
SABS

Corporate Plan

2020/21 to 2022/23



ACRONYMS AND ABBREVIATIONS

ARSO	African Organisation for Standardisation
BSC	Balanced Scorecard
BU	Business Unit (lowest organisational unit in SABS)
CRM	Customer Relationship Management
CASCO	Conformity Assessment Standards Committee
COC	Certificate of Compliance
DoE	Department of Energy
ENE	Estimates of National Expenditure
ERP	Enterprise Resource Planning
FSAPP	Framework for Strategic and Annual Performance Plans
ICT	Information and Communications Technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IPAP	Industrial Policy Action Plan implemented by the dtic to achieve the NIPF
ISO	International Organization for Standardization
NDP	National Development Plan
NETFA	National Electrical Testing Facility
NHBRC	National Home Builders Registration Council
NIPF	National Industrial Policy Framework
NRCS	National Regulator for Compulsory Specifications
NTB	Non-Tariff Barriers
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
SASI	South African Standards Institute
SME	Small and medium enterprises
SOE	State-Owned Enterprise
SQAM	Standards, Quality Assurance, Accreditation and Metrology
the dtic	The Department of Trade, Industry and Competition
TTO's	Technology Transfer Organisations associated with Universities, Universities of Technology, Science Councils and other state funded research entities

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OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the South African Bureau of Standards (SABS) under the guidance of Minister of Trade, Industry and Competition
- Takes into account all the relevant policies, legislation and other mandates for which the SABS is responsible
- Accurately reflects the Impact, Outcomes and Outputs which the SABS will endeavour to achieve over the period 2020/21 – 2022/23



Tina Maharaj

Chief Financial Officer



Jodi Scholtz

On behalf of the Co-administrators
(Accounting Authority)

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

No	Description	Reference
1	Strategy	Section 3
2	Key performance indicators	Section 5
3	Governance structure <ul style="list-style-type: none">• Governance structures and roles/responsibilities• Structure of Board of committees• Structure of Executive management	Section 2
4	Financial plan (covering the next three years) including <ul style="list-style-type: none">• Projects income statement• Projects balance sheet• Projects cash flow statement	Section 8
5	Dividend policy	Par 8.7
6	Capital expenditure plan (covering the next three years)	Par 8.4
7	Borrowing programme (covering the next three years)	Par 8.6
8	Risk management plan <ul style="list-style-type: none">• Description of risk management process• Key operational risks	Section 9
9	Fraud prevention plan	Par 9.2
10	Materiality and significance framework	Annexure B
11	Other supporting frameworks/plans <ul style="list-style-type: none">• Procurement policy• Financial projections for SABs Commercial SOC Limited	Par 8.8 Annexure A

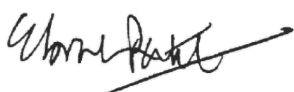
EXECUTIVE AUTHORITY FOREWORD

The Public Finance Management Act requires that every public entity prepares a Strategic Plan setting out the overall strategy for the five year period covering the state's Medium-term Strategic Framework (MTSF). Every year, an Annual Performance Plan (APP) is prepared, which converts the overall strategy to key annual targets. These documents are then provided for approval to the Executive Authority and budgets are aligned to these plans.

The South Africa Bureau of Standards (SABS) has prepared its Corporate Plan 2020/21-2022/23, which I now submit to Parliament, as required by the legislation.

This is the first Corporate Plan prepared in the 6th Administration by the SABS. I have requested that all entity Strategic Plans and Annual Performance Plans be aligned to the MTSF, which incorporates the work to develop and implement National Sector Masterplans, as well as the trade reforms, investment and transformation work of the Department.

Once the revised MTSF has been signed off, we will review the Strategic Plan and Annual Performance Plan of the entity and align it accordingly. The Strategic Plan and Annual Performance Plan may further need to be aligned to Government's response to the COVID-19 pandemic, both during the period of the national disaster declared by President Ramaphosa, and thereafter as we adapt to the new economic reality. Should adjustments be made, a revised Plan will be submitted to Parliament.



Ebrahim Patel

Minister responsible for Trade, Industry and Competition

ACCOUNTING OFFICER STATEMENT

Humanity is faced with multiple and deep-seated global challenges at a rate and scale that is unprecedented. These include the global environmental crisis; the phenomenon of globalisation characterised by poverty, inequality and uneven development; the advent of massive economic disruption driven by the digital revolution; global macro-economic and fiscal uncertainty; significant threats to and turbulence in the global system of trade; and significant risks and insecurities associated with the rise of populism, increasing social unrest and regional conflicts, which pose a growing threat to global peace and security. These and other challenges demand, more than ever before, a different and a more cohesive response.

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 of global growth, abounding with huge mineral, natural and human resource endowments. There are both significant opportunities and challenges for Africa as it charts a shared vision of investment led social, economic, trade and industrial integration. These challenges are especially acute in the global circumstances described above.

In July 2019 the operational phase of the African Continental Free Trade Area (AfCFTA) was launched. 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 reshaped by Government so that it will become the centre-pieces of rebuilding the economy. As indicated in the Minister's Foreword, 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. 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.

The SABS is the apex national standardisation body in South Africa. The organisation has, however, in recent years experienced numerous governance, operational and financial challenges which culminated in the organisation being put under administration by the Minister of Trade, Industry and Competition in July 2018. The circumstances leading to the decision are well documented and I will not elaborate on these. The three appointed co-administrators, with support from the SABS management team, has put in place a set of measures to reform the organisation to relative stability. However, much more needs to be done to return the organisation to integrated operational excellence.

The SABS strategic objectives have been refined to better align these objectives to the institution's mandate. This includes the development of new key performance indicators and key initiatives identified to support the transformation of the SABS over the short- to medium-term. The following strategic objectives have been agreed:

- **Develop, promote and increase the use of standards:** core to the mandate of the SABS is to develop and maintain South African National Standards (SANS). National standards are a critical pillar of a wider suite of industrial policy measures set out in Government's industrial policy. The SABS Mark is and should increasingly be a mark of quality in the domestic and export markets. Standards are also a key enabler for the introduction of innovation and new technologies to build higher levels of competitiveness.
- **Provide integrated conformity assessment service solutions:** provide conformity assessment solutions across the value-chain and be the partner of choice in these service offerings.
- **Achieve and maintain financial sustainability:** achieve and maintain group profitability to support long-term growth.
- **Continuous improvement in internal systems and processes:** improve operational efficiencies through process optimisation and the creation of new and more efficient ways of working and customer engagement models.
- **Creating and maintaining a high-performance culture:** The SABS employees are its most valuable resource and the SABS is committed to attracting, developing, retaining, and rewarding its most competent and professional staff. In doing so the SABS will continue to meet its commitments to race and gender transformation at the work place.

Over the next three years, emphasis will be placed on the integration of excellence into key operational systems and processes, achieve operational and policy coherence, support Government's industrialisation effort and provide the best customer experience and improve returns and performance. It also means that the SABS supports industry 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 is maintained. For more on key initiatives planned, please refer to the respective divisional sections (section 6).

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 public good services will be agreed with the Shareholder.

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.

The operating environment is currently extremely volatile and uncertain. Necessary adjustments will be to this Corporate Plan at the end of the first quarter of the 2020/21 financial year after considering the changes to the operating environment. In addition, the updated Plan will provide further details in respect of how the SABS will support key developmental policy interventions of government such as the implementation of the: Sector Master Plans, the African Continental Free Trade Agreement, the South African Investment Conference as well as other government initiatives that seek to increase investment activity into the economy aligned to the SABS mandate.

I wish to express my gratitude to the SABS administrators as well as both the staff and management for the co-operative spirit with which the difficult tasks facing SABS have been approached. 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.



Jodi Scholtz

Lead Co-administrator

PART A: SABS MANDATE

1. SABS MANDATE AND PRINCIPLE ACTIVITIES

1.1 Legislative mandate

The SABS is the apex national standardisation body in South Africa, established by the Standards Act, 1945 (Act 24 of 1945). The SABS exists as a public entity under the Standards Act, 2008 (Act 8 of 2008). The objectives of the 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 coordinates and leads engagements and processes involving a diverse range of relevant stakeholders to develop, promote and maintain a system of national standards for commodities, products and services in order to enhance the competitiveness of industry and protect the quality of life of citizens.

Certification

The SABS provides quality assurance for products, management systems and services 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.

Consignment inspection

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

Local content verification

Local content is a Government initiative driven by the National Treasury, **the dtic** and the Department of Mineral Resources, aimed at stimulating the manufacturing industry with a view to improving South Africa's economic performance and increase job creation. This policy is premised on the impact the Government and Mining companies spending has on the economy of the country if directed at industrialisation and job creation.

This initiative was first introduced in the Preferential Procurement Framework Act in 2011, with an amendment that made provision for **the dtic** to designate certain sectors for local production and content, in line with national development and industrial policies for local production. **The dtic** appointed the SABS as the local content verification agency to fulfil the requirements of the amended regulations to the Preferential Procurement Policy Framework Act (PPPFA).

In September 2018 the Department of Mineral Resources issued the Broad-Based Socio-Economic Empowerment Charter for the Mining Industry which were subsequently followed by its guidelines (December 2018). Both the Charter and the Guidelines affirms the SABS as an agency appointed by the Department of Mineral Resources to carry out local content verifications.

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 the majority of laboratories located in Pretoria. Certain specialist laboratories are strategically located across the country.

Training

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 implementing SANS. The Academy currently offers a diverse portfolio of training courses, focusing mainly on management system standards.

2. GOVERNANCE STRUCTURE

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.

2.1 Composition of Accounting Authority

In June 2018 the Minister of Trade, Industry and Competition 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. 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 Group Chief Operating Officer of **the dtic**
- Dr Tshenge Demana – the Chief Director, Technical Infrastructure Institutions **the dtic**

Following the resignation of the previous CEO in July 2018, Mr Garth Strachan, the former Deputy Director General, Industrial Development Division **the dtic**, was appointed as Acting CEO. He held this position until his resignation in February 2019. Ms Jodi Scholtz has been appointed as the Lead Co-Administrator.

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

Name	Age	Gender	Race	Qualifications	Areas of experience
Jodi Scholtz	47	F	Coloured	<ul style="list-style-type: none"> BCom (Hons) 	Strategy, operations, risk management and governance
Tshenge Demana	60	M	African	<ul style="list-style-type: none"> PhD (Chemistry) 	Quality management and laboratory services

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

The Interim Committee comprises of four non-executive directors, two of whom are independent non-executive. 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 and designation	Gender	Race	Qualifications	Area of expertise
Sikkie Kajee (Independent non-executive chairman)	M	Indian	<ul style="list-style-type: none"> CD(SA) MBA Professional accountant (SA) Certified internal auditor BCompt (Hons) Accounting and Auditing 	Finance, auditing, internal auditing, compliance and business turnaround
Rene Van Wyk (Independent non-executive)	F	Coloured	<ul style="list-style-type: none"> CA(SA) MBA Diploma in Advanced Banking 	Finance, risk management and governance, human capital management, business turnaround
Jodi Scholtz (Non-executive)	F	Coloured	<ul style="list-style-type: none"> BCom (Hons) 	Strategy, operations, risk management and governance
Shabeer Khan (Non-executive)	M	Indian	<ul style="list-style-type: none"> CA(SA) 	Finance, auditing, governance and risk

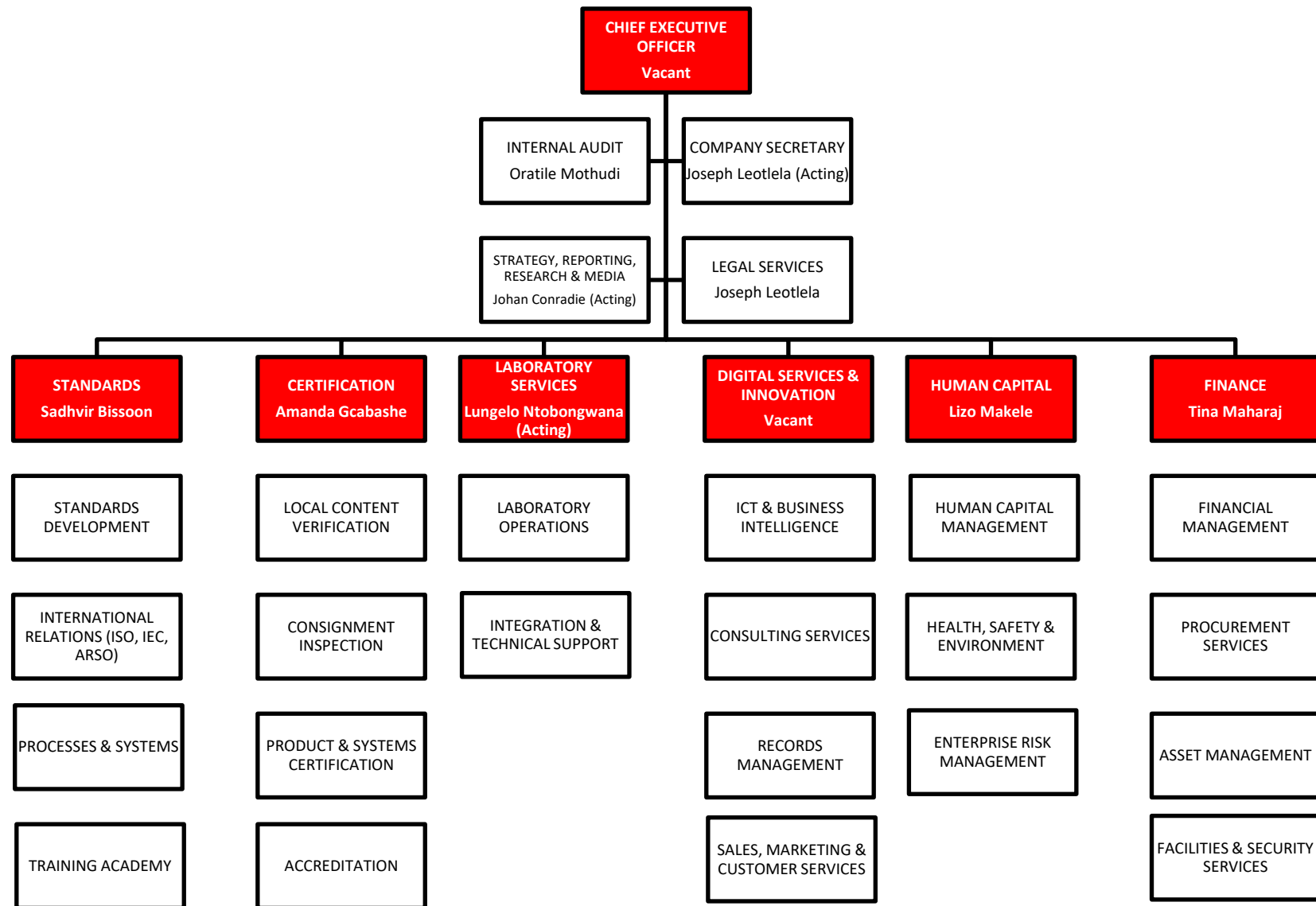
2.2 The Executive Committee

The Board has 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 Acting CEO 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
Tina Maharaj Chief Financial Officer	39	F	Indian	<ul style="list-style-type: none"> • CA (SA) • MBA • MCom (Tax) 	15 Oct 2018
Sadhvir Bissoon Executive: Standards	47	M	Indian	<ul style="list-style-type: none"> • D-Tech (Biotechnology) 	1 Aug 2011
Lungelo Ntobongwana Executive: Laboratory Services (Acting)	41	M	African	<ul style="list-style-type: none"> • MBA • MCom (Business management) • BTech (Project management) • Diploma: Analytical Chemistry 	19 Nov 2019
Amanda Gcabashe Executive: Certification Services	44	F	African	<ul style="list-style-type: none"> • B.Com 	1 Sep 2016
Lizo Makele Executive: Human Capital	50	M	African	<ul style="list-style-type: none"> • MBA • BTec (HR Management) • National Diploma in Human Resources Management • MDP 	1 July 2018

2.3 Organisation structure



PART B: STRATEGIC FOCUS

3. STRATEGY

3.1 Vision, mission and strategic objectives

Vision

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

Mission

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

The strategic objectives of the SABS are:

- **Develop, promote and increase the use of standards:** core to the mandate of the SABS is to enable the development of standards and maintain South African National Standards (SANS). This forms a critical component of the industrial effort and to secure broader socio-economic development. In so doing, to ensure that the SABS Mark is one of quality assurance for domestic, regional and global markets. Standards are a key enabler of the introduction of new technologies and innovation and ensures that products, components and services supplied by different manufacturers and resellers are compatible and interoperable
- **Provide integrated conformity assessment service solutions:** Provide conformity assessment solutions across value-chains and be the partner of choice in these service offerings
- **Achieve and maintain financial sustainability:** Overall, achieve and maintain financial sustainability to support long-term growth
- **Continuous improvement in internal systems and process:** To improve operational efficiencies
- **Creating and maintaining a high-performance culture:** Employees are the SABS' most valuable resource and the SABS is committed to attracting, developing, retaining, and rewarding the professional and technical skills required of a national standards body and conformity assessment organisation

3.2 Values

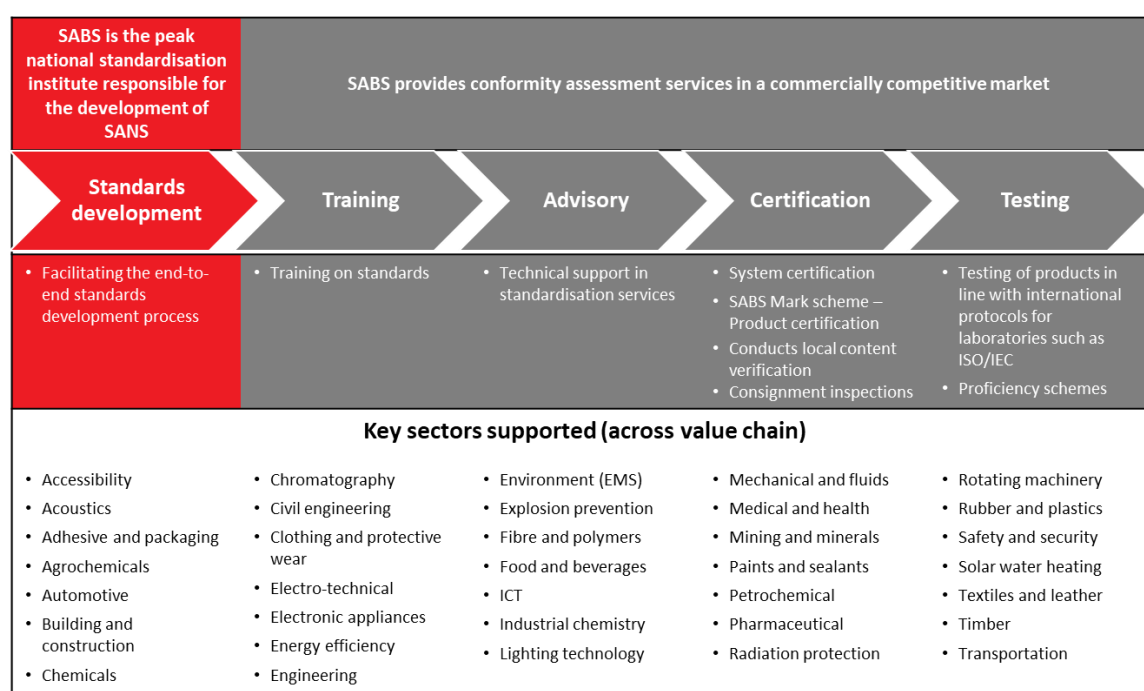
As the SABS transforms and moves towards a culture of high performance in delivering standardisation services, it is guided by the following values:

- Impartiality
- Innovation
- Accountability
- Integrity
- Quality
- Customer centricity

3.3 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.

The SABS role in the standards value chain



3.4 Alignment to the dtic objectives

The Department of Trade, Industry and Competition relies on a group of specialised agencies and institutions, such as the 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 the SABS to fulfil its statutory mandate must be fully aligned with those of **the dtic** as its Executive Authority.

Alignment to dtic

Strategic objectives		SABS key initiatives/deliverables
SABS	the dtic	
Strategic objective 1: Develop, promote and increase the use of standards	Strategic objective 1: Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation. Strategic objective 2: Build mutually beneficial regional and global relations to advance South Africa's investment, trade, industrial policy and economic development objectives. Strategic objective 4: Create an enabling economic and regulatory environment that supports investment, trade and enterprise development that supports transformation and inclusive economic development.	<ul style="list-style-type: none"> • Collaborative relationship and alignment with Government policies and programmes • Optimal development, promotion and use of the SABS Mark to support the industrial effort • Collaborative and supportive relationship with the private sector in the development and use of standards • Collaboration with and influence in international and regional standardisation bodies
Strategic objective 2: Provide integrated conformity assessment service solutions	Strategic objective 1: Facilitate transformation of the economy to promote inclusive growth, industrial development, investment, competitiveness and employment creation. Strategic objective 2: Build mutually beneficial regional and global relations to advance South Africa's Investment, trade, industrial policy and economic development objectives.	<ul style="list-style-type: none"> • Focusing on providing quality assurance across the value chain for public sector entities, including regulators, to secure agreements that will ensure sustainable income • Developing a customer service operating model that will align end-to-end customer processes across the organisation; • Optimising business processes, through the SABS digitisation strategy, to improve service delivery • Partnering with the private sector to provide relevant and value-adding solutions to enable businesses to be more effective and efficient
Strategic objective 3: Maintaining financial sustainability	Strategic objective 3: Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth	<ul style="list-style-type: none"> • Modernisation of laboratory processes and technology, operations and stakeholder management to achieve and secure financial sustainability, financial controls and systems
Strategic objective 4: Continuous improvement in internal systems and process Strategic objective 5: Creating and maintaining a high-performance culture	Strategic objective 5: Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery	<ul style="list-style-type: none"> • Develop and leverage an optimal governance, institutional and operational environment to facilitate the deployment of people, processes and technologies to enable and transform the organisation • Transform the organisation into an efficient and effective institution utilising the integration of technology, business process optimisation and change management initiatives • Develop digital operating models that will enable the business through mobile and online capabilities and "paperless" transacting methods


3.5 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. For more detail, refer to section 6 and 7 below.

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"> Functional, efficient and integrated government Professional, meritocratic and ethical public administration 	Various organisational improvement initiatives focusing on: <ul style="list-style-type: none"> Reducing financial losses Improving operational efficiencies and employee engagement
Priority 2: Economic transformation and job creation		Industrialisation, localisation and exports	<ul style="list-style-type: none"> Support the development of sector master plans as part of the standards development process Local content verification Provision of conformity assessment service to enterprises ranging from SMMEs to large enterprises, including government's black industrialist programme 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 Develop and promote standards which enables South African enterprises to compete in the global market and gain access to new markets
Priority 3: Education, Skills and Health			<ul style="list-style-type: none"> Development and promotion of standards System certification services Product certification on regulated products, including health (condoms, radiation, pharmaceutical), local government, construction Consignment inspection on behalf of various departments Ongoing training of staff
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"> Ongoing focus of appointing of women, youth and people with disabilities into the SABS Implementation of a learnership programme



Direct



Indirect

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
- 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






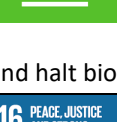

The masterplans will be export-oriented and target labour-intensive sectors. This industrial effort will seek to diversify the economy and facilitate the participation of black people and women in the economy.

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.

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 End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> • ISO/SANS 9001 – Quality management systems • ISO/SANS 14000 family of standards for environmental management • SANS 1734 - Specification for an anti-bribery management system (ABMS)
 <p>2 ZERO HUNGER End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> • ISO/SANS 22000 – Food safety management • ISO/SANS 26000 - Social responsibility
 <p>3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> • ISO/SANS 13485 – Medical devices • ISO/SANS 11137 series for the sterilisation of healthcare products by radiation
 <p>4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> • ISO/SANS 14000 family of standards for environmental management • ISO/SANS 9001 – Quality management systems
 <p>5 GENDER EQUALITY Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> • ISO/SANS 26000 - Social responsibility
 <p>6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> • ISO/SANS 14000 family of standards for environmental management • ISO/SANS 5667 – Water quality • ISO/SANS 55001 – Asset management
 <p>7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> • ISO/SANS 50001 – Energy management systems
 <p>8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • ISO/SANS 45001 - Occupational health and safety management systems
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>	<ul style="list-style-type: none"> • ISO/SANS 9001 – Quality management systems • ISO/SANS 10002 – Customer satisfaction • ISO/SANS 14000 family of standards for environmental management • ISO/SANS 19011 -Auditing management systems • ISO/SANS 28000 - Security management systems for the supply chain
 <p>10 REDUCED INEQUALITIES Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> • ISO/SANS 26000 - Social responsibility • ISO/SANS 9001 – Quality management systems

SDG outcome		Examples of standard adopted in South Africa
	Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> • ISO/SANS 5667 – Water quality • SANS 1734 - Specification for an anti-bribery management system (ABMS)
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • ISO/SANS 14020 – Environmental labelling • ISO/SANS 9001 – Quality management systems • ISO/SANS 14000 family of standards for environmental management
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> • ISO/SANS 14000 family of standards for environmental management • ISO/SANS 18606 - Packaging and the environment: organic recycling
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none"> • ISO/SANS 9001 – Quality management systems • ISO/SANS 26000 - Social responsibility • ISO/SANS 14020 – Environmental labelling
	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"> • ISO 14000 family of standards for environmental management • ISO/SANS 5667 – Water quality
	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"> • ISO/SANS 31000 – Risk management • ISO/SANS 45001 - Occupational health and safety management systems • SANS 1734 - Specification for an anti-bribery management system (ABMS)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	The SABS recognises the importance of partnerships. A SANS is 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>)

4. 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.

4.1 External environment

Socio-political factors

In the years which have followed the global financial and economic crisis of 2008 the domestic economy has been characterised by low levels of year-on-year GDP growth, tracking below the mean for peer middle income (MIC) countries. Apart from exogenous factors the achievement of higher levels of domestic economic growth and industrial development are constrained by a range of deep-seated structural problems. These structural fault-lines, set out in more detail in the National Development Plan (NDP), include the extent to which the economy is dependent on the export of primary commodities (resource dependency); low levels of investment in the productive sectors of the economy, especially the manufacturing sector; high levels of economic concentration and high barriers to entry; very high levels of race and gender based unemployment and inequality and skills shortages and mismatches. These deep-seated structural problems have been exacerbated in the recent period by a range of other constraints including steeply rising administrative prices and inefficiencies in the provision of infrastructure, electricity, water and rail and port logistics; institutional and operational failures in key state owned companies (SOCs) and the private sector as well as a lack of policy certainty and integration across Government to support the industrial effort.

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 and 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.

Economic outlook

According to the South African Reserve Bank's June 2019 Quarterly Bulletin, the South African economy is characterised by severe electricity-supply disruptions and continued weak business confidence. Real gross domestic product (GDP) contracted sharply by an annualised 3.2% in the first quarter of 2019 – the largest decrease since the first quarter of 2009 - but remained unchanged when measured over four quarters. The contraction was broad-based with real output decreasing in the primary, secondary and tertiary sectors, and in seven of the subsectors. The real output of the secondary sector also contracted sharply in the first quarter of 2019, aggravated by the electricity-supply disruptions. Real GDP by the

manufacturing sector as well as the electricity, gas and water supply sectors declined, while construction activity decreased further in the first quarter of 2019.

Implications for the SABS

The weak economic outlook for South Africa means subdued growth and weak trading conditions in key sectors that utilise the SABS conformity assessment services such as mining, construction and manufacturing. This has had an adverse impact on the organisation's revenue. The weak economic conditions and a more competitive conformity assessment market environment with foreign competitors aggressively targeting the South African market, means the organisation is confronted with a very challenging business environment. Increasingly, the SABS must focus on promoting and increasing awareness of standardisation amongst decision makers across the economy.

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.

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.

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 commitments to COP17. 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.

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.

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, 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.

4.2 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 process 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. The term of the co-administrators will end with the appointment of a new board.

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 particular 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

4.3 SWOT analysis

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

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

PART C: MEASURING PERFORMANCE

5. INSTITUTIONAL PERFORMANCE INFORMATION

The SABS, as an organ of state and a Schedule 3B PFMA entity, has a clearly defined legislative mandate. As a business enterprise the organisation seeks to:

Impact statement

Support economic growth, international trade, improve business performance, reduce risks, keeps consumers safe and encourage innovation

Desired outcomes

- Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans
- Provide an internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy
- Build a capable and efficient SABS:
 - Reduce financial losses
 - Improve operational efficiencies
 - Improve employee engagement
 - Increase economic participation of designated groups

On an annual basis, performance indicators are reviewed and updated to take into account any changes to the SABS' strategy or reflect key focus areas over the medium-term.

Given the SABS' role, it is recognised that the successful delivery on the respective targets as reflected below, is predicated on the following key factors:

- Continued financial support from **the dtic** in the form of an annual grant to support the SABS mandate
- Financial support from Government to support the local content verification programme
- Continued market demand for the SABS' conformity assessments services
- Ability of the SABS to adequately finance the aging testing infrastructure and to remain financially sustainable by generating sufficient returns to fund its activities and operational expenditure

Refer to Section 9 for key risks and mitigations plans and Annexure C for detailed definitions

Measuring impact and outcomes

Impact statement	Outcome	Link to SABS strategic objective	Outcome indicator	Baseline (FY2019)	Three year target
Support economic growth, international trade, improve business performance, reduce risks, keeps consumers safe and encourage innovation	Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	Develop, promote and increase the use of standards	Number of sector standards roadmaps completed	Not applicable (note 1)	As per agreement with the dtic
	Provide an internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy	Provide integrated conformity assessment services solution	Customer satisfaction rating	73%	85%
			Number of active customers	7 935	9 230
	Build a capable and efficient SABS: <ul style="list-style-type: none"> • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups 	Achieve and maintain financial sustainability	Net profit of SABS Group	R4.4 million loss	Profit of R3.2 million by FY2023
		Continuous improvement in internal systems and process	Cost-to-income ratio	111%	<100% by FY2023
		Creating and maintaining a high-performance culture	Employee engagement survey	Rating of 2.05 out of 5 (May 2018)	Minimum rating of 3 out of 5
			Designated groups appointed as % of total headcount	Women: 43.1%	Women: 50.0%
				Youth: 25.0%	Youth: 30.0%
				People with disabilities: 1.8%	People with disabilities: 2.0%

Note 1: Previously: % deliverables completed per IPAP

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.

Annual performance plan for 2020/21 to 2022/23

Outcome	Output	Output indicator	Actual	Estimated performance	MTEF Period			Some key initiatives
			FY2018/19	FY2020	FY2020/21	FY2021/22	FY2022/23	
Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	Develop agreed sector standards roadmap which are aligned to Government's industrialisations master plans	Number of sector standards roadmaps completed	80% (Note 1)	80% (Note 1)	As per agreement with the dtic	As per agreement with the dtic	As per agreement with the dtic	<ul style="list-style-type: none"> Participation in key regional and international standardisation bodies Strengthen technical committees Improve stakeholder engagement
	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	Number of quarterly reports submitted	Not a measure	4	4	4	4	<ul style="list-style-type: none"> Quarterly update on interventions supporting initiatives such as Sector Master Plans and the African Continental Free Trade Area
Provide an 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	73%	73% (Dec 2019)	75%	80%	85%	<ul style="list-style-type: none"> Integrated customer service model Review of survey methodology
	Attract and retain customers	Increase in number of active customer	7 935	7 869 (Dec 2019)	Maintain 2019/20	5% annual increase from prior year	5% annual increase from prior year	<ul style="list-style-type: none"> Testing infrastructure upgrade Digitisation programme New product/service development Marketing programme

Note 1: Previously: % deliverables completed per IPAP

Annual performance scorecard for 2020/21 to 2022/23 (continued)

Outcome	Output	Output indicator	Actual	Estimated performance	MTEF Period			Some key initiatives
			FY2018/19	FY2020	FY2020/21	FY2021/22	FY2022/23	
Build a capable and efficient SABS: <ul style="list-style-type: none"> • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups 	Achieve and maintain financial sustainability of SABS Group	Net profit of SABS Group	Loss of R4.4 million	Loss of R53.1 million	Loss below R51.5 million	Loss below R32.7 million	R3.2 million profit	<ul style="list-style-type: none"> • Revenue generation initiatives as detailed above • Prudent cost management • Productivity enhancement programme
	Improve cost-to-income ratio of SABS Group	Cost-to-income ratio of SABS Group	111%	117%	112%	111%	<100%	<ul style="list-style-type: none"> • Review of key operational processes • Digitisation programme • Testing infrastructure upgrade • Productivity enhancement programme
	Improve employee engagement	Employee engagement rate	Not measured	Not yet measured at Dec 2019	Rating of 3 out of 5	Rating of 3 out of 5	Rating of 3 out of 5	<ul style="list-style-type: none"> • Review of key policies and procedures • Review of health, safety and environment practises • Targeted recruitment
	Supporting the economic participation of designated group	• % of women supported	43.1%	44.9% (Dec 2019)	46%	48%	50%	<ul style="list-style-type: none"> • Targeted recruitment
		• % of youth supported	25.0%	22.8% (Dec 2019)	24%	27%	30%	
		• % of people of disabilities supported	1.8%	1.7% (Dec 2019)	1.8%	1.9%	2%	

Quarterly breakdown of 2020/21 performance targets

Output	Output indicator	Annual target	Quarterly target			
		2020/21	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Develop agreed sector standards roadmap which are aligned to Government's industrialisations master plans	Number of sector standards roadmaps completed	As per agreement with dtic	As per agreement with dtic	As per agreement with dtic	As per agreement with dtic	As per agreement with dtic
Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	Number of reports submitted	4	1 (YTD)	2 (YTD)	3 (YTD)	4 (YTD)
Improvement in overall customer satisfaction with SABS services	Customer satisfaction rate	75%	75%	75%	75%	75%
Attract and retain customers	Increase in number of active customer	Maintain 2019/20	Maintain 2019/20	Maintain 2019/20	Maintain 2019/20	Maintain 2019/20
Achieve and maintain financial sustainability of SABS Group	Net profit of SABS Group	Loss of R51.5 million	Loss below R9.6 million	Loss below R16.3 million	Loss below R42.0 million	Loss below R51.5 million
Improve cost-to-income ratio of SABS Group	Cost-to-income ratio of SABS Group	106%	106%	106%	106%	106%
Improve employee engagement	Employee engagement rate	Rating of 3 out of 5	N/A	N/A	N/A	Rating of 3 out of 5
Supporting the economic participation of designated group	% of women supported	46%	46%	46%	46%	46%
	% of youth supported	24%	24%	24%	24%	24%
	% of people of disabilities supported	1.8%	1.8%	1.8%	1.8%	1.8%

PART D:

SABS DIVISIONS

6. OPERATING DIVISIONS

6.1 Standards

Developing, maintaining and promoting South African National Standards (SANS) is the primary function of the Standards division of the SABS. Standards catalyse economic activity to secure societal benefits, support local manufacturers and priority industrial sectors to enable companies to compete in the domestic and overseas markets. Industry and consumers need standards to support innovation, provide protection against poor quality products and to lower the cost of production.

Product and services:

- Develop and maintain SANS, South African Technical Specifications (SATS) and South African Technical Report (SATR)
- Represent South Africa and strategically influence international and regional standards organisations such as ISO, IEC, ARSO, SADCSTAN, AFSEC and PASC
- Market and sale of standards
- Undertake economic impact assessments of standards published
- The SABS is the designated authority to the World Trade Organisation's "Technical Barriers-to-Trade" (WTO/TBT) enquiry point in South Africa

In the next three years there will be specific focus on:

- Development of standards
 - Support Government in the focussed development of standards linked to and prioritised in the various master plans as identified as part of Government's Industrial Strategy Master Plans
 - Develop a National Standardisation Strategy to improve alignment and prioritisation of the standards programme of work to national priorities and industrial sectors. This will also involve improving the interface with Government regulators and industry to ensure alignment of efforts, including to the identification of and work with all regulatory institutions where SANS can support industrial and economic development.
 - Continue to participate in national and international standard development forums to stay abreast of latest development and ensure that a South African and African perspective is presented at these discussions
 - Improve productivity and efficiency of the standards development process
 - Sourcing of mission critical skills, including standard writers and technical specialist
 - Refocus and strengthen Technical Committee outputs through the filling of vacant committee chairperson and general committee participation

-
- Invest in the upgrade of key infrastructure, including refurbishment of committee rooms and upgrading of telecommunication tools. This will also include making better use of ISO platforms
 - Pay special attention to the harmonisation of African standards as one of the key requirements for the success of the AfCFTA
 - Promotion of standards
 - Review and improve systems, procedures and subscriptions models to improve access to standards
 - Forge new and strengthen existing regional and international stakeholder relationships (BRICS, ISO, IEC, SADC, ARSO) to increase standards harmonisation, trade relationships (market access) and strategic partnerships in line with national priorities
 - Standard sales
 - Focus on broader promotion and a sales and marketing drive to increase the uptake and implementation of standards.
 - WTO
 - Expand the WTO notification point to an information centre to further improve support to industry and regulators

6.2 Certification

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 a number of 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) although a funding model for LCV has yet to be developed by Government. Further pilot work is being undertaken 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 includes:

- 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)
- Consignment inspections

For the next three years the focus will be on:

- Third party management systems certification which is increasingly becoming a critical tool for market access globally. Certification by an accredited certification body demonstrates compliance to a standard, an industry specific code of practice or regulatory requirements, and is an important business improvement and sustainability tool. As South Africa continues to drive localisation as an industrial policy instrument, the provision of product and systems certification service, aligned with local content verification in an efficient and globally competitive manner, will be a critical lever to support the industrialisation effort and the creation of a globally competitive industrial capacity in the country.
- 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 systems.
- 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.

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, and chemicals and material. 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.

To remain relevant the division will focus on the following over the next three years:

- Ongoing investment in new equipment and the maintenance of laboratory infrastructure. Key focus areas will include sectors identified as part of Government's industrialisation efforts, including but not limited to: electrotechnical (including energy efficiency and electromagnetic compatibility), chemicals and materials, mining and minerals, automotive and mechanical (mostly civil testing).

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.

- 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.
- In conjunction with other SABS divisions, develop and implement an integrated mineral and petroleum resource industry conformity assessment services support plan.
- Focus on new business development opportunities as well as converting sales and marketing efforts

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.

In the next three years focus will be on:

- 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
 - Promote and market training services to industry
 - 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 partnership with tertiary institutions to secure NQF accreditation for training

6.5 SMME support services

The SMME business unit focusses on guiding small- to medium enterprise as well as big cooperates and government departments to meet product and service requirements as per South African National Standards and ultimately certification. The greater objective of system certification is to elevate the maturity of the management systems of these businesses to enable them to improve the quality of the products and services that they offer. The SMME unit is currently supporting various programmes which will continue into the new financial year. New programmes will be also be targeted in the new financial year.

6.6 Marketing, sales and, customer services

The SABS has to reorient itself to be a marketing and sales led organisation in order to reach its revenue objectives. This requires the Marketing, Sales and Customer services business units to integrate with the operating divisions in order to provide SABS customers with a seamless customer experience which will result in customer growth, retention, new business development.

Over the next three years the focus will be on repositioning these business units as part of an overhaul of the SABS' operating model. Within Marketing, Sales and Customer Services the following key initiatives are planned:

- Marketing
 - Implement a market-led business development plan to support the revenue objectives

-
- Reposition marketing to lead the effort to reclaim SABS as a thought leader on all matters relating to quality
 - Drive the SABS brand through digital and social media, assisting business to regain customer confidence and increase brand equity
 - Increase direct networking through outreach and presence at relevant events
 - Implement partnership model with sister entities to increase leverage e.g. Proudly SA
 - Sales
 - Optimise sales processes to improve the quantum of leads generated and conversion thereof to revenue
 - Increase response levels to tenders, bids and proposals
 - Establish and implement an integrated value proposition with particular emphasis on services to public entities, municipalities and regulators
 - Expand the service offerings with the establishment of a focused advisory service
 - Customer services
 - Improve customer experience through a single point of entry into SABS
 - Transform the call centre from a cost centre into a profit centre by repurposing it into a customer contact centre
 - Improve capturing, measurement and analysis of customer engagements, complaints and complaints resolutions.

7. SUPPORT SERVICES

The support services of the SABS play an important support and governance role. Reflecting briefly on 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 employee's, 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

Over the next three years, focus will continue to be on:

- Ensure that HR becomes an optimal, effective and enabling function
 - Revise the HR operating model and role profiles
 - Implement an upskilling programme to accelerate HC service delivery
 - Finalise the review and development of the full suite of internal policies
- Drive integrated performance and talent management practices
 - Embed an optimal performance management system
 - Conduct performance management training
 - Develop an integrated talent management strategy
- Develop leadership required to move the institution to the high performance institution
 - Complete a skills and culture audit. Develop talent acquisition plans to fill any gaps
 - Develop a targeted leadership development programme based on the outcomes of a leadership competency framework
- Develop and implement a “fit for purpose” remuneration and reward philosophy and framework
 - Revise reward and remuneration policies
- Develop an integrated institution-wide learning strategy
- Build a team of the highest quality that represents the demographics of the country, employing staff in line with the country’s employment equity and gender requirements.
- Review and updated all job profiles
- Facilitate a SABS transition towards a service and customer-centric culture
- Develop an Integrated Wellness Programme with the objective of improving the health and well-being of SABS employees

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. Digitally enabled e-commerce platform

-
- SABS e-Learning platform (capable of sales of online training material and courses)
 - A facilities management system SABS Enterprise customer portal
 - 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. In the next three years to 2021/22, focus will be on:

- Following the qualified audit opinion for the last financial year, the finance division will continue to work closely with the Auditor-General South Africa (AGSA) to return SABS to unqualified audit status. Focus has been on closing the gaps identified in the 2019/20 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 (re design of current processes)
- Management of the working capital cycle of SABS and subsequent improvement of the cash flow position
- 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.

In the next three years focus will be on:

- 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.

- Enhance 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.
- 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. In the next three years, the Facilities function will aim to:

- Ensure that all critical infrastructure is maintained to support revenue generation
- Maintain the SABS premises to quality standards
- The SABS will develop an appropriate short- and longer-term property development strategy aimed at maximising the value of SABS properties and securing revenue thus enhancing financial sustainability

PART E:

ACHIEVING FINANCIAL SUSTAINABILITY

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 SABS applied a general inflation rate of 5.1% in the preparation of the Corporate Plan except where specific adjustments or a budget for non-recurring expenses was done.
- Over the MTEF, the grant allocations have been made in favour of SABS are R273.4 million, R273.7 million and R283.7 million for 2020/21, 2021/22 and 2022/23 financial years respectively (ex VAT).
- Additional allocations of R36 million over MTEF in favour of SABS has been factored for sector local content verification of R7.8 million per financial year and for sanitary towels verification of R2.6 million per financial year (ex VAT).

The salient features of the plan for the financial years 2020/21 to 2022/23 is that the turnaround strategy of the Group SABS Group will only result in profitability in year three of the financial planning cycle.

The Group is projected to record a net loss of R51.5 million in 2020/21, R32.7 million in 2021/22 and return to profitability of R3.2 million in 2022/23. 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 2.8% over the past five years due to a number of unfavourable operating factors has also contributed to the slow turnaround.
- An increase of 31% in employee benefits from R422.9 million in 2014 to R553.8 in 2019 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 profits to cover this cost and this has resulted in the organisation utilising its cash reserves to pay the bills.

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

The Groups 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 (Durban vacant land; Saldanha; Little Go Farm) in the near future. The property developments 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 2015/16	Actual R'000 2016/17	Actual R'000 2017/18	Actual R'000 2018/19	Budget R'000 2019/20	YTD R'000 Dec-19	Forecast R'000 2019/20	Budget R'000 2020/21	% Growth	Budget R'000 2021/22	Budget R'000 2022/23
Revenue	543 953	500 574	516 361	501 285	554 646	322 135	506 487	562 682	11%	621 579	682 656
Laboratory Services	155 074	162 016	176 598	156 162	203 640	91 978	168 239	195 158	16%	206 867	219 279
SMME	5 658	7 516	4 329	1 356	1 451	149	943	5 000	430%	5 400	5 832
Certificate of compliance	-	-	-	14 827	20 000	7 948	20 000	16 548	-17%	18 203	20 933
Training	9 053	11 709	12 459	10 228	14 352	9 783	14 353	15 500	8%	22 500	32 500
Product and system certification	313 394	282 592	288 108	291 002	286 378	186 116	271 040	295 434	9%	316 114	338 242
New Business - Consulting	-	-	-	-	-	-	-	-	0%	10 000	12 000
Design Institute services	21 014	7 240	7 338	1 772	2 725	761	1 304	-	-100%	-	-
Sale of publications	39 759	29 500	27 529	25 938	26 100	25 399	30 607	35 042	14%	42 495	53 869
Other Income	66 754	43 957	39 043	64 915	92 485	41 721	66 806	55 243	-17%	67 661	70 250
Government Grant	189 662	183 211	243 153	232 477	267 654	191 695	267 654	273 369	2%	273 694	283 710
Core funding	189 662	183 211	243 153	232 477	267 654	191 695	267 654	259 433	-3%	273 694	283 710
Government grants in respect of operating expenditure	-	-	-	-	-	-	-	13 936	-	-	-
Total income	800 370	727 742	798 557	798 678	914 785	555 551	840 946	891 294	6%	962 934	1 036 616
Administrative and operating expenses	(727 404)	(727 717)	(759 208)	(779 721)	(916 327)	(587 119)	(868 492)	(899 723)	4%	(950 365)	(985 834)
Employee benefits	(497 888)	(507 957)	(529 995)	(553 818)	(629 717)	(414 581)	(586 758)	(624 488)	6%	(661 093)	(681 809)
Contract Services	(69 700)	(59 753)	(62 231)	(59 725)	(78 504)	(41 583)	(79 308)	(76 998)	-3%	(80 925)	(85 053)
Strategic projects	-	-	-	-	-	-	-	-	0%	-	-
Premises costs	(4 371)	(4 399)	(4 231)	(3 181)	(2 597)	(572)	(2 286)	(3 402)	49%	(3 576)	(3 758)
Marketing & Communication	(6 730)	(5 192)	(3 613)	(2 758)	(12 845)	(8 931)	(16 401)	(8 237)	-50%	(8 657)	(9 099)
Consulting & Technical Fees	(8 541)	(10 795)	(11 453)	(16 589)	(16 408)	(8 452)	(17 541)	(17 244)	-2%	(18 124)	(19 048)
Consumables	(15 202)	(12 930)	(14 232)	(12 817)	(16 071)	(9 350)	(13 385)	(14 068)	5%	(14 785)	(15 539)
Travel foreign	(15 381)	(16 139)	(15 131)	(14 088)	(18 440)	(10 636)	(16 855)	(14 131)	-16%	(14 852)	(15 610)
Travel local	(19 410)	(17 974)	(19 177)	(20 597)	(21 326)	(14 365)	(20 472)	(20 253)	-1%	(21 285)	(22 371)
Municipal services	(41 938)	(47 651)	(50 036)	(49 031)	(61 526)	(39 264)	(55 943)	(58 318)	4%	(61 292)	(64 418)
Other operating expenses	(48 242)	(44 927)	(49 109)	(47 117)	(58 894)	(39 384)	(59 544)	(62 583)	5%	(65 775)	(69 129)
Profit/(loss) from operations	72 966	25	39 349	18 957	(1 542)	(31 567)	(27 546)	(8 430)	-69%	12 569	50 783
Depreciation	(51 336)	(38 597)	(42 630)	(43 871)	(53 371)	(33 886)	(51 836)	(49 829)	-4%	(52 371)	(55 042)
Government grants in respect of assets	11 202	8 016	8 925	8 715	11 377	5 071	11 377	9 144	-20%	9 610	10 100
Profit/(loss) before other income/expenses, interest and tax	32 832	(30 557)	5 644	(16 198)	(43 536)	(60 383)	(68 005)	(49 116)	-28%	(30 191)	5 841
Other income	4 191	1 086	8 024	5 939	3 044	2 224	3 654	-	-100%	-	-
Other non-operating expenses	(39 930)	(45 379)	(90 946)	(24 188)	(21 634)	(15 716)	(22 473)	(21 439)	5%	(22 532)	(23 682)
Profit/(loss) before interest, corporate charges and tax	(2 907)	(74 850)	(77 277)	(34 447)	(62 125)	(73 875)	(86 825)	(70 555)	-19%	(52 724)	(17 840)
Finance income/ (costs)	25 270	30 462	29 109	30 073	18 150	37 757	34 684	19 076	-45%	20 030	21 032
Profit/(loss) before corporate charges and tax	22 363	(44 388)	(48 168)	(4 375)	(43 975)	(36 117)	(52 140)	(51 478)	1%	(32 694)	3 191

Revenue

Commercial revenue of R562.7 million in the first year of the planning period is projected to grow by 11% from forecast 2019/20, thereafter growing to R682.7 million by 2022/23. The growth assumptions takes into account the current economic conditions, competitive landscape as well 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 53% followed by Laboratory services at 35% with the lowest contribution at just 1% by the SMME.

The revenue growth from R195.2 million in 2020/21 to R219.3 million in 2022/23 of Laboratory services revenue will be driven by the replacement and improvement in testing Infrastructure.

Sale of publications is expected to increase by 14% from forecast 2019/20 to R35 million in 2020/21, revenue is projected at R42.5 million for the financial year 2021/22, growing to R53.9 million in 2022/23.

The Training Academy projected revenue is R15.5 million in 2020/21 growing to R32.5 million in 2022/23.

SMME is projecting a revenue of R5 million in 2020/21 growing to R5.8 million in 2022/23.

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 2020/21 is anticipated at R273.4 million. The grant funding allocation will increase to R273.7 million and R283.7 million in 2021/22 and 2022/23 respectively.

Expenditure

Administrative and operating expenses are expected to grow from R899.7 million to R985.8 million over the three year planning period from 2020/21 to 2022/23. The growth in these expenses is driven mainly by employee benefit costs which constitute 70% of the budgeted administrative and operating expenses. Employee benefit expenses will increase from R624.5 million in 2020/21 to R681.8 million in 2022/23 due to filling of critical positions as well as the upward cost of living adjustments. The increase in employee benefits for the planning period is budgeted at 5.9% in 2020/22 and 3.1% in 2022/23. 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 possible organisation structure review.

Contract services are expected to reduce by 1.9% and consulting costs are expected to increase by 5.1% when compared to the 2019/20 budget. These costs will be actively negotiated with various service providers.

Marketing and communications costs are expected to increase by the inflation rate of 5.1% over the planning period from the 2021/20 forecast. The marketing budget is of strategic importance to SABS considering the mandate and competitive environment. Marketing of 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 4.9% in 2020/21 when compared to the 2019/20 forecast due to the upgrading of laboratories which is expected to increase the capacity in the laboratories.

Local and foreign travel costs are expected to increase by the inflation rate annually.

Municipal services costs of R58.3 million are projected to increase due to anticipated energy cost escalations anticipated 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

SABS is projecting a net loss position of R51.5 million in 2020/21 driven by the insufficient revenue and grants to cover the cost base of the Group.

The implications of IFRS 16 (Leases) have not been taken into account in the financial plan; therefore the Financial Plan may require revision.

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 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.

Objective	Output indicator	Basis	Actual	Budget		
			Sep 2019	2020/21	2021/22	2022/23
Develop, promote and increase the use of standards	Develop agreed sector standards roadmap which are aligned to Government's industrialisations master plans - number of sector standards roadmaps completed as per agreement with the dtic	Standards divisions' admin and operating expenditure	R38.6 million	R74.4 million	R78.0 million	R81.9 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	R387.3 million	R899.7 million	R950.4 million	R985.8 million
Provide integrated conformity assessment service solutions	Improvement in overall customer satisfaction with SABS services - Customer satisfaction rate	Admin and operating expenditure of the SABS Group	R387.3 million	R899.7 million	R950.4 million	R985.8 million
	Attract and retain customers - Increase in number of active customer	Admin and operating expenditure of the SABS' conformity assessment services business	R207.9 million	R476.2 million	R501.6 million	R527.2 million
Maintaining financial sustainability	Achieve and maintain financial sustainability of SABS Group - Net profit of the SABS Group	Admin and operating expenditure of the SABS Group	R387.3 million	R899.7 million	R950.4 million	R985.8 million
Continuous improvement in internal systems and process	Improve cost-to-income ratio of SABS Group - Cost-to-income ratio of the SABS Group	Ratio – thus not applicable	N/A	N/A	N/A	N/A
Creating and maintaining a high-performance culture	Improve employee engagement - Employee engagement rate	Forms part of total remuneration expenditure	R272.5 million	R624.5 million	R661.1 million	R681.8 million
	Supporting the economic participation of women, youth and people with disabilities	Internal focus: Forms part of total remuneration expenditure	R272.5 million	R624.5 million	R661.1 million	R681.8 million

8.3

Statement of group financial position

	Actual	Actual	Actual	Projected budget	Projected budget	Projected budget	Projected budget
	Mar 2017	Mar 2018	Mar 2019	2019/20	2020/21	2021/22	2022/23
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS							
Non-current assets	1 181 312	1 162 745	1 033 083	803 178	975 493	946 547	915 034
Fixed assets	734 165	712 153	720 500	692 320	861 309	828 938	793 896
Available-for-sale investments	427 338	430 525	312 583	110 858	114 184	117 609	121 138
Deferred taxation	19 809	20 067	-	-	-	-	-
Current assets	240 750	294 223	462 947	760 474	513 426	482 002	492 964
Inventory	1 640	2 708	3 125	3 750	4 125	4 373	4 635
Trade and other receivables	147 167	165 520	200 661	240 793	288 952	375 638	488 329
Cash and cash equivalents	91 943	125 995	259 161	515 931	220 349	101 992	-
Total assets	1 422 062	1 456 968	1 496 030	1 563 652	1 488 919	1 428 549	1 407 998
EQUITY AND LIABILITIES							
Equity and reserves	875 245	858 029	884 434	834 294	781 315	747 121	748 813
Accumulated profit	819 034	791 191	811 303	759 163	707 684	674 990	678 182
Capital and reserves	56 211	66 838	73 131	75 131	73 631	72 131	70 631
Non-current liabilities	375 486	357 849	314 618	508 228	499 968	491 242	482 024
Employment benefit obligations	101 576	98 388	92 203	82 446	83 329	84 213	85 095
Deferred income	273 910	259 461	221 003	425 782	416 639	407 029	396 929
Deferred taxation	-	-	1 412	-	-	-	-
Current liabilities	171 331	241 090	296 978	221 130	207 636	190 186	177 161
Trade and other payables	97 435	125 138	160 154	179 078	178 000	159 115	144 758
Provisions	56 113	74 858	784	20 000	9 245	9 611	9 818
Employment benefit obligations	10 219	10 129	10 319	10 675	11 247	11 850	12 485
Deferred income	7 564	30 965	125 721	11 377	9 144	9 610	10 100
Total equity and liabilities	1 422 062	1 456 968	1 496 030	1 563 652	1 488 919	1 428 549	1 407 998

The SABS anticipates total assets to reach R1.4 billion during the planning period. Property, plant and equipment is expected to increase by R101.6 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. In the event that the resources are not available, planned activities and revenue projections will have to be reassessed.

8.4 Group capital expenditure

Capex Budget 2020/21 - 2022/23				
Areas	2020/21	2021/22	2022/23	Grand Total
ICT	34.0	-	-	34.0
Facilities	92.4	-	-	92.4
Laboratory Services	89.3	20.0	20.0	129.3
Others	3.2	-	-	3.2
Grand Total	218.8	20.0	20.0	258.8

A capital expansion plan of R258.8 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 Mar 2017 R'000	Actual Mar 2018 R'000	Actual Mar 2019 R'000	Projected budget 2019/20 R'000	Projected budget 2020/21 R'000	Projected budget 2021/22 R'000	Projected budget 2022/23 R'000
Cash (outflow)/inflow from operating activities	(12 458)	49 146	(36 658)	(11 734)	(73 439)	(94 931)	(78 464)
Cash received from customers	538 536	531 165	549 310	536 814	583 702	602 554	640 215
Cash received from government	183 211	243 153	232 477	267 654	259 433	273 694	283 710
Cash paid to suppliers and employees	(764 349)	(754 281)	(854 237)	(850 886)	(935 650)	(991 209)	(1 023 421)
Cash (utilised by)/generated from operations	(42 602)	20 037	(72 450)	(46 418)	(92 515)	(114 961)	(99 496)
Net finance revenue and dividends	30 144	29 109	35 792	34 684	19 076	20 030	21 032
Cash (outflow)/inflow from investing activities	(63 953)	(15 094)	169 824	268 504	(222 144)	(23 426)	(23 528)
Purchase of fixed assets	(42 459)	(18 913)	(21 597)	(23 656)	(218 818)	(20 000)	(20 000)
Purchase of intangible assets	(273)	(5 973)	(3 100)	-	-	-	-
Proceeds on disposal of property, plant and equipment	4	116	93	-	-	-	-
Purchase of available-for-sale investments	(124 225)	(448 385)	(24 528)	(6 275)	(3 326)	(3 426)	(3 528)
Disposal of available-for-sale investments	103 000	458 061	132 000	208 000	-	-	-
Grant funding/external funding	-	-	86 956	90 435	-	-	-
Cash inflow from financing activities							
Funding for government specific projects	5 579	-	-	-	-	-	-
(Decrease)/increase in cash and cash equivalents	(70 832)	34 052	133 166	256 770	(295 583)	(118 356)	(101 992)
Cash and cash equivalents at beginning of year	162 775	91 943	125 995	259 161	515 931	220 349	101 992
Cash and cash equivalents at end of year	91 943	125 995	259 161	515 931	220 349	101 992	-

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. No cash and cash equivalents are projected for 31 March 2023. This is due to the fact that the SABS forecasts to have utilised all of its cash reserves by 2023. This represents a decrease of R259.2 million since 31 March 2019, mainly 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, to prevent the SABS from running out of cash.

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 BBBEE requirements set out in Government policy and relevant legislation.

PART F:

RISK AND FRAUD MANAGEMENT

9. RISK MANAGEMENT AND FRAUD PLANS

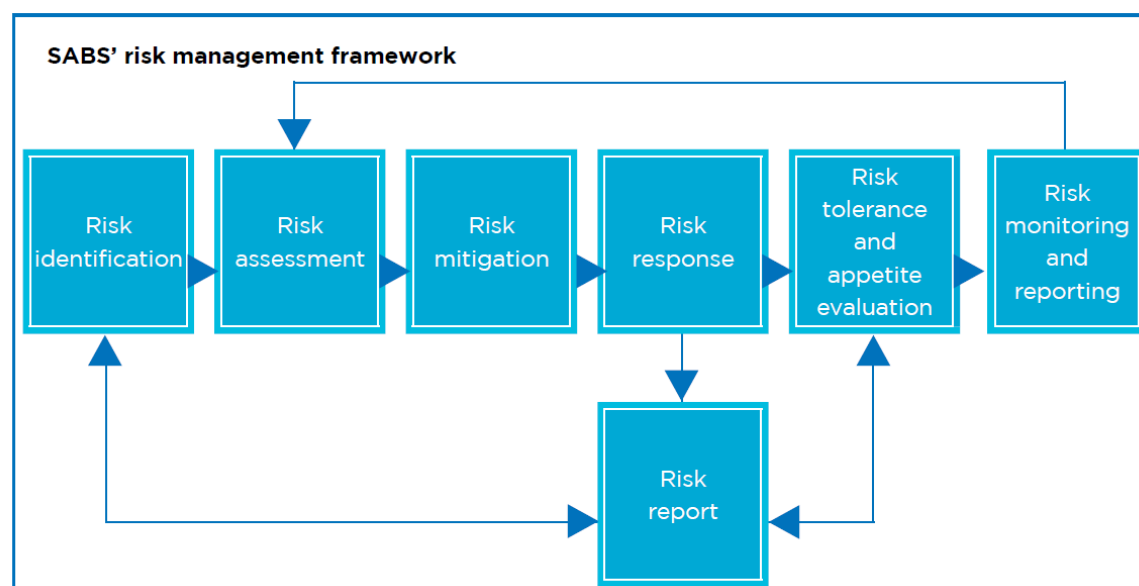
The SABS has both a legislative mandate and a commercial interest to ensure its long term sustainability. Section 51(1)(a)(i) of the PFMA requires the Accounting Authorities to ensure that their Institutions have and maintain effective, efficient and transparent systems of risk management.

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.

Outcome	Strategic objectives	Risk theme	Impact	Inherent risk rating	Mitigation	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
Develop, promote and maintain South African National Standards which are aligned to Government's industrialisation strategies or plans	Develop, promote and increase the use of standards	Standards development, Governance & Promotion	<ul style="list-style-type: none"> Loss of stakeholder confidence Reputation and service delivery 	High	<ul style="list-style-type: none"> Standards procedures and policies Compliance with SANS 1.1 Standards development/review Committees 	Medium	Develop and implement the National Standards Strategy	31 March 2021	Exec: Standards
							Develop and implement the Standards Development Project Management tool	31 March 2021	Exec: Standards
							Review of Divisional policies and procedures including Technical Committees and Standards Committees.	31 March 2021	Exec: Standards
Provide an internationally recognised conformity assessment services that continue to support the needs of South African enterprises competing in a fast-paced global economy	Provide integrated conformity assessment service solutions	Loss of stakeholder confidence and customer dissatisfaction	<ul style="list-style-type: none"> Loss of revenue Redundant capacity Underutilisation of assets Reputational damage 	High	<ul style="list-style-type: none"> Stakeholder engagements, including customers, industry associations, regulators, etc. Customer care line Quality assurance programme Governance structures, e.g. bid committee, approvals board. Business development initiatives (e.g. revenue projects, pipeline) Customer satisfaction index. 	High	Enhancing strategic relationships with regulators, industry associations Government departments and other Government entities to provide value-adding customised services	31 March 2021	Execs: Cert and Lab Services
							Developing new digital channels to improve the customer experience and improve service/product request and customer engagement turnaround times and provide better visibility of customer and stakeholder engagements	30 Sep 2021	CFO
							Review and implement the Standards Stakeholder Engagement plan	31 March 2020	Exec: Standards
							Strategic engagement between the Board of SABS and SANAS to address outstanding accreditation issues and improve relations	31 March 2021	Exec: Cert

Outcome	Strategic objectives	Risk theme	Impact	Inherent risk rating	Mitigation	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
Build a capable and efficient SABs: <ul style="list-style-type: none">• Reduce financial losses• Improve operational efficiencies• Improve employee engagement• Increase economic participation of designated groups	Achieve and maintain financial sustainability	Financial sustainability	<ul style="list-style-type: none">• Inability to keep the right level of expertise, appropriate incentives and international exposure• Loss of revenue	High	<ul style="list-style-type: none">• Cost containment measures have been put in place• Budget and financial management processes• Working capital management to manage cash flows• Existing pricing models	Medium	Develop and execute the new business pipeline from sales to revenue conversion	Monthly	Exec: Cert
			Conclude partnerships with additional laboratories to enhance SABs testing capability		Ongoing		Execs: Cert and Lab Services		
			Strengthening of cost containment measures		Monthly		CFO		
			Establish new business development opportunities		Monthly		Execs: Cert & Lac Services		
			Upgrading the aging infrastructure to improve productivity and operational efficiencies		31 March 2020		CFO		
			Manage permit and certificates cancellation requests		Monthly		Execs: Cert and Lab Services		
			<ul style="list-style-type: none">• Continued shareholder engagement (the dtic) for sustainable funding model• implementation of user pays as per Government Gazette for mining sector• Pursue winning bidders or procuring organs of state to fund local content verification (case by case, winning bidder or procuring organ of state funding arrangements)		Ongoing		Exec: Cert		
			<ul style="list-style-type: none">• Provide technical support to National Treasury to ensure the importance of inspection services are effectively communicated.• Engage with the dtic trade desks for Clothing, Textiles, Pharmaceuticals and Plastics to identify potential areas of collaboration.• Develop and implement business development plan consignment inspection business growth and sustainability		Ongoing		Exec: Cert		
			<ul style="list-style-type: none">• Put a proposal with the NDoT for increase in the fees for Vehicle Test Stations was done in MOUs		Ongoing		Exec: Cert		
	Local content & Regulatory Services Sustainability	Local content verification <ul style="list-style-type: none">• Lack of sustainable funding model to fund Local Content Verifications could lead to the non-recovery of cost incurred	<ul style="list-style-type: none">• Provision is made for the supplier (mining rights holder) to pay for verification within the mining charter.• Continuous engagements with procuring organ of state.		<ul style="list-style-type: none">• Continued shareholder engagement (the dtic) for sustainable funding model• implementation of user pays as per Government Gazette for mining sector• Pursue winning bidders or procuring organs of state to fund local content verification (case by case, winning bidder or procuring organ of state funding arrangements)	Ongoing	Exec: Cert		
		Consignment Inspection <ul style="list-style-type: none">• Reduction in Government spending on commodities inspection pricing model, reduces revenue generation opportunities	<ul style="list-style-type: none">• Root cause is external market consequence sand not controllable within BU		<ul style="list-style-type: none">• Provide technical support to National Treasury to ensure the importance of inspection services are effectively communicated.• Engage with the dtic trade desks for Clothing, Textiles, Pharmaceuticals and Plastics to identify potential areas of collaboration.• Develop and implement business development plan consignment inspection business growth and sustainability	Ongoing	Exec: Cert		
		Vehicle Test Station <ul style="list-style-type: none">• Gap in the legislation on the alignment of fee structure could lead to non-recovery of cost incurred	<ul style="list-style-type: none">• NRTA Regulation 137D of the NRTA.		<ul style="list-style-type: none">• Put a proposal with the NDoT for increase in the fees for Vehicle Test Stations was done in MOUs	Ongoing	Exec: Cert		

Outcome	Strategic objectives	Risk theme	Impact	Inherent risk rating	Mitigation	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
Build a capable and efficient SABS (continued): <ul style="list-style-type: none">• Reduce financial losses• Improve operational efficiencies• Improve employee engagement• Increase economic participation of designated groups	Continuous improvement in internal systems and process	Inadequate modernisation, integration of systems and ICT Security	<ul style="list-style-type: none">• Poor delivery of services• Wastage of resources• Poor turnaround times• Inability to gather business intelligence• Inability to effectively compete in the market• Poor operational efficiencies	High	<ul style="list-style-type: none">• ICT Steering Committee• ICT strategy• Business transformation plans;• Reconciliation process between systems.	Medium	Implementation of the SABS Digital Transformation plan	31 Mar 2021	CFO
							Enhance the ISMS implementation to establishing an Information Security Management System that is in line with industry standard (ISO 27001).	30 April 2021	CFO
							Enterprise Vulnerability Management to manage ICT Risks at an acceptable level through identification and treatment of risks	Quarterly	CFO
							ICT Security Performance and Continuous improvement to review of ICT security controls and their effectiveness	Quarterly	CFO
							Implementation of Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP)	Quarterly	CFO and CRO
		Inadequate legislative compliance & legal action	<ul style="list-style-type: none">• Reputational damage• Negative publicity• Potential litigation due to non-compliance• Reduced national relevance	High	<ul style="list-style-type: none">• Register of applicable legislation• Compliance audits	Medium	Detailed compliance gap analysis of relevant legislation	Monthly	CRO
							Implement plans to closeout legislative compliance gaps.	Monthly	CRO
							Ongoing monitoring and evaluation of legislative compliance	Monthly	CRO
							Legal action and litigation management	Monthly	Head of Legal
		Fraud and corruption	<ul style="list-style-type: none">• Reputational damage• Financial loss• Third party liability	High	<ul style="list-style-type: none">• Delegation of authority in place• Procurement policies and procedures• Declaration of interest processes• Fraud hotline• Fraud risk management• Execution of forensic investigation outcomes• Segregation of duties in the issuing of test reports• Incentives for employees	Medium	Conduct Minimum Anti-Corruption Capability Assessment	Quarterly	CRO
							Implement Anti-Corruption and Fraud Prevention Implementation Plan (including awareness and Management of Conflict of interest as well and the conducting of private businesses by SABS employees)	30 April 2021	CRO
							Conduct Fraud and Ethics Risk Assessments	31 March 2021	CRO
							Develop and implement ethics management strategy	30 June 2021	CRO
							Investigations and reporting	Monthly	GM: Internal Audit

Outcome	Strategic objectives	Risk theme	Impact	Inherent risk rating	Mitigation	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
Build a capable and efficient SABS (continued): <ul style="list-style-type: none"> • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups 	Continuous improvement in internal systems and process (continued)	Health, safety and security	<ul style="list-style-type: none"> • Psychological trauma to employees • Financial loss • Reputational damage • Loss of life • Theft • Increased IOD claims • Loss of competent employees 	High	<ul style="list-style-type: none"> • Physical security at SABS premises • Independent security assessments • Health and safety procedures • Safety audit and monitoring 	Medium	Health and Safety Training (Health and Safety representatives, incident investigation, Legal Liability Compliance, Induction)	Ongoing	Exec: Human Capital
							HSE risk assessments and medical surveillance	Ongoing	Exec: Human Capital
							Design security system	31 March 2021	CFO
							Implement Interim Physical Security Measures	Monthly	CFO
							Conduct physical security risk assessments and address the identified gaps	September 2020	CFO
		Loss of accreditation	<ul style="list-style-type: none"> • Loss of revenue • Customer retention • Reputational damage 	High	<ul style="list-style-type: none"> • Quality assurance of auditors / managers / GMs • Quality control of approvals Board (AB) • Approvals Board (AB) materiality framework • Internal accreditation status audits • Issuing of directives 	Medium	Implement annual action plan for maintenance of accreditation status in Testing and Certification operation.	31 March 2021	Execs: Cert and Lab Services
							Appointment and development of competencies (Technical Signatories)	31 March 2021	Exec: Lab Services
							Develop and implement SANAS accreditation Maintenance Plan (For acquiring, retaining and maintaining accreditations of labs)	Annually	Exec: Lab Services
		Laboratory infrastructure constraints and facilities	<ul style="list-style-type: none"> • Loss of revenue • Customer retention • Reputational damage • Loss of accreditations 	High	<ul style="list-style-type: none"> • Capex demand plans • Planned or preventative maintenance • Safety management system implementation (HSE Policy) • Statutory inspections are conducted at prescribed frequencies • COID compliant 	High	Development and Implementation of Infrastructure upgrade plan	31 March 2021	CFO
							Phased approach to replace and /or repair aged infrastructure	31 March 2021	CFO
							Development and Implementation of Preventative Maintenance Plan	31 March 2021	CFO
							Conduct safety and operations assessments at regional offices	31 March 2021	Exec: Human Capital

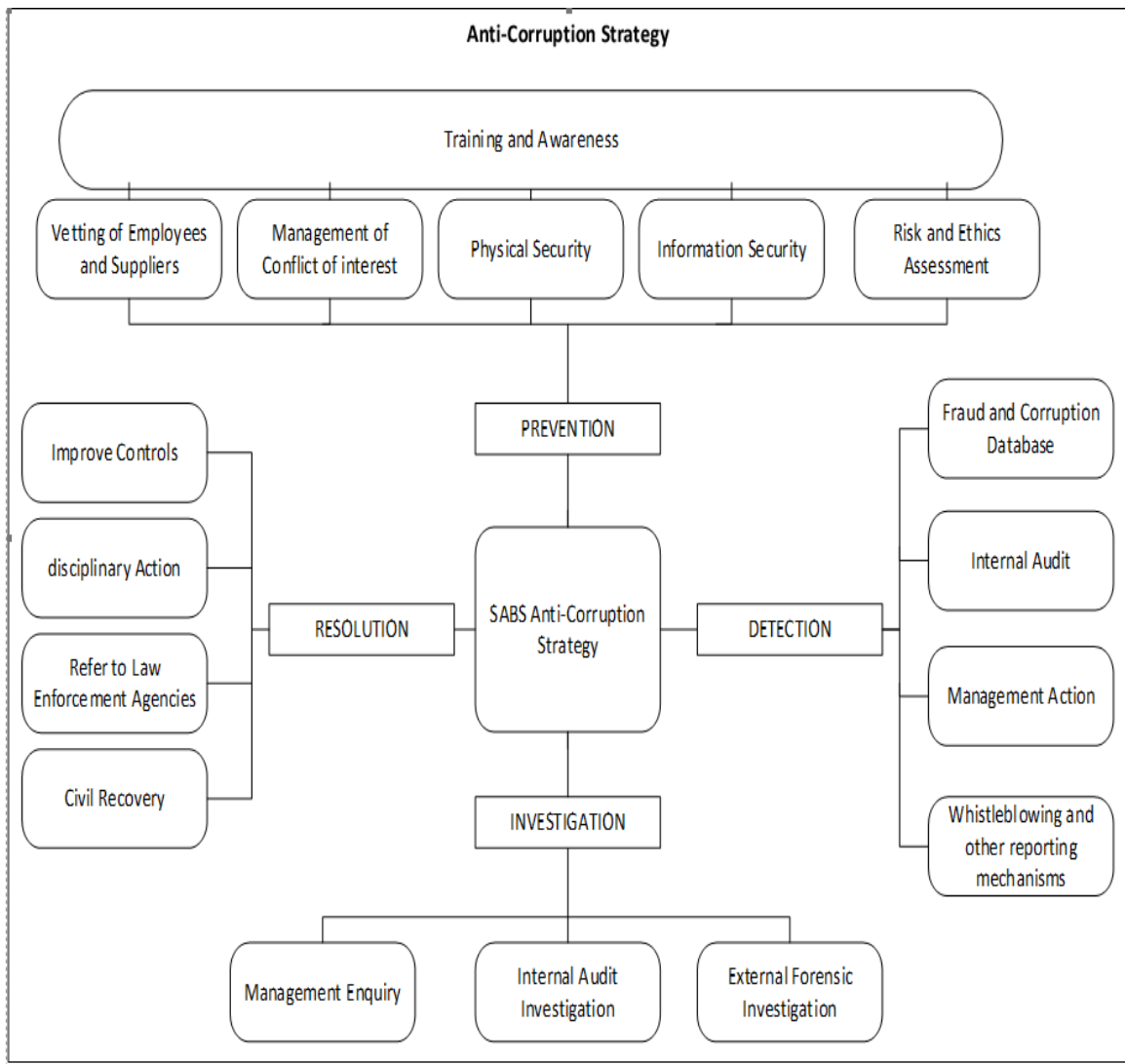
Outcome	Strategic objectives	Risk theme	Impact	Inherent risk rating	Mitigation	Residual risk rating	Action plans	Implementation dates	Responsible official(s)
Build a capable and efficient SABS (continued): <ul style="list-style-type: none"> • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups 	Creating and maintaining a high-performance culture	Inadequate management of talent and performance	<ul style="list-style-type: none"> • Poor delivery of Human Capital services • Loss of skills to deliver quality outputs • Inability to deliver on SABS mandate 	High	<ul style="list-style-type: none"> • HC policies and processes 	High	Review of all SABS HC policies and Procedures, create awareness and enforce compliance	30 June 2021	Exec: Human Capital
							Implement PMS in line with the timeframes and other requirements, conduct compliance analysis and escalate non-compliance for Management action	30 April 2021	Exec: Human Capital
							Implement Critical Positions Plan	30 April 2021	Exec: Human Capital
							Implement the talent management strategy with more focus on the below key initiatives: <ul style="list-style-type: none"> • Development of Core and Critical Skills Matrix and Conducting skills gap analysis • Revise and implement the talent sourcing plans to attract and retain skills 	Quarterly	Exec: Human Capital

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 taking into account 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 compliant, 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 prevent further fraud incidents.

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

The SABS Integrated Anti-Corruption and Fraud Prevention Plan

Control area	Control focus
Prevention Controls	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
Detection & Investigation Controls	Whistle-blowing
	Fraud & corruption register/database
	Management action
	Investigations
Resolutions & Recoveries	Disciplinary action
	Resolution (Referring to law enforcement agencies and recovery)
	Review and reporting

ANNEXURES

ANNEXURE A: FINANCIAL PROJECTIONS OF SABS COMMERCIAL SOC

Statement of financial performance: SABS Commercial SOC

	Actual R'000 2015/16	Actual R'000 2016/17	Actual R'000 2017/18	Actual R'000 2018/19	Budget R'000 2019/20	YTD R'000 Dec-19	Forecast R'000 2019/20	Budget R'000 2020/21	% Growth	Budget R'000 2021/22	Budget R'000 2022/23
Commercial Revenue	483 180	463 824	481 414	473 575	525 821	295 975	474 576	527 640	11%	580 304	657 222
Laboratory Services	155 074	162 016	176 518	156 162	203 640	91 978	168 239	195 158	16%	214 673	246 874
SMME	5 658	7 516	4 329	1 356	1 451	149	943	5 000	430%	5 400	5 832
Certificate of compliance				14 827	20 000	7 948	20 000	16 548	-17%	18 203	20 933
Training	9 053	11 709	12 459	10 228	14 352	9 783	14 353	15 500	8%	17 050	19 608
Product and system certification	313 394	282 582	288 108	291 002	286 378	186 116	271 040	295 434	9%	324 977	363 975
Other Income	-	-	-	15 861	52 939	7 165	29 146	22 000	0%	22 000	22 000
Grant	-	-	-	20 000	20 000	15 000	20 000	20 000	0%	20 000	20 000
Total income	483 180	463 824	481 414	509 437	598 760	318 141	523 722	569 640	18%	622 304	699 222
Administrative and operating expenses	(428 752)	(424 933)	(411 795)	(428 401)	(453 586)	(317 083)	(438 284)	(476 170)	6%	(501 583)	(527 164)
Employee benefits	(301 823)	(303 592)	(292 409)	(312 033)	(329 163)	(234 740)	(317 339)	(343 678)	8%	(361 206)	(379 627)
Contract Services	(25 792)	(23 547)	(23 041)	(18 870)	(21 005)	(9 850)	(20 288)	(21 992)	8%	(23 113)	(24 292)
	(25 792)	(23 547)	(23 041)	-	-	-	-	-	0%	-	-
	-	-	-	-	-	-	-	-	0%	-	-
Strategic projects	-	-	-	-	-	-	-	-	0%	-	-
Premises costs	(37 599)	(37 627)	(40 732)	(41 848)	(45 365)	(31 820)	(44 310)	(46 750)	6%	(49 134)	(51 640)
Marketing & Communication	(77)	(37)	(81)	(599)	(64)	(55)	(102)	(56)	-45%	(59)	(62)
Consulting & Technical Fees	(6 351)	(5 136)	(344)	(148)	(18)	(93)	(211)	(106)	-49%	(112)	(118)
Consumables	(12 323)	(10 493)	(11 051)	(9 956)	(12 379)	(7 571)	(10 480)	(13 505)	29%	(14 194)	(14 918)
Travel foreign	(8 767)	(10 356)	(9 490)	(9 925)	(11 452)	(7 491)	(10 265)	(11 915)	16%	(12 523)	(13 162)
Travel local	(17 602)	(16 291)	(15 942)	(18 061)	(17 424)	(12 584)	(18 184)	(19 139)	5%	(20 115)	(21 140)
Municipal services	(1 429)	(1 747)	(1 851)	(1 321)	(1 777)	(1 332)	(1 900)	(1 919)	1%	(2 017)	(2 120)
Other operating expenses	(16 990)	(16 106)	(16 855)	(15 640)	(14 939)	(11 548)	(15 206)	(17 110)	-4%	(19 111)	(20 086)
Profit/(loss) from operations	54 427	38 891	69 620	81 036	145 174	1 057	85 438	93 470	79%	120 720	172 058
Depreciation	(30 364)	(22 483)	(25 321)	(24 646)	(24 426)	(19 866)	(23 628)	(26 486)	12%	(27 837)	(29 257)
Government grants in respect of assets	5 466	2 283	3 192	2 983	4 100	2 343	2 934	3 144	7%	3 304	3 472
Profit/(loss) before other income/expenses, interest and tax	29 530	18 691	47 491	59 372	124 848	(16 466)	64 743	70 127	110%	96 187	146 273
Other income	5 630	1 464	5 609	12 689	2 703	8 650	10 625	6 703	-79%	6 703	6 703
Foreign exchange gains	4 087	897	2 463	196	-	1 902	3 598	-	-100%	-	-
Income statement gains	-	-	-	-	-	-	-	-	0%	-	-
Disposal Of Prop, Plant & Equip	-	-	(156)	(985)	-	(215)	(13)	-	-100%	-	-
Sundry income	1 543	568	3 303	13 477	2 703	6 963	7 040	6 703	-5%	6 703	6 703
	-	-	-	-	-	-	-	-	0%	-	-
Other non-operating expenses	(27 162)	(37 102)	(78 699)	(18 182)	(11 365)	(7 178)	(11 577)	(14 092)	-37%	(14 811)	(15 566)
Forex losses	(1 673)	(5 769)	(3 715)	22	-	(1 005)	(601)	-	-100%	-	-
Loss on disposal of property, plant and equipment	(222)	(60)	-	-	-	-	-	-	0%	-	-
Post-Retirement Medical Aid	(2 858)	(3 011)	(2 924)	(3 310)	(3 907)	(2 398)	(3 907)	(4 180)	7%	(4 393)	(4 617)
Long Service Leave Award	(249)	50	727	1 490	(2 500)	(1 680)	(2 500)	(2 500)	0%	(2 627)	(2 762)
Prior year adjustments	-	-	(104)	15	-	(16)	-	-	0%	-	-
Income statement losses	-	-	(21 475)	-	-	-	(31)	-	-100%	-	-
Royalties	(9 663)	(9 277)	-	(73)	-	-	-	-	0%	-	-
Performance bonus	(2 362)	(10 110)	(11 300)	16 109	-	(9)	-	-	0%	-	-
Bad debts	(9 564)	(7 954)	(38 822)	(31 006)	(3 357)	(800)	(2 936)	(5 729)	95%	(6 022)	(6 329)
Audit fees	(868)	(972)	(1 087)	(1 429)	(1 601)	(1 270)	(1 601)	(1 683)	5%	(1 768)	(1 859)
Other expenses	299	-	-	-	-	-	-	-	0%	-	-
Profit/ (loss) before interest, corporate charges and tax	7 998	(16 946)	(25 599)	53 879	116 186	(14 993)	63 792	62 737	116%	88 079	137 410
Finance income/ (costs)	(114)	275	(1)	3	(2)	4 578	1 971	-	-100%	-	-
Profit/ (loss) before corporate charges and tax	7 884	(16 670)	(25 600)	53 882	116 184	(10 416)	65 763	62 737	116%	88 079	137 410
Corporate services	(25 674)	(45 820)	(48 447)	(51 897)	(67 577)	(19 094)	(57 086)	(57 086)	30%	(57 086)	(57 086)
Group service recoveries	-	-	-	15 681	-	11 406	-	-	0%	-	-
Group service costs	(25 674)	(45 820)	(48 447)	(67 577)	(67 577)	(30 500)	(57 086)	(57 086)	0%	(57 086)	(57 086)
Profit/ (loss) before tax	(17 790)	(62 491)	(74 047)	1 985	48 607	(29 510)	8 676	5 651	2348%	30 992	80 323
Taxation	-	-	-	-	-	-	-	-	0%	-	-
Net profit/ (loss) for the period	(17 790)	(62 491)	(74 047)	1 985	48 607	(29 510)	8 676	5 651	2348%	30 992	80 323

Statement of financial position: SABS Commercial SOC

	Actual	Actual	Actual	Forecast	Projected budget	Projected budget	Projected budget
	Mar 2017	Mar 2018	Mar 2019	2019/20	2020/21	2021/22	2022/23
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS							
Non-current assets	144 242	125 093	107 391	83 763	146 531	138 694	129 437
Fixed assets	124 434	125 093	107 391	83 763	146 531	138 694	129 437
Deferred taxation	19 808	-	-	-	-	-	-
Current assets	131 552	132 773	247 680	258 216	227 346	274 526	376 661
Trade and other receivables	131 475	132 699	175 253	192 778	202 417	222 659	267 191
Cash and cash equivalents	77	74	72 427	65 438	24 929	51 867	109 470
Total assets	275 794	257 866	355 071	341 979	373 877	413 220	506 098
EQUITY AND LIABILITIES							
Equity and reserves	(871)	54 823	130 860	146 694	159 861	176 174	256 884
Accumulated (loss)/profit	(70 913)	(128 519)	(112 301)	(103 625)	(97 974)	(66 982)	13 341
Share capital	65 662	100 000	100 000	100 000	100 000	100 000	100 000
Other components of equity	4 380	83 342	143 161	150 319	157 835	143 156	143 543
Non-current liabilities	179 033	71 520	65 993	76 726	72 692	68 525	64 213
Employment benefit obligations	40 571	42 625	39 138	37 190	36 300	35 437	34 597
Deferred tax	-	260	1 412	-	-	-	-
Loans from group companies	109 639	3 403	5 858	-	-	-	-
Deferred income	28 823	25 232	19 585	39 536	36 392	33 088	29 616
Current liabilities	97 632	131 523	158 218	118 559	141 324	168 521	185 001
Trade and other payables	58 903	104 782	93 189	111 827	134 192	161 030	177 133
Employment benefit obligations	3 284	3 307	3 420	3 798	3 988	4 187	4 396
Provisions	33 614	20 328	784	-	-	-	-
Deferred income	1 831	3 106	60 825	2 934	3 144	3 304	3 472
Total equity and liabilities	275 794	257 866	355 071	341 979	373 877	413 220	506 098

Projected cash flow statement: SABS Commercial SOC

	Actual	Actual	Actual	Forecast	Projected	Projected	Projected
	Mar 2017	Mar 2018	Mar 2019	2019/20	budget	budget	budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash inflow from operating activities	19 835	5 892	81 645	(6 989)	48 745	46 938	77 603
Cash received from customers	447 495	441 771	482 361	496 822	577 634	622 788	680 109
Cash received from government	-	-	-	20 000	20 000	20 000	20 000
Cash paid to suppliers and employees	(427 655)	(435 878)	(400 719)	(525 782)	(548 889)	(595 850)	(622 506)
Cash generated from operations	19 840	5 893	81 642	(8 960)	48 745	46 938	77 603
Net finance income/(cost)	(5)	(1)	3	1 971	-	-	-
Cash outflow from investing activities	(19 835)	(5 895)	(9 292)	-	(89 254)	(20 000)	(20 000)
Purchase of fixed assets	(19 640)	(5 895)	(9 308)	-	(89 254)	(20 000)	(20 000)
Purchase of intangible assets	(200)	-	(77)	-	-	-	-
Proceeds on disposal of property, plant and equipment to holding company	-	-	93	-	-	-	-
Proceeds on disposal of property, plant and	5	-	-	-	-	-	-
(Decrease)/increase in cash and cash	-	(3)	72 353	(6 989)	(40 509)	26 938	57 603
Cash and cash equivalents at beginning of year	77	77	74	72 427	65 438	24 929	51 867
Cash and cash equivalents at end of year	77	74	72 427	65 438	24 929	51 867	109 470

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:	a) Exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity; b) Act with fidelity, honesty, integrity and in the best interest of the public entity in managing the financial affairs of the public entity; 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 d) Seek, within the sphere of influence of that accounting authority, to prevent any prejudice to the financial interest of the state.	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:	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	Qualitative: Any such matter that the Board believes it will influence the users of the statements. Quantitative: As per guideline issued by National Treasury, materiality is calculated at 0.75% of total revenue: R6.1 million (based on 2018/19 total income of R813.3 million as per annual financial statements)
	b) Include particulars of – (i) Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year; (ii) Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure; (iii) Any losses recovered or written off; (iv) Any financial assistance received from the state and commitments made by the state on its behalf; (v) Any other matters that may be prescribed	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	Requirement	SABS framework
<p>Section 54(2)</p> <p>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.</p>	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: R22.4 million (based on 2018/19 total assets of R1 496.03 million as per annual financial statements)
	c) Acquisition or disposal of a significant shareholding in a company	<ul style="list-style-type: none"> Any transaction where ownership control is affected Where the SABS has the right to pass or block as special resolution is affected Change in ownership of at least 20% 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	<p>All asset acquired or disposed, other than:</p> <ul style="list-style-type: none"> Those mention in 54(2)(a) and (b) above or Assets classified at current assets according to generally accepted accounting practise: <p>Materiality is calculated at 1.5% of total assets: R22.4 million (based on 2018/19 total assets of R1 496.03 million as per annual financial statements)</p>
	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 <u>falls outside the SABS core business</u>: Materiality is calculated at 1.5% of total assets: R22.4 million (based on 2018/19 total assets of R1 496.03 million as per annual financial statements)</p> <p>Qualitative (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"> Any change in the interest of the rand value: Materiality is calculated at 1.5% of total assets: R22.4 million (based on 2018/19 total assets of R1 496.03 million as per annual financial statements) Any change in the nature of the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) Any transaction that results in a cumulative interest of at least 20% in the vehicle Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle

Section	Requirement	SABS framework
Section 66(1)	<p>An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other 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> <ul style="list-style-type: none"> a) Is authorised by this Act; and b) In the case of public entities, is also authorized by other legislation not in conflict with this Act; and c) 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). 	The SABS acts within the ambit as set by this clause.

ANNEXURE C: ANNUAL PERFORMANCE INDICATOR PROFILES

Indicator title	Number of sector standards roadmaps completed	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives
Definition	The number of sector standards roadmaps completed as part of government's process to develop roadmaps for each identified industrialisation sector. The number of roadmaps to be completed annually will be agreed with the dtic.	The SABS is required to provide feedback/report on its support on various developmental policy interventions or Ministerial Directives.
Purpose / importance	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 the SABS provide regular feedback on its support to key developmental policy interventions or Ministerial directives
Source of data	Report from Standard division	Report or information from division
Method of calculation / assessment	Count the number of sector roadmaps completed.	Count number of quarterly reports submitted to the dtic and/or Minister. The information may be submitted as part of the quarterly performance report to dtic or be a standalone report.
Means of verification	Count of number of sector roadmaps completed.	Count of the number of reports submitted
Assumptions	No limitations	No limitations
Disaggregation of beneficiaries (where applicable)	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
Spatial transformation (where applicable)	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
Calculation type	Cumulative year-to-date	Cumulative year-to-date
New indicator	Partly (Refined with changes to industrial policy)	Yes
Reporting cycle	Quarterly to Exco, Board and to the dtic	Quarterly to Exco, Board and to the dtic
Desired performance	Equal or higher performance than targeted performance is desirable	Equal or higher performance than targeted performance is desirable
Indicator responsibility	Executive Standards	All Executives (As it may depend on directives issued)

Indicator title	Customer satisfaction rate	Increase in number of active customer
Definition	Average rating from responses received from customer satisfaction survey	This is a customer who has purchased a product or service from the SABS in the last 12 months with in the Certification, Laboratory Services and Training Academy. All calculations are based on a rolling 12 months period from JDE excludes cash customers
Purpose / importance	To gauge how the SABS is perceived by its customers and to understanding the expectations and requirements of the SABS' customers	To grow the business by increasing customer base of the SABS
Source of data	SABS BI system	SABS BI System
Method of calculation / assessment	Weighted average rating calculated of Certification, Laboratory Services and Training (weighted based on budgeted revenue for the financial year)	All calculations are based on a rolling 12 months period from JDE and excludes cash customers for Certification, Laboratory Services and Training Academy. Excludes cash customers. If a customer is serviced by more than one division/unit, at a group level it is only counted once.
Means of verification	Weighted average rating of Certification, Laboratory Services and Training, as reflected on the BI system	Monthly sales report from JDE as extracted from SABS BI system (use the following selections at "strategic consolidation level": Commercial Certification, Commercial Testing, Training (SABS Business Assurance)
Assumptions	No limitations	No limitations
Disaggregation of beneficiaries (where applicable)	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
Spatial transformation (where applicable)	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
Calculation type	Cumulative year-to date survey results	All calculations are based on a rolling 12 months period from JDE
New indicator	No	No
Reporting cycle	Quarterly to Exco, Board and to the dtic	Quarterly to Exco, Board and to the dtic
Desired performance	Higher performance than targeted performance is desirable	Higher performance than targeted performance is desirable
Indicator responsibility	Collate and report on KPI: Sales and Marketing	Operating Divisions Executives

Indicator title	Net profit of SABS Group	Group cost-to-income ratio
Definition	Profit/loss after tax for the year	Operating expenses as percentage of operating income
Purpose / importance	The SABS must have sufficient income to cover its operational costs in order to remain financially sustainable	To measure how SABS' operating costs are changing compared to income
Source of data	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
Method of calculation / assessment	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)
Means of verification	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
Assumptions	No limitations	No limitations
Disaggregation of beneficiaries (where applicable)	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
Spatial transformation (where applicable)	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
Calculation type	Cumulative year-to-date	Ratio based on year-to-date numbers
New indicator	No	No
Reporting cycle	Quarterly to Exco, Board and to the dtic	Quarterly to Exco, Board and to the dtic
Desired performance	Lower net loss/higher profit is desirable	Lower actual ratio than targeted ratio is desirable
Indicator responsibility	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
Definition	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 individuals supported
Purpose / importance	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
Source of data	Annual survey conducted by SABS HC (could be internal or external)	Internal focus: Human capital records (head count at reporting date)
Method of calculation / assessment	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.
Means of verification	Proof of survey results	Report from Human Capital
Assumptions	No limitation	No limitations
Disaggregation of beneficiaries (where applicable)	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
Spatial transformation (where applicable)	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
Calculation type	Survey rating	Cumulative year-to-date
Reporting cycle	No	Quarterly to Exco, Board and to the dtic
New indicator	Annual to Exco, Board and the dtic	No
Desired performance	Higher rating than targeted rating is desirable	Higher performance than targeted performance is desirable
Indicator responsibility	Executives: Human Capital, supported by all divisions	Executives: Human Capital, supported by all divisions