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	<p>Four quarterly reports on the contributions made by the SABS to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups through the:</p> <ul style="list-style-type: none"> <li>• Development, publication and promotion of national standards that support the reinvigorated industrial priority sectors and masterplans</li> <li>• Establishment and implementation of actions to address gender responsive standards and standards development that seeks to enhance the participation and contribution of women in standardisation</li> <li>• Provision of a compliance regime through conformity assessment services of goods and the provision of augmented product certification processes for local manufacturers (e.g. Black Industrialist Programme and SMME's)</li> </ul>	This indicator will be resourced within the current entity resources	

## Joint Indicator 6

<b>Outcome:</b>	Growing the Green Economy and greening the economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Four quarterly reports on measures enacted by the SABS to support the green economy or the greening of the economy		
<b>Indicator title:</b>	Report on growing the Green Economy and greening the economy through actions to support project facilitation, policy development, investment promotion, new product development or industrial processes		
<b>Indicator definition</b>	Actions to green the economy		
<b>Annual dtic Target/s</b>	<b>Contribution by SABS</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Actions to grow the Green Economy and greening the economy, through measures such as support for project facilitation, policy development investment promotion, new product development or industrial processes	<p>Four quarterly reports on measures enacted by the SABS to support the green economy or the greening of the economy through the:</p> <ul style="list-style-type: none"> <li>• Development, publication and promotion of relevant national standards and identification of potential conformity assessment services in support of the Green Economy</li> <li>• The SABS is collaborating with the National Cleaner Production centre and offers ISO 50001 Energy management systems certification services</li> </ul>	This indicator will be resourced within current entity resources	

## Joint Indicator 7

Outcome:	Functional, efficient and integrated services within <b>the dtic</b> to improve economic development and ease of doing business	Performance period	2021/2022
Output /s:	Four quarterly reports on actions to promote functional, efficient and integrated government and measures to reduce red tape across <b>the dtic</b> and entities.		
Indicator title:	Report on strengthening and building capabilities and agility in <b>the dtic</b> and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business		
Indicator definition	Strengthening and building capabilities and agility in <b>the dtic</b> and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business		
Annual dtic Target/s		Contribution by SABS	Resourcing (MTEF Budget Allocation)
Review of unnecessary red tape and compliance reporting requirements in <b>the dtic</b> entities and programmes; monitoring implementation times of <b>the dtic</b> services		Four quarterly reports on measures enacted by the SABS to improve the ease of clients using its services, including forms and procedures reviewed for simplicity and necessity; and steps to address concerns relating to the quality of services rendered by SABS.  The SABS will: <ul style="list-style-type: none"><li>• Implement prioritised digitisation and infrastructure development strategy</li><li>• Develop, publish and promote relevant national standards that support the strengthening of the state, identify potential conformity assessment and advisory services for the public sector i.e. SANS/ISO 37001 – Anti Bribery Management Systems</li><li>• Implement operational efficiency plans to improve the delivery of services to clients</li><li>• Participation and contribution in the review of all <b>the dtic</b> legislation relating to technical infrastructure institutions</li></ul>	This indicator will be resourced within the current entity resources

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## **PART E: SABS DIVISIONS**

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## **6. OPERATING DIVISIONS**

### **6.1 Standards**

Developing, maintaining, promoting and dissemination of South African National Standards (SANS) and other publications is the primary function of the Standards division of the SABS. Standards provide solutions, knowledge and information that support national industrial objectives, socio-economic and environmental priorities, contributing to sustainable growth, thereby improving the lives of South African citizens. Standards further catalyse economic activity by providing technical tools to support local industries access domestic, regional and global markets.

Product and services:

- Develop and maintain relevant SANS, South African Technical Specifications (SATS), South African Technical Reports (SATR) and other relevant publications through international best practice principles, processes and systems
- Effective participation through membership and agreements of international, regional and multi-lateral standardisation forums including ISO, IEC, ARSO, AFSEC, BRICS, and PASC Government and other relevant stakeholder engagement programmes
- Promotion, Marketing and access of SANS and other publications through various platform as and distribution channels
- The SABS is the designated authority to the World Trade Organisation's "Technical Barriers-to-Trade" (WTO/TBT) enquiry point in South Africa

## Key Industry Economic Features

Economic Features	Score	Industry Characteristics	Implication for the SABS
Number of Competitors in South Africa	High	The SABS is the only body legislated to publish South African National Standards	The promotion and marketing of SANS provides access to technical solutions to industry and government in support socio-economic priorities.
Industry Life Cycle	Medium	Standards are live documents and undergo a 5 yearly review process	Ensure that SANS remains relevant and meet market and stakeholder requirements
Competitive Rivalry	Low	Ensure that SANS remains relevant and meet market and stakeholder requirements	Establish efficient processes and systems to engage stakeholders and timely publication of national standards
Opportunities for Partnerships	High	The SABS has concluded several bi-lateral royalty agreements for non-SANS	Generate new distribution channels for access to publications
Oversupply or Undersupply	Medium	Efficient access to SANS and related publications	Access to standards through digital and e-commerce platforms
Entry/Exit Barrier	Low	Limited barrier to entry as all SANS are developed by stakeholders that require the technical publications	Effective marketing and promotions of SANS
Product Standardisation	High	Major global standards development emanates from ISO and IEC of which the SABS is a member	Sustained participation in regional and International standards development forums

## Growth Plans for Next 3 Years

### Development of standards

- Support Government Industrial Strategy through the development of SANS and related publications linked to the industrial sector Master Plans under development by **the dtic**
- Robust participation in international and regional standardisation forums that seeks to influence governance portfolios and technical programmes
- Support the implementation of the AfCFTA through focussed participation in ARSO and AFSEC harmonization technical committees
- Improved productivity and efficiency of the standards development process and systems
- Acquisition of requisite skills and resources in the Standards Division to deliver relevant standardisation outcomes and deliverables
- Improve gender representation in technical committees and gender-based standards underpinned as signatories of the UNECE declaration on Gender responsiveness standards and standards development. Improve the standardisation skills and capabilities of technical committee members that will enable the effective delivery of standardisation solutions
- Monitor and evaluate of committee performance and implementation of appropriate continuous improvement interventions
- Review of ICT tools and digital platforms that will support investment in appropriate standardisation infrastructure

### Stakeholder Engagement Programmes

- Engage policymakers and regulators on the benefits of uptake and implementation of standards to support policy and regulatory objectives
- Engage educational institutions on possible collaboration of Education about Standardisation opportunities and the benefits

### Promotion, Marketing and access of SANS and other publications through various platforms and distribution channels

- Review and improve systems, procedures and subscriptions models to improve access to standards
- Implement best practice ICT tools/digital platforms (e-commerce) to enhance the access of standards and related publications Focus on broader promotion and marketing drive to increase the uptake and implementation of standards

### World Trade Organisation (WTO)

- Expand the WTO notification point to an information centre to further improve support to industry and regulators

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## 6.2 Certification

The SABS Certification, a division of the SABS, provides independent third-party certification services, assuring that products, systems and services comply with pre-defined standards and customer specifications. The division provides its services across all 39 European Accreditation Codes (EA Codes) whilst the SABS Mark Scheme has a presence in 33 countries.

Operating in an environment dominated by large multinational certification bodies, the Certification division will continue to focus its efforts on enhancing customer value, underpinned by several strategic initiatives. Core to this strategy is aligning the division with **dtic's** industrialisation agenda and unlocking the opportunities of operational excellence through optimisation of processes and digital transformation of the business which will continue into the new financial year.

Procurement of locally manufactured products is one of the key demand side industrial policy levers identified by Government to support industrial development in South Africa. The objective is for local manufacturers, including black-owned companies and black industrialists to benefit from a substantial share of public sector procurement.

SABS has built the requisite capacity to conduct local content verification (LCV) to support the developmental agenda of the country, this is for both public and private sector. Further pilot work is being undertaken as an initiative driven by **the dtic** to develop an item identification and standards tool to secure higher value addition in public and private sector procurement and supplier development.

Products and services include:

- Certification including quality management system and product certification (Mark Scheme)
- Local content verification in terms of the implementation guidelines of the recently published Mining Charter as well as fulfil the verification requirements of designated products and sectors for local procurement in line with the amended regulations to the Preferential Procurement Policy Framework Act (PPPFA)
- Inspections including Consignment inspection services



## Key Industry Economic Features

Economic Features	Rating	Industry Characteristics	Implication for the Sabs
Number of Competitors in South Africa	High	More than 70 Certification Bodies across sectors	The impact of competition is severe, and the SABS needs a robust defensive strategy
Industry Life Cycle	Medium	The certification of management and product systems follows a three-year cycle; however, customers can change service providers in the middle of the product life cycle	<ul style="list-style-type: none"> <li>The SABS should develop a defensive posture with regards to its switching service providers</li> <li>An active campaign must be developed to market to new clients</li> </ul>
Competitive Rivalry	High	Recently the SABS has experience strong rivalry from industry organisations that have begun to roll out alternative mark schemes	The SABS should develop a defensive posture with regards to service offerings
Opportunities for Partnerships	Medium	Partnership opportunities exist for management schemes, where the SABS works in tandem with other partners. They would conduct the consulting portion of the certification and the SABS would conduct the certification	<ul style="list-style-type: none"> <li>The Bureau needs to determine where it has under-utilisation of auditors and earmark them for the partnership</li> <li>The internal approval system needs to be streamlined and must be dynamic</li> </ul>
Oversupply or Undersupply	Medium	There is oversupply of management schemes in the country, predominately ISO 9001	The SABS should develop new schemes to remain relevant, while continues to maintain its current market
Entry/Exit Barrier	Medium	Entry barriers for global CBs is low and market access is relatively easy	Develop customer account plans that facilitate cross-sell opportunities
Product Standardisation	High	Both the management system and product mark scheme products are highly standardised	Ensure periodic reviews for relevance

**Key Code: Low, Medium and High**

## Product Market Opportunity

MARKET PENETRATION	PRODUCT DEVELOPMENT
CURRENT PRODUCT –CURRENT MARKET	NEW PRODUCT – CURRENT MARKET
<p><b>ISO 9001:</b></p> <p>ISO 9001 is the standard that does have the greatest number of companies certified of all the current management systems published by ISO.</p> <p>More than 800 000 companies are certified worldwide which is followed by ISO 14001 with just more than 300 000.</p> <p>ISO 9001 is a management system that is still relevant.</p>	<p><b>Inspection Services:</b> New opportunities have emerged in Personal Protection Equipment (PPE) and Hand sanitisers, this supports both products distributed in the country and the ones destined for export</p> <p>Furthermore, there is a need to cultivate more opportunities in other sectors and forge collaboration with the Regulators</p>
<p><b>.ISO 18001:</b></p> <p>OHSAS 18001:2007 is being phased out and will not be relevant by the end of September 2021.</p> <p>All current companies which are OHSAS 18001 certified are in the process to migrate ISO 45001:2018</p>	<p><b>Local Content Verification</b></p> <p>Establishment of a pro-active Local Content scheme that is not tender based. Local Content Verification under PPPFA regulations appears to be less effective since predominantly most verifications take place post tender award, as a result the impact it seeks to achieve is compromised. The model for VLC Scheme can be adopted for designated sector products that are produced and kept on the shelves</p> <p>The Department of Mineral Resources issued Mining Charter III in September 2018 which amongst other pronouncements, makes provision for Mining Companies to spend at least 70% of their procurement spend on South African Manufactured goods</p>

MARKET DEVELOPMENT	DIVERSIFICATION-
CURRENT PRODUCT –NEW MARKET	NEW PRODUCT – NEW MARKET
<p><b>ISO 14001:</b></p> <p>ISO 14001 is the international standard that specifies requirements for an effective environmental management system (EMS). It provides a framework that an organization can follow, rather than establishing environmental performance requirements.</p> <p>ISO 14001 is the standard that has the second most certified companies of just more than 300 000 worldwide.</p> <p>To grow ISO 14001 within SABS, a proposal must be developed for the industry which will include ISO 14064 - Reporting of greenhouse gas.</p>	<p><b>ISO 22301:</b></p> <p>There were a few information technology standards published by ISO and there is a degree of overlapping within these standards regarding certain requirements.</p> <p>ISO 27001 - Information security management</p> <p>ISO 20 000 - Information technology — Service management</p> <p>ISO 22301 - Business Continuity Management System</p> <p>To gain market access the SABS must develop a proposal which includes all three mentioned standards and not to promote this standard in isolation.</p>
<p><b>ISO 45001:</b></p> <p>This standard was the top selling SANS from the Standard Sales area due to the migration of OHSAS 18001 to ISO 45001</p> <p>All organisations that are certified to OHSAS 18001:2007, will have to migrate to ISO 45001:2018 by September 2021. The deadline was initially set by the International Accreditation Forum (IAF) for March 2021 and has been extended to September 2021 as a result of the delays experienced worldwide due to Covid-19.</p>	<p><b>ISO 27001:</b></p> <p>The total number of certificate issued in Africa has risen from 129 in 2017 to over 300 in 2018. The bulk of these certificates were issued in Nigeria and Morocco. Prior to the onset of the Covid-19 pandemic cyber-attacks and cyber ransom were on the rise.</p> <p>In the post-lockdown period business will need to address the twin threats of attack and safety of the information management systems. This will develop into a new market in South Africa.</p>
<p><b>ISO 50001:</b></p> <p>Global uptake of ISO 50001 over the first 12 months exceeded that of ISO 14001 in its initial 12-month period.</p> <p>Companies benefit from cost savings while making a significant contribution to environmental and climate protection by the permanent reduction of CO2 emissions.</p> <p>In South Africa the certification to ISO 50001 is slow, less than 30 companies are currently certified to ISO 50001.</p>	

**Key Code:**

*Current Market is the least significant value*

*New Market is the most significant value*

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## Growth Plans for Next 3 Years

### Third Party Management Systems

- Focus on third party management systems certification which is increasingly becoming a critical tool for market access globally.

#### Key initiatives planned include:

- introducing new industry focused certification schemes
- localisation of technical certification schemes aimed at supporting designated sectors
- roll out of local content verification in support of Mining Charter obligations as well as roll out of a proactive voluntary local content grading system.
- Rollout of the Siyakhula Scheme, a scheme to support SMMEs to improve their management systems to achieve certification.
- Implement various operational excellence initiatives to improve customer engagement and turnaround times.

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### **6.3 Laboratory services**

The SABS' laboratory (or testing) activities provide an extensive array of testing, calibration, inspection and evaluation capabilities across a diverse range of technologies. The SABS testing capability is the most extensive and comprehensive service of its kind in Southern Africa.

Priority is given to the accreditation of test laboratories. The most widely implemented accreditation is by SANAS in terms of SABS/ISO/IEC 17025 (General requirements for the competence of testing and calibration laboratories). Where relevant, activities are also recognised for good laboratory practice (OECDGLP) compliance.

In many cases, specific activities are approved testing and/or inspection authorities for the Department of Labour, Department of Health, South African Pharmaceutical and Health Authority as well as the National Nuclear Regulator.

Operations are split across five business clusters: electrotechnical, automotive and mechanical, mining and minerals, food and health, as well as chemicals and materials. Primary products and services include:

- Sampling, testing and analysis
- Environmental monitoring
- Proficiency testing
- Reference materials

The SABS' laboratory services have in recent years been challenged by aging infrastructure and equipment, process and productivity challenges as well as difficult trading conditions. Furthermore, ever increasing competition in the commercial testing space and difficulties associated with skills retention have left many laboratories at a point of marginal capability to operate, eventually rendering several operating at a loss. Backlogs have also had a negative impact on certification.

The financial sustainability of all Laboratory Services business units will be impacted negatively by Covid-19 pandemic. Slow economic activities in various sectors and industries will result in low sample volumes submitted to SABS for testing.

## Key Industry Economic Features

Economic Features	Score	Industry Characteristics	Implication for The Sabs
Number of Competitors in South Africa	High	Several small, medium and large testing laboratories in all five sectors in which LSD operates	<ul style="list-style-type: none"> <li>Collaborate with small and medium laboratories where gaps in testing capabilities exists</li> <li>Improve operational efficiency within LSD to enhance customer satisfaction and reduce testing turnaround times</li> </ul>
Industry Life Cycle	Medium	Life cycle changes in line with technology and product developments. Testing of products is once off and in the case of Mark scheme clients, repeat testing is possible as part of permits renewal	<ul style="list-style-type: none"> <li>Establish a research and development unit to participate in TC's and development solutions based on the needs of industry</li> <li>Invest in state-of-the-art testing equipment aligned with industry needs to improve revenue generation opportunities</li> </ul>
Competitive Rivalry	Medium	Competitive rivalry is fierce more so from well-established competitors such as SGS, Intertek, Bureau Veritas and other small to medium laboratories	<ul style="list-style-type: none"> <li>Identify key growth sectors</li> <li>Develop compelling value proposition for potential clients</li> <li>Invest on required resources (including systems and processes) to improve operational efficiency and service delivery to clients</li> </ul>
Opportunities for Partnerships	High	Possible partnership opportunities exist in testing of energy efficiency products, litmus batteries, cement and medium to high voltage cables	<ul style="list-style-type: none"> <li>Develop and implement a strategic framework for partnerships and collaboration with private and public institutions to enhance testing capabilities and capacity</li> <li>Collaborate with suitable partners in key areas of interest</li> </ul>
Oversupply or Undersupply	Medium	Oversupply of laboratories testing food & water and undersupply of testing of energy efficiency products and transformers	<ul style="list-style-type: none"> <li>Invest in infrastructure for testing of smart products</li> <li>Consider co-sharing models for underutilised laboratories with testing capabilities</li> </ul>
Entry/Exit Barrier	Medium	Barriers of entry are low in the mining and minerals sectors (coal testing) and water testing	<ul style="list-style-type: none"> <li>Revise business model for mining and minerals e.g. own resources vs project-based sourcing (leasing)</li> <li>Co-sharing model for laboratories with capabilities and capacity, but underutilised</li> </ul>

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Economic Features	Score	Industry Characteristics	Implication for The Sabs
Product Standardisation	Low	Each sector serviced is unique in terms of requirements and standardisation can be a challenge, however, within sectors, possibilities exists for standardisation	<ul style="list-style-type: none"><li>• Rationalise laboratories with synergies/related service offerings to improve resource optimisation and cross selling opportunities</li></ul>

Key Code: Low, Medium and High

## Product Market Opportunity

MARKET PENETRATION	PRODUCT DEVELOPMENT
CURRENT PRODUCT –CURRENT MARKET	NEW PRODUCT – CURRENT MARKET
<b>Condoms</b> Target – Condom manufacturers in FY2021/2022 and beyond	<b>Transformers and Switchgear</b>
<b>Radiation Protection Service (RPS)</b> Target – Hospitals and other health institutions FY2021/2022 and beyond	<b>Higher rating/capacity pumps</b>
<b>Certification: Number plates, firefighting, electric cables, detergents food industry, EPT, Cement</b> Target – All Mark Scheme clients in FY2021/2022 and beyond,	<b>Local Content and Consignment Inspection – testing for compliance</b> Target – Local PPE manufacturers and suppliers in FY2021/2022 and beyond
MARKET DEVELOPMENT	DIVERSIFICATION
CURRENT PRODUCT –NEW MARKET	NEW PRODUCT – NEW MARKET
<b>Petrography</b> Target – Coal Mining and PGM companies in FY2021/2022 and beyond,	<b>Lead in paint</b>
<b>Food safety (processed meat (NRCS), imported meat (DAFF)</b>	<b>Lightning protection</b>
<b>XRF (X-ray fluorescence)</b> Target – Expand services for PGM and other minerals in FY2020/2021 and beyond,	<b>Energy efficiency</b>
<b>Proficiency testing schemes, e.g. plumbing</b> Target – Plumbing products manufacturers in 2022/2022 and beyond	<b>Personal protective equipment (ventilators, masks, medical PPE)</b> Target – All Mark Scheme and testing clients, manufacturers and retailers in 2022/2021
<b>Hand sanitizers</b> Target – All Mark Scheme and other testing clients in manufacturers and retailers in FY2021/2022 and beyond	<b>Consulting Services</b>

### Key Code:

Current Market is the least significant value

New Market is the most significant value



## Growth Plans for Next 3 Years

### Investment

- Ongoing investment in new equipment and the maintenance of laboratory infrastructure.
- Investment in infrastructure and equipment will be guided by the ability to generate an acceptable market return. In areas identified as part of Government's priority sectors where an acceptable return cannot be achieved, the funding model will be agreed with the Shareholder.

### Industry Focus

- Key focus areas will include sectors identified as part of Government's industrialisation efforts, including but not limited to:
  - electrotechnical (including energy efficiency, electromagnetic compatibility and switchgears & transformers),
  - chemicals and materials (including cosmetics and other essential oils) ,
  - food and health (agro processing)
  - mining and minerals (petrography),
  - automotive and mechanical (mostly civil testing, pump testing and refrigeration trucks).
- Focus on new business development opportunities as well as converting sales and marketing efforts
- In conjunction with other SABS divisions, develop and implement an integrated mineral and petroleum resource industry conformity assessment services support plan.
- Development of tacit testing knowledge through the upskilling of existing test officers or the appointment of people with the required skills to enable the division to adapt to changes in testing methodologies.
- Focus on continuous improvement in key systems and processes such as sample management to improve asset utilisation and workflow to reduce bottlenecks, extract operational and cost efficiencies as well as improve customer engagement.

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## **6.4 Training Academy**

The SABS Training Academy seeks to enhance the skills of industry and government professionals to understand and implement SANS. Training is facilitated through the traditional classroom training model and is presented at training facilities in Gauteng, KwaZulu-Natal and Western Cape.

The Academy currently offers a diverse portfolio of training courses, focusing mainly on management system standards which includes:

- ISO 9001: Quality Management System (QMS),
- ISO 14001: Environmental Management System (EMS),
- ISO 45001: Occupational Health and Safety Management (OHS),
- ISO 22001: Food Safety Management System standards and
- FSSC-accredited courses, amongst others.

## Product Market Opportunity

<b>MARKET PENETRATION</b>		<b>PRODUCT DEVELOPMENT</b>	
<b>CURRENT PRODUCT –CURRENT MARKET</b>		<b>NEW PRODUCT – CURRENT MARKET</b>	
<b>Traditional Management System Training</b> QMS, EMS, OHS, Food Safety, Road Traffic Management, Local Content Verification, Conformity Assessment & Laboratory Management Offered Electronically to Existing Markets (private and public sector)		<b>New Courseware Development</b> Aligned to revision and adoption of new standards (e.g. SANS 10330 / SANS 50 001, SANS 13485, SANS 55001, SANS 30500, SANS 10400, SANS 21001, SANS 1812, SANS 37001, SANS 27002 & SANS 20022 ) With priorities aligned to market intelligence received from CM's in Certification and Sales Division	
<b>Management System Implementation</b> Traditional Management System implementation services offered electronically to Funding Agents & Private Clients		<b>Implement systems and offer tools</b> Solutions for transitioning of clients to newly revised Adopted Standards as Above	
<b>MARKET DEVELOPMENT</b>		<b>DIVERSIFICATION</b>	
<b>CURRENT PRODUCT –NEW MARKET</b>		<b>NEW PRODUCT – NEW MARKET</b>	
Launch of standardisation requirements to new funding agents (Signature Support & UNPFA )		<b>Legal Compliance Training</b> Introduction of legal compliance training on EMS and OHS for the mining sector	
		<b>New Courseware</b> Introduction of new courseware – SANS 27001; SANS 37001; SANS 1812; SANS 10400; SANS 55001 ; SANS 30500 ; SANS 21001 ; SANS 20022 & SANS 13485 into manufacturing, finance, information technology, public and education sectors	
		<b>Performance Tools</b> Introduction of solution-based business performance tools for Start Ups and conglomerates	

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### Growth Plans for Next 3 Years

- Promote and market training services to industry
- Investment in technology tools to improve engagement with trainees and enhance operational efficiencies
- Implement various sales and marketing strategies, tailored value propositions that meet the unique needs of industries and clients
- The African region offers a significant market for the development of standardisation and technical skills of its people
- Continue to develop partnerships with Government entities in support of the need to develop management and technical skills of public sector employees
- Further develop and strengthen partnerships with tertiary institutions to secure NQF accreditation for training

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## 7. SUPPORT SERVICES

The support services of SABS play an important support and governance role. Reflecting briefly some of the key functions:

### 7.1 Human capital

The strategic plan for SABS gives recognition to the role and value of employees in successfully delivering on its institutional mandate. The emphasis is placed on ensuring that the SABS is able to attract dedicated and competent professional employees, develop the existing employees and free their potential, retain employees whose competencies are critical to the institution and create an environment that enables excellent performance. Consequently, the SABS Human Capital strategy, which the Human Capital division leads, is anchored on the following elements:

- **Talent acquisition**, including recruitment, on-boarding and graduate placement
- **Learning and development**, including competency assessments as well as leadership and skills development
- **Performance management**, including contracting, tracking, evaluation and enhancement
- **Compensation and benefits**, including terms and conditions, collective agreements, incentives and salary structures

### 7.2 Information and communication technology

A SABS digitisation plan will be implemented within the available budget to respond to business and to integrate the SABS business units. Subject to budget availability, the following initiatives will be completed over the corporate plan reporting period:

- Put in place a new certification system
- Further develop the laboratory management and financial management systems
- Update SABS Sales and CRM platforms and a digitally enabled e-commerce platform
- SABS e-Learning platform (capable of sales of online training material and courses)
- A facilities management system
- A SABS Enterprise customer portal
- A SABS Enterprise Mobile Platform (SABS Mobile Apps)
- Enhanced Finance and Resource Planning
- Upgrading the SABS datacentres to support current business requirements and enable future requirements

### 7.3 Finance

A key strategic objective of the Finance division is to ensure the financial sustainability of SABs and to ensure governance and compliance in all aspects.

#### Growth Plans for Next 3 Years

- Ensuring continuous centralisation, enhancement and strengthening of finance process to move towards a clean audit;
- Updating the current accounting system to create efficiencies through automation across the finance division (accounts payable, billing; credit management and management reporting);
- Ongoing review and implementation of new International Financial Reporting Standards (IFRS) accounting statements;
- Finding innovative solutions to improve operational efficiencies in current processes (redesign of current processes);
- Management of the working capital cycle of SABs and subsequent improvement of the cash flow position; and
- Strengthening the monitoring and compliance of the group-wide cost containment programme

### *Procurement*

The focus of Procurement is to secure efficiency in the context of maintaining good governance particularly within contracts and cost management and on maintaining compliance with the Public Finance Management Act (PFMA), 2016 (Act 921 of 2016), other supply chain management regulations such as the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act 5 of 2000) and the Treasury Regulations.

Significant positive outcomes have been secured over the last year with respect to compliance, productivity and outcomes in this business unit. These achievements create the basis for further positive outcomes.

#### Growth Plans for Next 3 Years

- Reducing irregular expenditure incurred throughout the organisation;
- Ensuring efficiency and compliance by strengthening the internal control environment firstly through training staff on updated procurement policies and procedures, standardising of all procurement templates, enhancing quality reviews, stringent timeous demand planning and continuous auditing;

### **Growth Plans for Next 3 Years**

- Enhancing operational efficiencies to enable business aided by the ICT systems that will focus on automating key processes to allow for quick turnaround, transparency and minimisation of human error - this will include implementing e-sourcing, a supplier performance management system and service rating tools with procurement stakeholders; and
- Continuous engagement with key stakeholders to create a cutting-edge procurement function.

### ***Facilities***

The focus of the facilities function is to ensure the effective and efficient running of the SABS and all its campuses.

### **Growth Plans for Next 3 Years**

- Ensure that all critical infrastructure is maintained to support revenue generation;
- Maintain the SABS premises to quality standards; and
- Develop an appropriate short- and longer-term property development strategy, which will also include the sale of surplus property, aimed at maximising the value of SABS properties and securing additional revenue.

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## **PART F: ACHIEVING FINANCIAL SUSTAINABILITY**



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## 8. FINANCIAL PLANS

The financial plan considers the economic environment and its impact on the organisation, the turnaround strategy and the impact as well as benefits of the proposed investment in digitisation and upgrading of the SABS facilities and laboratories.

The financial projections for the group over the next three years, as presented below, are premised on the following assumptions:

- The challenging economic conditions exacerbated by the impact of COVID 19, impacting revenue generation.
- The SABS applied a general inflation rate of 5% in the preparation of the Corporate Plan except where specific adjustments or a budget for non-recurring expenses was done.
- Overall, administration and operating expenditure is budgeted to increase by 5.9%.
- Over the MTEF, the grant allocations to the SABS are R267.1 million, R273.1 million and R276.0 million for FY2021/22, FY2022/23 and FY2023/24 financial years respectively (ex VAT).
- Additional allocations of R30 million over MTEF (R10 million per financial year (ex VAT)) in favour of the SABS has been factored for sector local content verification.

The Group is projected to record a net loss of R121.2 million in FY2021/22, R91.4 million in FY2022/23 and R75.5 million in FY2023/24. The net loss position is mainly due to the following:

- The subdued economic environment which results in additional pressure in revenue generation. The negative average growth rate of 4.7% over the past five years due to several unfavourable operating factors has also contributed to the slow turnaround.
- An increase of 31% in employee benefits from R422.6 million in 2014 to R553.3 in 2020 as a result of the bargaining unit wage agreement signed in 2013 and 2016 has distorted the base of the salaries of the SABS Group. The SABS is currently unable to generate enough revenue to cover this cost and this has resulted in the organisation utilising its cash reserves.

**the dtic** has invested funds in the SABS Group to help support the turnaround strategy by providing investment in infrastructure and digitisation and this will assist in achieving financial sustainability in the long term.

The Group's capital requirements far exceed the current funding available and as such the SABS is embarking on a property development strategy which will also see the sale of surplus property in the near future.

The property development strategy and the sale of these properties will alleviate some of the cash challenges the SABS Group is experiencing and will enable further investment in revenue generating opportunities.

The financial projections for the SABS Commercial SOC (SABS' conformity assessment services) are presented in Annexure A to this Corporate Plan.

## 8.1 Statement of group financial performance

	Actual R'000 2017/18	Actual R'000 2018/19	Actual R'000 2019/20	YTD R'000 Dec-20	Budget R'000 2021/22	%	Budget R'000 2022/23	Budget R'000 2023/24
<b>Revenue</b>	<b>516 361</b>	<b>506 508</b>	<b>444 813</b>	<b>283 593</b>	<b>466 845</b>	<b>14%</b>	<b>514 431</b>	<b>565 948</b>
Laboratory Services	176 598	156 162	128 117	72 322	135 408	13%	148 949	163 844
SMME	4 329	1 356	248	267	2 991	998%	3 201	3 425
Certificate of compliance	-	14 827	12 807	5 086	13 550	15%	14 498	15 513
Training	12 459	10 228	12 115	3 125	15 474	22%	18 569	22 283
Product and system certification	288 108	291 002	259 101	182 329	261 341	11%	287 475	316 222
New Business - Consulting	-	-	-	-	5 000	0%	5 350	5 725
Design Institute services	7 338	1 772	761	217	-	0%	-	-
Sale of publications	27 529	31 161	31 665	20 247	33 081	9%	36 389	38 937
<b>Other Income</b>	<b>39 043</b>	<b>34 532</b>	<b>30 503</b>	<b>43 759</b>	<b>28 064</b>	<b>-19%</b>	<b>29 742</b>	<b>31 523</b>
<b>Government Grant</b>	<b>243 153</b>	<b>252 390</b>	<b>270 622</b>	<b>161 564</b>	<b>283 064</b>	<b>14%</b>	<b>283 099</b>	<b>285 953</b>
Core funding	243 153	232 477	245 559	159 504	267 064	24%	273 099	275 953
Other income	-	19 913	20 285	2 060	10 000	-48%	10 000	10 000
Government grants in respect of operating expenditure	-	-	4 777	-	6 000	-57%	-	-
<b>Total income</b>	<b>798 557</b>	<b>793 431</b>	<b>745 937</b>	<b>488 916</b>	<b>777 973</b>	<b>8%</b>	<b>827 272</b>	<b>883 423</b>
<b>Administrative and operating expenses</b>	<b>(759 208)</b>	<b>(780 905)</b>	<b>(782 781)</b>	<b>(524 287)</b>	<b>(822 370)</b>	<b>5.9%</b>	<b>(838 011)</b>	<b>(874 261)</b>
Employee benefits	(529 995)	(553 818)	(553 250)	(389 424)	(562 454)	4%	(565 099)	(587 703)
Contract Services	(62 231)	(59 725)	(61 040)	(47 137)	(70 883)	0%	(74 427)	(78 148)
Contract services	(60 498)	(55 055)	(61 250)	(45 868)	(70 883)	1%	(74 427)	(78 148)
Design Institute services cost	(1 733)	(4 671)	209	(1 269)	-	-100%	-	-
Premises costs	(4 231)	(3 181)	(3)	(586)	(3 837)	5%	(4 028)	(4 230)
Marketing & Communication	(3 613)	(2 758)	(11 056)	(1 268)	(5 004)	12%	(5 254)	(5 517)
Consulting & Technical Fees	(11 453)	(16 589)	(14 273)	(5 095)	(14 986)	5%	(15 735)	(16 522)
Consumables	(14 232)	(12 817)	(13 429)	(5 969)	(16 935)	20%	(17 782)	(18 671)
Travel foreign	(15 131)	(14 088)	(13 585)	(119)	(15 191)	99%	(15 951)	(16 749)
Travel local	(19 177)	(20 597)	(18 704)	(4 856)	(19 094)	29%	(20 049)	(21 052)
Municipal services	(50 036)	(49 031)	(47 621)	(44 124)	(55 322)	6%	(58 088)	(60 992)
Other operating expenses	(49 109)	(48 300)	(49 820)	(25 709)	(58 664)	7%	(61 598)	(64 678)
<b>Profit/(loss) from operations</b>	<b>39 349</b>	<b>12 526</b>	<b>(36 844)</b>	<b>(35 371)</b>	<b>(44 397)</b>	<b>-46%</b>	<b>(10 740)</b>	<b>9 162</b>
Depreciation	(42 630)	(43 871)	(52 156)	(37 486)	(60 585)	9%	(63 614)	(66 795)
Government grants in respect of assets	8 925	8 715	7 697	6 152	9 533	4%	10 010	10 510
<b>Profit/(loss) before other income/expenses, interest and tax</b>	<b>5 644</b>	<b>(22 629)</b>	<b>(81 302)</b>	<b>(66 705)</b>	<b>(95 448)</b>	<b>-26%</b>	<b>(64 344)</b>	<b>(47 122)</b>
<b>Other income</b>	<b>8 024</b>	<b>5 939</b>	<b>7 469</b>	<b>(1 791)</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>
<b>Other non-operating expenses</b>	<b>(90 946)</b>	<b>(14 593)</b>	<b>(36 372)</b>	<b>(16 033)</b>	<b>(26 269)</b>	<b>23%</b>	<b>(27 583)</b>	<b>(28 962)</b>
<b>Profit/ (loss) before interest, corporate charges and tax</b>	<b>(77 277)</b>	<b>(31 284)</b>	<b>(110 205)</b>	<b>(84 529)</b>	<b>(121 718)</b>	<b>-19%</b>	<b>(91 927)</b>	<b>(76 084)</b>
Finance income/ (costs)	29 109	30 073	48 630	20 167	546	-97%	573	602
<b>Profit/ (loss) before corporate charges and tax</b>	<b>(48 168)</b>	<b>(1 211)</b>	<b>(61 576)</b>	<b>(64 362)</b>	<b>(121 172)</b>	<b>-8%</b>	<b>(91 353)</b>	<b>(75 482)</b>

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## **Revenue**

Commercial revenue of R466.8 million in the first year of the planning period is projected to have an overall increase of 14% from the FY2020/21. Revenue is expected to return to pre-Covid levels. The growth in revenue is expected to reach R565.9 million in FY2023/24 financial year.

The growth assumptions consider the current economic conditions, competitive landscape as well as the anticipated impact of new initiatives to grow the conformity assessment business. Commercial revenue consists of Certification, Laboratory Services, Standard Sales, Certificate of Compliance, Training and SMME and new business in the form of consulting.

Certification revenue is the largest contributor to revenue at 56% followed by Laboratory services at 29%.

The revenue growth of R28.4 million from R135.4 million in FY2021/22 to R163.8 million in FY2023/24 of Laboratory services revenue will be driven by the replacement and improvement in testing Infrastructure.

Sale of publications is expected to increase by 9% from FY2020/21 to R33.1 million in FY2021/22, revenue is projected at R36.4 million for the financial year FY2022/23, growing to R38.9 million in FY2023/24.

The Training Academy projected revenue is R15.5 million in FY2021/22 growing to R22.3 million in FY2023/24.

SMME is projecting revenue of R3.0 million in FY2021/22 growing to R3.4 million in FY2023/24.

## **Other income**

Rental income, sundry income and realised gains from investments are included as part of other income. The rental income generated from the optimisation of SABs property will be partly allocated to fund infrastructure.

## **Government grant**

The MTEF government grant funding allocation in FY2021/22 is anticipated at R267.1 million. The grant funding allocation will have a minor increase to R273.1 million and R276.0 million in FY2022/23 and FY2023/24 respectively.

## **Expenditure**

Administrative and operating expenses are expected to grow from R822.4 million to R874.3 million over the three-year planning period from FY2021/22 to FY2023/24. The growth in these expenses is driven mainly by employee benefit costs which constitute 68% of the budgeted administrative and operating expenses.

Employee benefit expenses will increase from R562.5 million in FY2021/20 to R587.7 million in FY2023/24 due to filling of critical positions as well as the upward cost of living

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adjustments. The increase in employee benefits is due to the filling of critical positions and is expected to be partly offset by stringent recruitment practices in terms of resignations and retirements and a possible review of the organisation structure.

Contract services are expected to remain at the FY2020/21 budgeted level while consulting costs are expected to increase in line with inflation by 5%. These costs will be actively negotiated with various service providers.

Marketing and communications costs are expected to increase in line with the proactive marketing plan that the SABS will embark on. The marketing budget is of strategic importance to the SABS considering the mandate and competitive environment. Marketing of the SABS brand and product offerings is critical to the success of the turnaround strategy. The SABS will continue to drive the message to the market to re-institute the quality brand that the SABS stands for and create awareness both at customer and consumer level using digital platforms.

Consumables are forecasted to grow by 20% in FY2021/22 when compared to the FY2020/21 budget. The increase in consumables is driven by the expected increase in revenue from LSD as more revenue generated will result in higher consumables and the upgrading of laboratories which is expected to increase the capacity in the laboratories.

Local and foreign travel costs are expected to return to the pre-lockdown period as less restrictions are expected to remain in place during the FY2021/22 financial year.

Municipal services costs of R55.3 million are projected to increase due to anticipated energy cost escalations from Eskom.

Concerted cost containment measures are ongoing and will continue over the three-year planning cycle, hence the minimal increase projected for other expenses. A cost containment plan in line with the *National Treasury Instruction No. 02 of 2016/2017* is being implemented.

### ***Profitability***

The SABS is projecting a net loss position of R121.2 million in FY2021/22 driven by the insufficient revenue and grants to cover the cost base of the Group. The net loss is expected to decline to R75.5 million in FY2023/24.

## 8.2 Aligning the SABS strategic objectives to expenditure allocations

In line with the Framework for Managing Programme Performance Information (FMPPi), the SABS has linked the organisation's strategic objectives and budget as reflected in the table below. It should be noted that certain activities form part of day-to-day activities of the SABS employees and are executed across the organisation. Funding or budget allocation of these activities will in some instances thus form part of the broader budget line items.

Outcome	Indicator	Basis	Actual	Budget		
			March 2020	FY2021/22	FY2022/23	FY2023/24
Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	SANS supporting reimagined industrial priority sectors as defined by dtic	Standards divisions' admin and operating expenditure	R71.5 million	R66.9 million	R69.7 million	R72.5 million
	SANS referenced in public policy and procurement/legislative / regulatory instruments	Standards divisions' admin and operating expenditure	R71.5 million	R66.9 million	R69.7 million	R72.5 million
	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directive	Admin and operating expenditure of the SABS Group	R782.8 million	R822.4 million	R838.0 million	R874.3 million
Provide internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy	Improvement in overall customer satisfaction with SABS services - Customer satisfaction rate	Admin and operating expenditure of the SABS' conformity assessment services business	R384.1 million	R427.3 million	R457.7 million	R482.3 million
	Number of new products, services, solutions launched	Admin and operating expenditure of the SABS' conformity assessment services business	R384.1 million	R427.3 million	R457.7 million	R482.3 million
Build a capable and efficient SABS: <ul style="list-style-type: none"> <li>Reduce financial losses</li> <li>Improve operational efficiencies</li> <li>Improve employee engagement</li> <li>Increase economic participation of designated groups</li> </ul>	Net profit of the SABS Group	Admin and operating expenditure of the SABS Group	R782.8 million	R822.4 million	R838.0 million	R874.3 million
	Cost-to-income ratio of SABS Group	Ratio – thus not applicable	N/A	N/A	N/A	N/A
	Employee engagement rate	Forms part of total remuneration expenditure	R553.3 million	R562.5 million	R565.1 million	R587.8 million
	Supporting the economic participation of women, youth and people with disabilities	Internal focus: Forms part of total remuneration expenditure	R553.3 million	R562.5 million	R565.1 million	R587.8 million

### 8.3 Statement of Group Financial Position

	Actual 2017/18 R'000	Actual 2018/19 R'000	Actual 2019/20 R'000	Actual 2020/21 R'000	Projected Budget 2021/22 R'000	Projected Budget 2022/23 R'000	Budget 2023/24 R'000
<b>ASSETS</b>							
<b>Non-current assets</b>	<b>1,176,218</b>	<b>1,028,098</b>	<b>823,476</b>	<b>961,135</b>	<b>1,090,145</b>	<b>1,068,833</b>	<b>1,070,929</b>
Fixed Assets	745,693	715,515	707,267	833,019	974,819	1,011,819	1,008,819
Right of use assets	-	-	15,749	8,419	4,569	719	-
Available for sale Investments	430,525	312,583	100,460	119,697	110,757	56,295	62,110
<b>Current assets</b>	<b>293,065</b>	<b>461,750</b>	<b>686,253</b>	<b>481,949</b>	<b>194,028</b>	<b>198,850</b>	<b>186,348</b>
Inventory	2,708	3,125	3,947	4,342	4,599	4,787	5,026
Trade and Other receivables	164,362	199,464	150,418	112,876	127,423	128,885	134,424
Cash and cash equivalents	125,995	259,161	531,888	364,731	62,006	65,178	46,898
<b>Total assets</b>	<b>1,469,283</b>	<b>1,489,848</b>	<b>1,509,729</b>	<b>1,443,083</b>	<b>1,284,173</b>	<b>1,267,683</b>	<b>1,257,277</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity and reserves</b>	<b>882,462</b>	<b>887,056</b>	<b>831,249</b>	<b>763,324</b>	<b>585,901</b>	<b>545,742</b>	<b>485,088</b>
Accumulated profit/(loss)	815,136	813,925	752,444	686,019	503,322	463,163	391,156
Capital and Reserves	67,326	73,131	78,805	77,305	82,579	82,579	93,932
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>	<b>341,109</b>	<b>317,042</b>	<b>463,946</b>	<b>510,093</b>	<b>494,585</b>	<b>477,970</b>	<b>489,429</b>
Employment benefit obligations	98,388	92,203	85,336	77,720	72,979	67,392	90,200
Deferred income	242,461	223,427	367,282	422,542	413,009	403,000	392,489
Other non current liabilities	260	1,412	11,328	9,831	8,597	7,578	6,740
<b>Current liabilities</b>	<b>245,712</b>	<b>285,750</b>	<b>214,534</b>	<b>169,666</b>	<b>203,687</b>	<b>243,971</b>	<b>282,760</b>
Trade and Other payables	157,697	148,926	139,653	99,061	152,482	198,826	237,899
Provisions	46,921	784	353	340	298	319	355
Employment benefit obligations	10,129	10,319	10,123	9,797	9,502	9,192	8,996
Deferred income	30,965	125,721	64,404	60,468	41,405	35,634	35,510
<b>Total equity and liabilities</b>	<b>1,469,283</b>	<b>1,489,848</b>	<b>1,509,729</b>	<b>1,443,083</b>	<b>1,284,173</b>	<b>1,267,683</b>	<b>1,257,277</b>

The SABS anticipates total assets to reach R1.3 billion during the planning period. Property, plant and equipment is expected to increase by R34 million over the MTEF as result of the digitisation strategy, infrastructure upgrades as well as the capital expansion in the Laboratory Services division as per the capex programme.

The capital expansion will be funded mainly from grant funding from the fiscus. The projected losses are placing strain on the cash resources of the SABS and current projections indicate that the SABS will run out of cash in 2021. If the resources are not available, planned activities and revenue projections will have to be reassessed.

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#### 8.4 Group capital expenditure

AREAS	2021/22	2022/23	2023/24	GRAND TOTAL
Laboratory Services	51.8	20.0	20.0	91.8
Facilities	58.0	40.0	-	98.0
ICT	43.0	-	-	43.0
Other	12.0	-	-	12.0
<b>GRAND TOTAL</b>	<b>164.8</b>	<b>60.0</b>	<b>20.0</b>	<b>244.8</b>

A capital expansion plan of R244.8 million has been budgeted for the next three-year period. The capital budget is focused on three areas namely Laboratory services, Facilities and ICT.

The capital expenditure budget for Laboratory services will be mainly allocated towards upgrading those laboratories that support the SABS Mark and agreements with regulators.

The facilities budget relates to work on upgrading the current aged infrastructure.

The investment in ICT will be to digitise the SABS to improve operational efficiencies.

## 8.5 Projected group cash flow statement

	Actual	Actual	Actual	Projected	Projected	Budget	Projected
	2017/18	2018/219	2019/20	Budget	Budget	2022/23	Budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Cash inflow from operating activities</b>	49,146	(36,658)	26,836	14,374	(136,655)	4,222	2,595
Cash received from customers	531,165	552,111	570,894	628,927	622,335	491,789	543,952
Cash received from Government	243,153	232,477	245,559	214,706	267,064	273,009	275,953
Cash paid to suppliers and employees	(754,281)	(857,038)	(836,115)	(848,335)	(1,026,054)	(760,576)	(817,310)
Cash generated from/(utilised by) operations	20,037	(72,450)	(19,662)	(4,702)	(136,655)	4,222	2,595
Net finance income	29,109	35,792	46,498	19,076	-	-	-
<b>Cash (outflow)/ inflow from investing activities</b>	(15,094)	169,824	251,879	(180,000)	(164,800)	-	(20,000)
Purchase of fixed assets	(18,913)	(21,597)	(39,474)	(180,000)	(164,800)	(60,000)	(20,000)
Purchase of investment properties	-	-	-	-	-	-	-
Purchase of intangible assets	(5,973)	(3,100)	(1,282)	-	-	-	-
Proceeds on disposal of property, plant and equipment	116	93	3	-	-	-	-
Purchase of available for sale investments	(448,385)	(24,528)	(5,804)	-	-	-	-
Disposal of available for sale investments	458,061	218,956	208,000	-	-	60,000	-
Infrastructure grant funding received	-	-	90,436	-	-	-	-
<b>Cash inflow/(outflow) from financing activities</b>	-	-	(5,988)	(1,531)	(1,270)	(1,050)	(875)
Payment of lease liability	-	-	(5,988)	(1,531)	(1,270)	(1,050)	(875)
Funding of Government specific projects	-	-	-	-	-	-	-
<b>Increase in cash and cash equivalents</b>	34,052	133,166	272,727	(167,157)	(302,725)	3,172	(18,280)
<b>Cash and cash equivalents at beginning of year</b>	91,943	125,995	259,161	531,888	364,731	62,006	65,178
<b>Cash and cash equivalents at end of year</b>	125,995	259,161	531,888	364,731	62,006	65,178	46,898

The SABS' cash and cash equivalents comprise the funds received from the shareholder for the infrastructure projects, funds the investment portfolio and the net working capital. Cash and cash equivalents of R59 million are projected for 31 March 2024. This represents a decrease of R472.9 million since 31 March 2020, mainly due to fund capital replacements and/or expansions as well as operational requirements.

The turnaround strategy as well as a property development strategy is key to ensure revenue and cash generation and the financial stability of SABS.

The SABS will continue with requesting the core funding payments in advance to assist with the cash flow management to enhance return on cash invested.

## 8.6 Borrowing plan

Currently the SABS does not envisage borrowing any funds over the MTEF period.

## 8.7 Dividend policy

No dividends are declared by the SABS Group to the Shareholder (Government of South Africa).

## 8.8 Procurement policy

In line with the requirements of the PFMA, the SABS has developed and implemented a procurement policy that also addresses the B-BBEE requirements set out in Government policy and relevant legislation.



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## **PART G: RISK AND FRAUD MANAGEMENT**

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## 9. RISK MANAGEMENT AND FRAUD PLANS

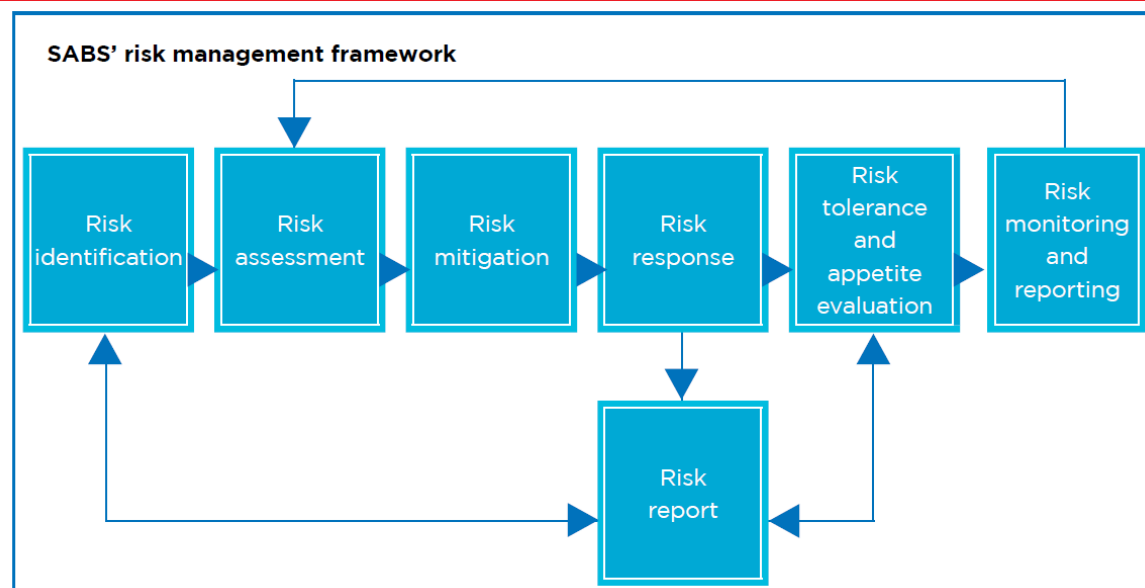
The SABS has both a legislative mandate and a commercial interest to ensure its long-term sustainability. Section 51(1)(a)(i) of the PFMA requires the Accounting Authorities to ensure that their Institutions have and maintain effective, efficient and transparent systems of risk management.

Enterprise risk management is an integral part of the SABS' effort towards opportunity maximisation. The Accounting Authority is ultimately responsible to manage risk in pursuit of organisational goals and objectives. The Accounting Authority also recognises that the realisation of its mandate depends on the leadership team being able to take calculated risks without compromising the SABS' legislative mandate and delivery of quality service to all stakeholders.

### **Risk management**

The SABS adheres to the risk policies and processes aligned to the King Code of corporate governance. The Risk Committee of the Board provides responsibility for risk management oversight. The organisation has adopted an enterprise-wide risk management (ERM) approach to the management of risks impacting the strategic and operational objectives of the organisation. The risk and compliance department headed by the Chief Risk Officer is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics and compliance management in the SABS in line with the PFMA and relevant prescripts. The risk management portfolio includes:

- Risk management
- Strategic risk management
- Operational risk management
- Project risk management
- Anti-corruption, fraud prevention and awareness
- Business continuity management
- Compliance management
- Ethics management



Below is the Risk Management Plan that is being followed, and which is aligned to the framework within which risks are identified, assessed and effectively managed.

Operational objective	Activity	Outcomes / outputs
Effective management of organisational risks through implementation of effective and transparent system of Enterprise Risk Management (ERM)	Develop and implement effective system of Enterprise Risk Management (ERM) Programme	Implementation of Risk Management that provides informed decision making and improved opportunities of achieving the SABS objectives
Implement systems to prevent, detect and respond to fraud and corruption	Develop and drive the implementation of the Anti-Corruption and Fraud Prevention Programme	Proactive management of Fraud and Corruption through improved Governance
Improve organisational ethics	Develop and Implement Ethics Management Programme	Implementation of Ethics Management plan that supports the desired ethical culture and values
Ensure risk management capacity enhancement	Develop risk management competencies through training and awareness	Enhanced risk management capacity
Entrench the compliance control environment	Develop and drive the implementation of the Compliance Management Programme	Proactive compliance management environment
Ensure effective implementation of Business Continuity Plans (BCPS)	Develop and Implement Business Continuity Management Programme	Proactive management of Business Interruption events and incidents

## 9.1 Strategic risks register

Strategic risks affect the company's long-term positioning, performance and achievement of strategic objectives. The following strategic risk themes were identified by the SABS management, and if not managed effectively, may hinder the attainment of the Corporate Plan targets.

#	Strategic objectives	Risk theme	Risk Contributors	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
1	Achieve and maintain financial sustainability	Inadequate revenue and profitability performance	<ul style="list-style-type: none"> <li>• High Operational Costs</li> <li>• High Employee costs</li> <li>• Inadequate revenue generation</li> <li>• Cancellations by clients</li> <li>• Loss of clients</li> <li>• Inability to pay by clients</li> </ul>	High	Development and implementation of sectoral Revenue generation plan	31 March 2022	SABS Commercial & Standards Execs
					Develop and execute the new business pipeline from sales to revenue conversion	31 March 2022	SABS Commercial & Standards Execs
					Conclude partnerships with additional laboratories to enhance SABS testing capability	31 March 2022	Exec: Lab Services
					Strengthening of cost containment measures	31 March 2022	SABS Execs
					Establish new business opportunities	31 March 2022	SABS Commercial & Standards Execs
					Upgrading the aging infrastructure to improve productivity and operational efficiencies	31 March 2022	CFO
					Implement CSR	31 March 2022	Exec: Lab Services

#	Strategic objectives	Risk theme	Risk Contributors	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
					Plan and implement Events and marketing initiatives to support private and public sector awareness	31 March 2022	Group Managers: Strategy & Training Academy
2	Develop, promote and increase the use of standards	Standards development, Governance & Promotion	<ul style="list-style-type: none"><li>Significant backlog on overdue projects, overdue amendments and overdue reviews of publications</li><li>TCs governance and performance</li><li>Lack of National Standards Strategy</li></ul>	Medium	Develop and implement the National Standards Strategy	31 March 2022	Exec: Standards
					Evaluate and review poor performing and dormant TCs for optimal effectiveness and value proposition	31 March 2022	Exec: Standards
					Develop and implement the Standards Development Project management Project Plan	31 March 2022	Exec: Standards
					Implement Standards Stakeholder engagement plan for Improved relations	31 March 2022	Exec: Standards
					Strategic and thought leadership in regional and international forums - Enforce and monitor the implementation of Participation in Regional and International standardization organizations (SOP 601) Procedure	31 March 2022	Exec: Standards

#	Strategic objectives	Risk theme	Risk Contributors	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
3	Provide integrated conformity assessment service solutions	Loss of stakeholder confidence and customer dissatisfaction	<ul style="list-style-type: none"><li>Inadequate Client service and delivery</li><li>Inadequate stakeholder engagement</li><li>Inadequate client data management</li></ul>	High	Support reimagined industrial priority sectors as defined by dtic	Monthly	Exec: Standards
					Enhancing strategic relationships with regulators, industry associations government departments and other government entities to provide value-adding customised services	31 March 2022	Execs: Cert and Lab Services
					Development and implementation of organisational stakeholder engagement strategy.	31 March 2022	Exec: Standards
					Review and implement the Stakeholder engagement plan	31 March 2022	Group Manager: Strategy
					Develop and implement top 10 Customer Engagement Plan	31 March 2022	Execs: Cert and Lab Services
					Development and implementation of ICT Strategy for business efficiency and value creation.	31 March 2022	ICT: Management
					Analysis of customer services queries to improve response turnaround time	31 March 2022	Execs: Cert and Lab Services
	Build a capable and efficient SABS	Inadequate management of			Develop and implement Talent Management Strategy	31 March 2022	Exec: Human Capital

#	Strategic objectives	Risk theme	Risk Contributors	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
4		talent and performance	<ul style="list-style-type: none"><li>Poor delivery of Human Capital services</li><li>Loss of skills to deliver quality outputs</li><li>Non-compliance with HC Policies</li><li>SABS Financial Performance</li></ul>	Medium	Review Succession Management and Retention Procedure	31 March 2022	Exec: Human Capital
					Implementation of the L&D strategy	31 March 2022	Exec: Human Capital
					Organisational Restructuring and effective execution of Section 189	31 March 2022	Exec: Human Capital
					Develop and implement Employee Value Proposition (EVP) Model	31 March 2022	Exec: Human Capital
5	Provide integrated conformity assessment service solutions	Loss of Accreditation	<ul style="list-style-type: none"><li>Lack of ICT Tools</li><li>Loss of technical signatories or competent staff</li><li>A breakdown of the organizational management system</li></ul>	High	Automation of certification and accreditation processes	31 March 2022	GM: Accreditation
					Validation and closing of audit findings	31 March 2022	GM: Accreditation
					Implementation Audit Document Management tool for Systems	31 March 2022	GM: Accreditation
					Secure two technical signatories and apply for them at SANAS per method (ensure that technical signatories are part of workforce planning and prioritised)	31 March 2022	GM: Accreditation

#	Strategic objectives	Risk theme	Risk Contributors	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
			<ul style="list-style-type: none"> <li>Failure to clear non-conformances within agreed timelines</li> </ul>		Development and Implementation of Accreditation restoration and retaining plan	31 March 2022	GM: Accreditation
					Training/Calibration of staff and management on Systems certification Scheme	31 March 2022	GM: Accreditation
					Optimise utilization of CRM and other SABS information systems	31 March 2022	GM: Accreditation

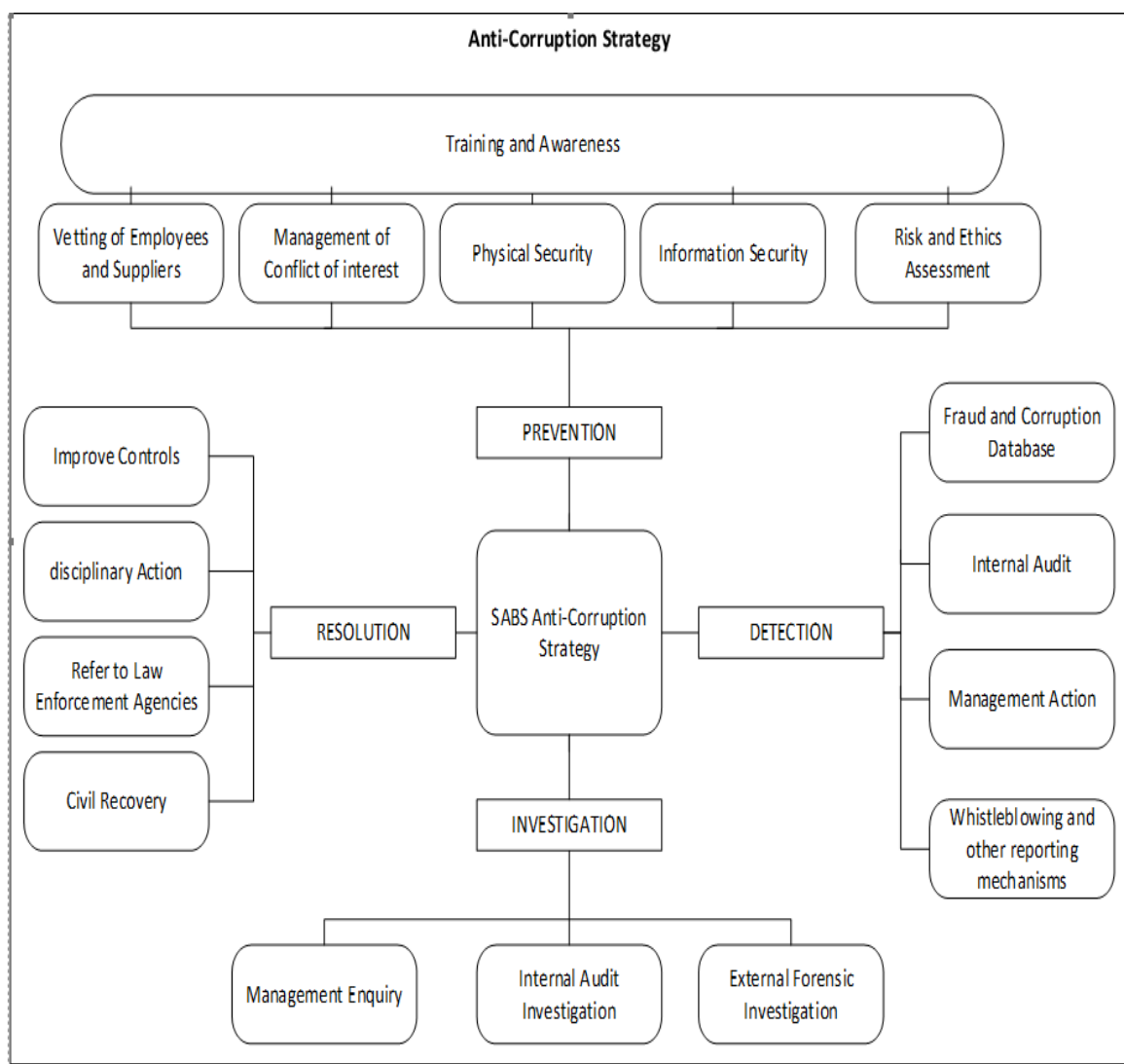


## 9.2 Fraud prevention plan

The SABS is committed to “zero tolerance” of any fraudulent behaviour. An Anti-Corruption and Fraud Prevention Policy and Strategy (as depicted below) has been implemented considering the following legislation, amongst others:

- Public Sector Risk Management Framework
- Public Finance Management Act, No. 1 of 1999 (PFMA)
- Prevention of Organised Crime Act, No. 121 of 1998 (POCA);
- Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (PCCA);
- Promotion of Administrative Justice Act, No. 3 of 2000 (PAJA);
- Protected Disclosures Act, No. 26 of 2000.
- King Code of Governance (King IV of 2016)

### Elements of the Corruption and Fraud Management Strategy



All reasonable suspicions of fraud, corruption and maladministration are investigated and verified, and legal recourse is taken against perpetrators to the full extent of the law, including but not limited to:

- Disciplinary action
- Institution of criminal proceedings
- Civil litigation
- Recovery of losses

The SABS Internal Audit has been mandated to coordinate the SABS Whistle-Blowing hotline. The hotline is managed by an independent service provider, Deloitte. On receipt of a whistle-blowing report from Deloitte, the Internal Audit Services department reviews the reports and classifies the reports according to the nature of the allegations, i.e. customer complaint, the SABS copyright infringement (Mark abuse) or unethical or unlawful conduct. Classification of whistle-blowing cases assists the Internal Audit Services to either investigate the allegations or disseminate the cases to relevant SABS department to be addressed. The statistical information on calls from the hotline is analysed and outcomes are used to improve controls in the organisation to mitigate against fraud incidents.

Key focus areas of the fraud prevention plan are summarised below.

**The SABS Integrated Anti-Corruption and Fraud Prevention Plan**

Control area	Control focus
<b>Prevention Controls</b>	Leadership commitment
	Custodianship
	Corruption risk assessment & ethics management
	Fraud/corruption prevention policy/strategy
	Implementation plan
	Training /awareness
	Managing conflicts of interest
	Code of conduct
	Internal controls
	Recruitment checks
	Information security
	Physical security controls
<b>Detection &amp; Investigation Controls</b>	Whistleblowing
	Fraud & corruption register/database
	Management action
	Investigations
<b>Resolutions &amp; Recoveries</b>	Disciplinary action
	Resolution (Referring to law enforcement agencies and recovery)
	Review and reporting

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## **ANNEXURES**

## ANNEXURE A: FINANCIAL PROJECTIONS OF SABS COMMERCIAL SOC

### Statement of financial performance: SABS Commercial SOC

	Actual R'000 2017/18	Actual R'000 2018/19	Actual R'000 2019/20	Budget R'000 2020/21	Budget R'000 2021/22	Budget R'000 2022/23	Budget R'000 2023/24
<b>Commercial Revenue</b>	<b>481 414</b>	<b>473 595</b>	<b>412 206</b>	<b>380 849</b>	<b>428 764</b>	<b>472 692</b>	<b>521 287</b>
Laboratory Services	176 518	156 162	130 477	120 039	135 408	148 949	163 844
SMME	4 329	1 356	248	273	2 991	3 201	3 425
Certificate of compliance	-	14 827	12 807	11 782	13 550	14 498	15 513
Training	12 459	10 228	12 115	12 721	15 474	18 569	22 283
Product and system certification	288 108	291 022	256 559	236 034	261 341	287 475	316 222
<b>Other Income</b>	<b>-</b>	<b>15 839</b>	<b>19 395</b>	<b>10 435</b>	<b>10 000</b>	<b>10 000</b>	<b>10 000</b>
Other income Recognised	-	15 839	19 395	10 435	10 000	10 000	10 000
<b>Grant</b>	<b>-</b>	<b>20 000</b>	<b>123 565</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>
Grant income	-	20 000	123 565	20 000	20 000	20 000	20 000
<b>Total income</b>	<b>481 414</b>	<b>509 434</b>	<b>555 166</b>	<b>411 284</b>	<b>458 764</b>	<b>502 692</b>	<b>551 287</b>
<b>Administrative and operating expenses</b>	<b>(411 795)</b>	<b>(428 964)</b>	<b>(384 134)</b>	<b>(424 165)</b>	<b>(427 302)</b>	<b>(457 724)</b>	<b>(482 265)</b>
Employee benefits	(292 409)	(312 033)	(313 888)	(313 887)	(306 755)	(331 152)	(349 365)
Contract Services	(23 041)	(18 870)	(15 609)	(20 093)	(16 465)	(17 288)	(18 152)
Premises costs	(40 732)	(41 848)	(163)	(46 864)	(48 802)	(51 242)	(53 804)
Marketing & Communication	(81)	(599)	(66)	(56)	(158)	(166)	(174)
Consulting & Technical Fees	(344)	(148)	(1 036)	(106)	(145)	(153)	(160)
Consumables	(11 051)	(9 956)	(10 311)	(9 486)	(10 675)	(11 208)	(11 769)
Travel foreign	(9 490)	(9 925)	(9 393)	(4 628)	(9 603)	(10 083)	(10 587)
Travel local	(15 942)	(18 061)	(17 287)	(12 639)	(16 502)	(17 327)	(18 193)
Municipal services	(1 851)	(1 321)	(1 727)	(1 919)	(1 822)	(1 913)	(2 008)
Other operating expenses	(16 855)	(16 203)	(14 654)	(14 487)	(16 376)	(17 194)	(18 052)
<b>Profit/(loss) from operations</b>	<b>69 620</b>	<b>80 470</b>	<b>171 032</b>	<b>(12 881)</b>	<b>31 462</b>	<b>44 967</b>	<b>69 022</b>
Depreciation	(25 321)	(24 646)	(65 150)	(28 986)	(29 066)	(30 519)	(32 045)
Government grants in respect of assets	3 192	2 983	3 666	3 144	2 719	2 855	2 998
<b>Profit/(loss) before other income/expenses, interest and tax</b>	<b>47 491</b>	<b>58 807</b>	<b>109 548</b>	<b>(38 724)</b>	<b>5 115</b>	<b>17 303</b>	<b>39 974</b>
<b>Other income</b>	<b>5 609</b>	<b>12 689</b>	<b>14 211</b>	<b>6 703</b>	<b>6 667</b>	<b>7 000</b>	<b>7 350</b>
Foreign exchange gains	2 463	196	5 879	-	-	-	-
Income statement gains	-	-	-	-	-	-	-
Disposal Of Prop,Plant & Equip	(156)	(985)	(816)	-	-	-	-
Sundry income	3 303	13 477	9 148	6 703	6 667	7 000	7 350
<b>Other non-operating expenses</b>	<b>(78 699)</b>	<b>(18 182)</b>	<b>(17 765)</b>	<b>(11 565)</b>	<b>(14 673)</b>	<b>(15 407)</b>	<b>(16 177)</b>
Forex losses	(3 715)	22	(2 266)	-	-	-	-
Post-Retirement Medical Aid	(2 924)	(3 310)	(3 202)	(4 180)	(3 365)	(3 533)	(3 710)
Long Service Leave Award	727	1 490	1 786	(2 500)	(1 000)	(1 050)	(1 103)
Prior year adjustments	(104)	15	78	-	-	-	-
Income statement losses	(21 475)	-	-	-	-	-	-
Royalties	-	(73)	(3 373)	-	-	-	-
Performance bonus	(11 300)	16 109	139	-	-	-	-
Bad debts	(38 822)	(31 006)	(9 103)	(3 202)	(8 275)	(8 689)	(9 123)
Audit fees	(1 087)	(1 429)	(1 823)	(1 683)	(2 033)	(2 135)	(2 241)
Other expenses	-	-	-	-	-	-	-
<b>Profit/ (loss) before interest, corporate charges and tax</b>	<b>(25 599)</b>	<b>53 313</b>	<b>105 995</b>	<b>(43 586)</b>	<b>(2 892)</b>	<b>8 896</b>	<b>31 147</b>
Finance income/ (costs)	(1)	3	(5 974)	-	(2)	(2)	(2)
<b>Profit/ (loss) before corporate charges and tax</b>	<b>(25 600)</b>	<b>53 316</b>	<b>100 021</b>	<b>(43 586)</b>	<b>(2 894)</b>	<b>8 894</b>	<b>31 145</b>
<b>Corporate services</b>	<b>(48 447)</b>	<b>(51 897)</b>	<b>(36 550)</b>	<b>(73 692)</b>	<b>(73 692)</b>	<b>(73 692)</b>	<b>(73 692)</b>
Group service recoveries	-	15 681	15 424	15 424	15 424	15 424	15 424
Group service costs	(48 447)	(67 577)	(51 974)	(89 116)	(89 116)	(89 116)	(89 116)
<b>Profit/ (loss) before tax</b>	<b>(74 047)</b>	<b>1 420</b>	<b>63 471</b>	<b>(117 278)</b>	<b>(76 585)</b>	<b>(64 798)</b>	<b>(42 547)</b>
Taxation	-	-	-	-	-	-	-
<b>Net profit/ (loss) for the period</b>	<b>(74 047)</b>	<b>1 420</b>	<b>63 471</b>	<b>(117 278)</b>	<b>(76 585)</b>	<b>(64 798)</b>	<b>(42 547)</b>

## Statement of financial position: SABS Commercial SOC

	Actual	Actual	Actual	Actual	Projected	Projected	Budget
	2017/18	2018/19	2019/20	2020/21	Budget	Budget	Budget
	R'000	R'000	R'000	R'000	2021/22	2022/23	2023/24
					R'000	R'000	R'000
<b>ASSETS</b>							
<b>Non-current assets</b>	<b>125,093</b>	<b>107,391</b>	<b>276,192</b>	<b>215,334</b>	<b>236,319</b>	<b>166,823</b>	<b>115,994</b>
Fixed Assets	125,093	107,391	100,463	79,197	132,943	99,623	84,970
Right of use assets	-	-	175,729	136,137	103,376	67,200	31,024
<b>Current assets</b>	<b>147,607</b>	<b>247,680</b>	<b>264,597</b>	<b>243,327</b>	<b>87,650</b>	<b>123,114</b>	<b>157,339</b>
Trade and Other receivables	147,533	175,253	126,445	93,414	83,321	93,821	102,924
Cash and cash equivalents	74	72,427	138,152	149,913	4,329	29,293	54,415
<b>Total assets</b>	<b>272,700</b>	<b>355,071</b>	<b>540,789</b>	<b>458,661</b>	<b>323,969</b>	<b>289,937</b>	<b>273,333</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity and reserves</b>	<b>69,656</b>	<b>130,860</b>	<b>44,286</b>	<b>(100,446)</b>	<b>(163,631)</b>	<b>(188,989)</b>	<b>(209,426)</b>
Share capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Accumulated profit/(loss)	(113,685)	(112,301)	(64,738)	(209,470)	(275,973)	(314,771)	(341,318)
Other components of equity	83,341	143,161	9,024	9,024	12,342	25,782	31,892
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>	<b>71,520</b>	<b>65,993</b>	<b>322,735</b>	<b>434,841</b>	<b>417,116</b>	<b>386,860</b>	<b>371,864</b>
Employment benefit obligations	42,625	39,138	36,276	38,004	34,384	31,564	26,783
Deferred income	25,232	19,585	24,756	18,122	65,837	65,343	64,849
Loans from Group companies	3,403	5,858	94,153	226,355	201,478	198,096	214,743
Deferred tax liability	260	1,412	2,325	2,324	3,075	3,536	4,066
Lease liabilities	-	-	165,225	150,036	112,342	88,321	61,423
<b>Current liabilities</b>	<b>131,524</b>	<b>158,218</b>	<b>173,768</b>	<b>124,266</b>	<b>70,484</b>	<b>92,066</b>	<b>110,895</b>
Trade and Other payables	101,208	91,035	88,682	61,401	50,598	71,927	92,245
Provisions	20,328	784	353	388	402	421	321
Employment benefit obligations	3,307	3,420	3,266	3,266	3,368	3,490	3,210
Lease liabilities	3,575	2,154	26,164	3,908	9,022	9,134	8,025
Deferred income	3,106	60,825	55,303	55,303	7,094	7,094	7,094
<b>Total equity and liabilities</b>	<b>272,700</b>	<b>355,071</b>	<b>540,789</b>	<b>458,662</b>	<b>323,969</b>	<b>289,937</b>	<b>273,333</b>

## Projected cash flow statement: SABS Commercial SOC

	Actual	Actual	Actual	Projected	Projected	Budget	Projected
	2017/18	2018/219	2019/20	Budget	Budget	Budget	Budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Cash inflow from operating activities</b>	5,892	81,645	287,316	149,733	(84,784)	44,964	45,122
Cash received from customers	441,771	482,361	496,151	516,040	396,076	457,194	565,940
Cash received from holding company	-	-	123,565	20,000	-	-	-
Cash paid to suppliers and employees	(435,875)	(400,719)	(338,152)	(405,383)	(480,863)	(419,064)	(520,818)
Cash generated from/(utilised by) operations	5,893	81,642	281,564	130,657	(84,787)	38,130	45,122
Net finance income/(cost)	(1)	3	5,752	19,076	3	6,834	-
<b>Cash (outflow)/ inflow from investing activities</b>	(5,895)	(9,292)	(17,466)	(89,254)	(60,800)	(20,000)	(20,000)
Purchase of property, plant and equipment	(5,895)	(9,308)	(17,056)	(89,254)	(60,800)	(20,000)	(20,000)
Purchase of intangible assets	-	(77)	(410)	-	-	-	-
Proceeds on disposal of property, plant and equipment	-	94	-	-	-	-	-
<b>Cash inflow/(outflow) from financing activities</b>	-	-	(204,126)	(48,718)	-	-	-
Repayment of capital contribution	-	-	(136,482)	-	-	-	-
Repayment of loan from group companies	-	-	(65,518)	(48,718)	-	-	-
Lease liability payment	-	-	(2,125)	-	-	-	-
<b>Increase in cash and cash equivalents</b>	(3)	72,353	65,724	11,761	(145,584)	24,964	25,122
<b>Cash and cash equivalents at beginning of year</b>	77	74	72,427	138,152	149,913	4,329	29,293
<b>Cash and cash equivalents at end of year</b>	74	72,427	138,152	149,913	4,329	29,293	54,415

## ANNEXURE B: MATERIALITY STATEMENT

In accordance with the Public Finance Management Act, the SABS has agreed to a framework of acceptable levels of materiality and significance with our executive authority, **the dtic**. In terms of Treasury Regulations 28.1.5 issued in terms of the Public Management Finance Act, 1999 (Act 1 of 1999), the accounting authority of the SABS must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors. This is the materiality framework for the SABS Consolidated Group Financial Statements.

Section	Requirement	SABS framework
Section 50(1)  The accounting authority for a public entity must:	<ul style="list-style-type: none"><li>a) Exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity;</li><li>b) Act with fidelity, honesty, integrity and in the best interest of the public entity in managing the financial affairs of the public entity;</li><li>c) On request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature; and</li><li>d) Seek, within the sphere of influence of that accounting authority, to prevent any prejudice to the financial interest of the state.</li></ul>	The SABS is committed to have an open and transparent culture and to disclose any relevant information to its stakeholders. Materiality can only be determined if the nature of the information is known.
Section 55(2)  The annual report and financial statements referred to by PFMA Subsection 55 (1)(d) must:	<ul style="list-style-type: none"><li>a) Fairly present the state-of-affairs of the public entity, its business, its financial results, its performance against pre-determined objectives and its financial position as at the end of the financial year concerned</li></ul>	<p><b>Qualitative:</b> Any such matter that the Board believes it will influence the users of the statements.</p> <p><b>Quantitative:</b> As per guideline issued by National Treasury, materiality is calculated at 0.75% of total income: R5.8 million (based on 2019/20 total income of R771.0 million as per annual financial statements)</p>

Section	Requirement	SABS framework
	b) Include particulars of – <ul style="list-style-type: none"> <li>(i) Any <b>material</b> losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;</li> <li>(ii) Any criminal or disciplinary steps taken because of such losses or irregular expenditure or fruitless and wasteful expenditure;</li> <li>(iii) Any losses recovered or written off;</li> <li>(iv) Any financial assistance received from the state and commitments made by the state on its behalf;</li> <li>(v) Any other matters that may be prescribed</li> </ul>	Disclose as prescribed Disclose as prescribed Disclose as prescribed Grants are agreed with the executive authority and declared in full Disclose as prescribed
	c) Include the financial statements of any subsidiaries.	All subsidiaries are consolidated
Section 54(2)  Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction.	a) Establishment of participation in the establishment of a company	For the establishment of a company in terms of the Companies Act: Each transaction separately approved
	b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	For transaction not entailing incorporation in terms of the Companies Act: Materiality is calculated at 1.5% of total assets: R22.6 million (based on 2019/20 total assets of R1 509.73 million as per annual financial statements)
	c) Acquisition or disposal of a significant shareholding in a company	<ul style="list-style-type: none"> <li>• Any transaction where ownership control is affected</li> <li>• Where the SABS has the right to pass or block as special resolution is affected</li> <li>• Change in ownership of at least 20%</li> </ul> For an acquisition, any transaction that results in a shareholding of at least 20% in a company
	d) Acquisition or disposal of a significant asset	All asset acquired or disposed, other than: <ul style="list-style-type: none"> <li>• Those mention in 54(2)(a) and (b) above or</li> <li>• Assets classified at current assets according to generally accepted accounting practise:</li> </ul> Materiality is calculated at 1.5% of total assets: R22.6 million (based on 2019/20 total assets of R1 509.73 million as per annual financial statements)



Section	Requirement	SABS framework
	e) Commencement or cessation of a significant business activity; and	<p>A business activity that falls <u>within the SABS core business</u>, including standards development and the provision of conformity assessment services, do not require approval</p> <p>A business activity that falls <u>outside the SABS core business</u>:  A business activity that <u>falls outside the SABS core business</u>:  Materiality is calculated at 1.5% of total assets: R22.6 million (based on 2019/20 total assets of R1 509.73 million as per annual financial statements)  <b>Qualitative</b> (both core and non-core): Consider whether the cessation of business activity will likely result in large-scale retrenchments</p>
	f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	<p>Only be considered if the participation in the partnership, trust, unincorporated joint venture or similar arrangement was originally regarded as significant per 54(2)(b) above. The following is considered significant:</p> <ul style="list-style-type: none"> <li>calculated at 1.5% of total assets: R22.6 million (based on 2019/20 total assets of R1 509.73 million as per annual financial statements) Any change in the nature of the vehicle (partnership, trust, unincorporated joint venture or similar arrangement)</li> <li>Any transaction that results in a cumulative interest of at least 20% in the vehicle</li> </ul> <p>Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle</p>
Section 66(1)	An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other	Section 66(1)

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Section	Requirement	SABS framework
	<p>transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction-</p> <p>a) Is authorised by this Act; and</p> <p>b) In the case of public entities, is also authorized by other legislation not in conflict with this Act; and</p> <p>In the case of loans by a province or a provincial Government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act 48 of 1996).</p>	

## ANNEXURE C: ANNUAL PERFORMANCE INDICATOR PROFILES

Indicator title	SANS supporting reimagined industrial priority sectors as defined by dtic	SANS referenced in public policy and procurement / legislative / regulatory instruments	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives
<b>Definition</b>	The number of standardisation commitments completed as part of government's process to develop masterplans for each identified industrialisation sector.	Number of SANS referenced in public policy and procurement / legislative/regulatory instruments	The SABS is required to provide feedback/report on its support on various developmental policy interventions or Ministerial Directives.
<b>Purpose / importance</b>	To ensure that the organisation can deliver on its commitments to the shareholders and align the services of the SABS to that of the Industrial Policy	To ensure that SANS support policy and regulatory objectives	To ensure that the SABS provide regular feedback on its support to key developmental policy interventions or Ministerial directives
<b>Source of data</b>	Report from Standard division	Standards Division	Report or information from division
<b>Method of calculation / assessment</b>	Count the number of standardisation commitments completed.	Count the number of engagements conducted with government departments/regulators. In subsequent years, the number of standards referenced in regulations will be counted	Count number of quarterly reports submitted to <b>the dtic</b> and/or Minister. The information may be submitted as part of the quarterly performance report to dtic or be a standalone report.
<b>Means of verification</b>	Count the number of standardisation commitments completed.	Count of the number of engagements supported by proof of engagement e.g. minutes of meetings, attendance register, email correspondence, etc.	Count of the number of reports submitted
<b>Assumptions</b>	No limitations	No limitations	No limitations
<b>Disaggregation of beneficiaries (where applicable)</b>	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A
<b>Spatial transformation (where applicable)</b>	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A
<b>Calculation type</b>	Cumulative year-to-date	Cumulative year-to-date	Cumulative year-to-date
<b>New indicator</b>	Partly (Refined with changes to industrial policy)	Yes	Yes
<b>Reporting cycle</b>	Quarterly to Exco, Board and to <b>the dtic</b>	Quarterly to Exco, Board and to <b>the dtic</b>	Quarterly to Exco, Board and to <b>the dtic</b>
<b>Desired performance</b>	Equal or higher performance than targeted performance is desirable	Equal or higher performance than targeted performance is desirable	Equal or higher performance than targeted performance is desirable
<b>Indicator responsibility</b>	Executive Standards	Executive Standards	All Executives (As it may depend on directives issued)

Indicator title	Customer satisfaction rate	Number of new products, services, solutions launched
<b>Definition</b>	Average rating from responses received from customer satisfaction survey	Number of new products, services, solutions launched
<b>Purpose / importance</b>	To gauge how the SABS is perceived by its customers and to understanding the expectations and requirements of the SABS' customers	Diversify SABS revenue sources and generate new revenue
<b>Source of data</b>	SABS BI system	Evidence of new product, services, solution launched/made available to customers
<b>Method of calculation / assessment</b>	Weighted average rating calculated of Certification, Laboratory Services and Training (weighted based on budgeted revenue for the financial year)	Count of new products, services, solutions launched to customers New: Product/service/solution did not exist before
<b>Means of verification</b>	Weighted average rating of Certification, Laboratory Services and Training, as reflected on the BI system	Proof that new products, services, solutions has been launched
<b>Assumptions</b>	No limitations	No limitations
<b>Disaggregation of beneficiaries (where applicable)</b>	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A
<b>Spatial transformation (where applicable)</b>	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A
<b>Calculation type</b>	Cumulative year-to date survey results	Cumulative year-to-date
<b>New indicator</b>	No	Yes
<b>Reporting cycle</b>	Quarterly to Exco, Board and to <b>the dtic</b>	Quarterly to Exco, Board and to <b>the dtic</b>
<b>Desired performance</b>	Higher performance than targeted performance is desirable	Higher performance than targeted performance is desirable
<b>Indicator responsibility</b>	Collate and report on KPI: Sales and Marketing	Executive Certification, Testing and GM: Training

Indicator title	Net profit of SABs Group	Group Cost-to-Income Ratio
<b>Definition</b>	Profit/loss after tax for the year	Operating expenses as percentage of operating income
<b>Purpose / importance</b>	The SABs must have enough income to cover its operational costs in order to remain financially sustainable	To measure how SABs' operating costs are changing compared to income
<b>Source of data</b>	Quarterly Management Accounts Reports prepared in accordance with the SABs Financial Management Policies	Quarterly Management Accounts Report of Group SABs prepared in accordance with the SABs Financial Management Policies
<b>Method of calculation / assessment</b>	Net profit/(loss) of the SABs Group for the year	CTI = A/B * 100, where A = Administrative and operating expenses, plus depreciation and amortisation less government grant in respect of assets. (excludes other non-operating expenditure such as impairments, bad debt provision and foreign exchange adjustments) B = Commercial revenue plus core funding (excludes other, sundry and rental income)
<b>Means of verification</b>	Extracted from Quarterly management accounts prepared in accordance with the SABs Financial Management Policies	Calculated based on quarterly management accounts prepared in accordance with the SABs Financial Management Policies
<b>Assumptions</b>	No limitations	No limitations
<b>Disaggregation of beneficiaries (where applicable)</b>	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A
<b>Spatial transformation (where applicable)</b>	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A
<b>Calculation type</b>	Cumulative year-to-date	Ratio based on year-to-date numbers
<b>New indicator</b>	No	No
<b>Reporting cycle</b>	Quarterly to Exco, Board and to the dtic	Quarterly to Exco, Board and to the dtic
<b>Desired performance</b>	Lower net loss/higher profit is desirable	Lower actual ratio than targeted ratio is desirable
<b>Indicator responsibility</b>	Collate and report on KPI: CFO KPI responsibility: All divisions	CFO

Indicator title	Employee engagement rate	Number of women, youth and people with disabilities supported
<b>Definition</b>	An engaged employee is an employee who is fully absorbed by and enthusiastic about their work and so takes positive action to further the reputation and interest of an organisation	Number of women, youth and people with disabilities supported as % of total number of headcount
<b>Purpose / importance</b>	An engaged SABS employee will support the long-term objectives of the SABS	To measure the contribution of the SABS to the Economic Participation of Designated Groups by increasing support to individuals through appointing designated people into the SABS
<b>Source of data</b>	Annual survey conducted by SABS HC (could be internal or external)	<b>Internal focus:</b> Human capital records (head count at reporting date)
<b>Method of calculation / assessment</b>	Annual employee engagement survey Rating should be out of 5	% participation per designated category = $A/B * 100$ , where A= Sum of the number of people appointed (headcount) per designated group B = Total SABS headcount  All races are included.
<b>Means of verification</b>	Proof of survey results	Report from Human Capital
<b>Assumptions</b>	No limitation	No limitations
<b>Disaggregation of beneficiaries (where applicable)</b>	Target for women: N/A Target for youth: N/A Target for people with disabilities: N/A	Target for women: 46% in FY2020/21 Target for youth: 24% in FY2020/21 Target for people with disabilities: 1.8% in FY2020/21
<b>Spatial transformation (where applicable)</b>	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A	Reflect on contribution to spatial transformation priorities: N/A Reflect on the spatial impact areas: N/A
<b>Calculation type</b>	Survey rating	Cumulative year-to-date
<b>Reporting cycle</b>	No	Quarterly to Exco, Board and to the dtic
<b>New indicator</b>	Annual to Exco, Board and the dtic	No
<b>Desired performance</b>	Higher rating than targeted rating is desirable	Higher performance than targeted performance is desirable
<b>Indicator responsibility</b>	Executives: Human Capital, supported by all divisions	Executives: Human Capital, supported by all divisions