

Corporate Plan

2018/19 to 2020/21



ACRONYMS AND ABBREVIATIONS

AEP	Academic Engagement Plan
AFSEC	African Electrotechnical Standardisation Commission
ARSO	African Organisation for Standardisation
BBBEE	Broad-Based Black Economic Empowerment
BSC	Balanced Scorecard
BU	Business Unit (lowest organisational unit in SABS)
CRM	Customer Relationship Management
CASCO	Conformity Assessment Standards Committee
CSIR	Council for Scientific and Industrial Research
COC	Certificate of Compliance
DoE	Department of Energy
ENE	Estimates of National Expenditure
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH ("German Corporation for International Cooperation")
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan implemented by the dti to achieve the NIPF
ISO	International Organization for Standardization
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
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
PFMA	Public Finance Management Act
R&D	Research and Development
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SADCSTAN	SADC Cooperation in Standards
SANAS	South African National Accreditation System
SARB	South African Reserve Bank
SARS	South African Revenue Services
SANS	South African National Standards
SASI	South African Standards Institute
SMME	Small Medium and Micro Enterprises
SOE	State-Owned Enterprise
SQAM	Standards, Quality Assurance, Accreditation and Metrology
the dti	The Department of Trade and Industry
TTOs	Technology Transfer Organisations associated with Universities, Universities of Technology, Science Councils and other state funded research entities
UNDP	United Nations Development Programme
WTO	World Trade Organisation

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Preface

It is hereby certified that this Corporate Plan was developed by the management of the South African Bureau of Standards (SABS) under the guidance of its Board and accurately reflects the performance targets that management will endeavour to achieve given the resources available in the 2018/19 to 2020/21 budget.



Ian Plaatjes
Executive: Corporate Services



Boitumelo Mosako
Chief Financial Officer



Boni Mehlomakulu
Chief Executive Officer



Jeff Molobela
Chairperson of the Board

Foreword by the Minister

The SABS statutory mandate of standards development and maintenance for the South African economy is more important in today's global economy than ever before. The support given to SABS to deliver on this statutory mandate has an impact on all aspects of societal endeavours, such as:

- Facilitating business interaction;
- Enabling companies to comply with relevant laws and regulations;
- Speeding up the introduction of innovative products to market; and
- Providing interoperability between new and existing products, services and processes.

While standardisation is a voluntary cooperation by industry bodies, consumers, public authorities, researchers and other interested parties for the development of technical specifications based on consensus, in a developing country like South Africa, standards have to support the national developmental objectives of government. It is for this reason that **the dti** seeks and monitors IPAP objectives in the standardisation agenda of SABS. Through the annual reviews of IPAP, **the dti** continually introduces new themes and focus areas to improve the impact of levers like standards in industrialisation efforts.

The dti supports the increased efforts of SABS in disseminating standards information and knowledge to industries where products, systems and processes supplied by various providers must interact with one another, and to the broader stakeholders affected by changes in standards. SABS also provides conformity assessments to the economy on a competitive commercial basis, and in emphasising **the dti**'s commitment to enable SABS through financial and non-financial support, **the dti** will work actively towards encouraging other national and provincial departments, municipal and state owned entities to use the services of the SABS. **The dti** acknowledges that SABS has constrained finances and supports the organisation's efforts to achieve the Corporate Plan objectives to, once the necessary PFMA approvals are obtained, leverage its balance sheet and asset base to fund the renewal of its laboratory infrastructure.

The dti is proudly aware that SABS is a trusted quality anchor for the country, and that this Corporate Plan clearly articulates the plans for both the statutory and commercial mandates of the entity to achieve the stated objectives.



Dr Rob Davies (MP)
Minister of Trade and Industry

Foreword by the Chairperson

In this complex and dynamic environment of globalisation, standardisation remains a powerful tool that opens up global markets, encourages competition, creates an enabling business environment and spurs economic growth.

For 72 years the SABS has used standards as a catalyst and tool to drive economic growth, developed new products and services, and proudly represented South Africa on international platforms for the development of standards that play a significant role in driving local industrialisation efforts. SABS will continue to participate in, and strategically position the organisation at international and regional standardisation bodies as members of SADCSTAN, ARSO, PASC, ISO and IEC. SABS is a critical part of the South African technical infrastructure organisation, known as the Standards, Quality Assurance, Accreditation and Metrology (SQAM), and is mandated to provide standardisation services, conformity assessment services and local content verification services to enable the achievement of economic and developmental objectives of the country.

While economic growth for South Africa was projected by the International Monetary Fund (IMF) to remain subdued at 0.7% for 2017 and 1.1% in 2018, this falls behind benchmarks set in the National Development Plan (NDP). The IMF also projects that global growth will reach 3.7% in 2018. This positive global outlook reflects a recovery in demand and trade. Similarly the outlook for Sub-Saharan Africa was projected to recover to 2.6% in 2017, and climb to 3.4% in 2018,¹ while the South African economy is expected to increase slowly reaching 1.9% in 2020.² These factors, along with rising debt service costs, the increased public sector wage bill and social grants are limiting funding available for investment and trade facilitation activities and could slow down spending by the state on certain services. The financial sustainability of SABS, as a state-owned entity and reliant on other state-owned entities for business, has and can continue to be significantly impacted. As a result, the organisation has to become more reliant on revenue generated from new business to address its high fixed labour costs and to leverage its properties to generate other income to fund the upgrade of its aging laboratory infrastructure.

In the next three years, focus will be on:

- Alignment with **the dti** on the legal framework that enables greater impact of the SABS services to the economy;
- Developing new digital channels to improve the customer experience and to improve service/product request and customer engagement turnaround times and to provide better visibility of customer and stakeholder engagements;
- Leveraging the SABS digitisation strategy to automate and integrate all business processes to improve customer services and operational efficiencies;
- Upgrading the aging infrastructure to improve productivity and ultimately the financial sustainability of the organisation and for greater impact to enable industries and the economy; and
- Enhancing strategic relationships with regulators and other government entities to provide value-adding standardisation and innovative solutions to improve service delivery.

The SABS possesses an immense and inherent potential as an enabler of improved economic growth and an important lever to implement government programmes. The Board will endeavour to optimise alignment with **the dti** as the SABS evolves and strives to meet its objectives described in this Corporate Plan. Leadership, management and staff of the SABS are committed to ensuring the sustainability of the organisation while adding value to consumers and the industry and enabling the growth and global competitiveness of the South African economy.



Jeff Molobela
Chairperson of the SABS Board

¹ The International Monetary Fund – World Economic Outlook Update. October 2017.

² 2017 Medium Term Budget Policy Statement. 25 October 2017.

Overview by the Chief Executive Officer

The state of the SABS laboratory infrastructure has been documented in various official and media reports since early 2000s. The budgetary provisions made on annual basis to replace and supplement individual laboratories equipment requirements was only sufficient to extend the lifespan of the laboratories. Periodic upgrades to align with industrial developments and technological advancements are normal, in the course of business, in laboratory services. The South African economic landscape has changed considerably since 1972. An inclusive economy in a new democratic South Africa necessitated repositioning of some government institutions to support policy imperatives of a developmental state. The SABS of today has been shaped by many factors including international trade obligations; shifts in product manufacturing capabilities resulting in complex global value chains; cost to the state of ownership of laboratory infrastructure; technological innovation in the manufacturing sector and the speed of service delivery in the digital age. While the factors are complex and sometimes contradictory, the need in the economy for a third party trusted testing infrastructure is growing and a sizeable infrastructure investment is required for the SABS to fulfil this mandate in a competitive environment.

With the support of SABS Board, management has proposed priority sectors that will achieve optimal socio-economic value and support growth in the South African industry. The step change in this Corporate Plan is the clear funding plan for the infrastructure that has been approved by the Board. Sizeable investments have been prioritised for laboratory infrastructure and for the digital transformation of the internal processes and channels for interfacing with our customers and broader stakeholders.

The SABS straddles both a statutory mandate that is funded by government and a commercial subsidiary, dependent on revenues generated from services in an ultra-competitive market. A good tension would always exist in balancing obligations inherent in a dual mandate with the forces of the free market. Laboratory services are offered under the commercial mandate of SABS.

The vision of the SABS, to be the trusted standardisation and quality assurance service provider of choice, has driven our marked efforts over the past few years to implement operating procedures throughout the organisation to ensure that our customers and stakeholders experience services from the SABS in a consistent and transparent manner. During 2016/2017 a new division focussing on managing SABS customers and stakeholders was established, and now resourced with experts at various management levels to bring about a lived change in customer care and satisfaction.

While the laboratory infrastructure and digital transformation investments are a priority for the SABS for in this Corporate Plan, the SABS will continue to manage its operations and implementation of actions to achieve Key Performance Indicators using the Balanced Score Card methodology to focus efforts at all levels in the organisation.

Growth

Concerted effort at the SABS is directed at meeting the expectations of our customers and stakeholders. Achieving alignment and proactively managing expectations of our varied stakeholders is central for the standards we develop and services we offer to be relevant to economic growth objectives of our government. The focus on customers and stakeholders to achieve growth is necessitated by the losses that the SABS continues to suffer, mainly due to the implementation of controls that was met with internal and external resistance. A chain of events that led to the SANAS accreditation suspension have left a big dent on the reputation and revenue of the SABS. Determined effort has gone into resolving the internal challenges and with the implementation of the digital solutions the situation has mostly stabilised. Dedicated business development, sales, marketing, stakeholder management and customer services senior managers have been recruited and the impact of this collective group of experts should be felt in improved SABS customer and stakeholder experiences. With the dedicated resources and modernisation of service channels, the SABS lived experience should result in gains in the market.

Customer Centricity

The effort required from all employees of the SABS to bring about the requisite turn-around in the ultimate engagement our customers and stakeholders is not a small task. There are multiple organisational culture hurdles that require multipronged strategies. The operational efficiencies that have been realised from the implementation of our Digitisation Strategy have already brought some positive energy to our valued employees. Over the next three years, the implementation processes will scale up and the end-to-end customer portal that will enable the customer to interact with SABS digitally and get real-time feedback at various stages of delivering the required service, will become a reality. Standards development processes will be reviewed to address gaps identified by the Competition Commission due to lack of specific stakeholder management protocols in the processes within Technical Committees.

Productivity

As a large organisation with diverse services, the necessary tools to bring the level of transparency in internal processes to monitor customer services are indispensable. The human interface with all these improvement programmes remains a challenge at the SABS. Productivity measurements that were established to support the organisational renewal strategy were rendered ineffective when bargaining unit employees were separated out of the performance driven incentives. Managers have had to grapple with productivity and motivation of employees in the new dispensation. Most managers and executives avoid engaging with their employees on issues of productivity in fear of retribution. Managers are currently resolving their issues with the assistance of the CCMA and the expected establishment of a management forum will be a welcome platform to ensure that employee productivity can be boosted. The disparity in benefits should be resolved to motivate middle management.

The internal testing protocols as published in our 2016/2017 Annual Report will be refined and presented to stakeholders to broadly establish common understanding on turnaround times and capabilities in the laboratories.

Competent and Empowered Employees

The SABS was established as a science council alongside the Council for Scientific and Industrial Research (CSIR) in 1945. Economic policy shifts over the years, however placed less emphasis on the SABS as a research and development contributor. Employment practices in technical areas focussed on technicians performing routine analysis rather than research scientists creating new knowledge. The objective to re-establish research capacity was stated in the SABS 2010 strategy and efforts to recruit professionals with higher degrees is on-going. The realisation of SABS' vision is only possible through the quality of our employees, and in order to deliver on our legislative mandate and attract customers in a competitive landscape, the organisation must be a value-adding organisation. PFMA compliance obligations of a public entity prove to be a bigger challenge for senior professionals recruited from the private sector. Induction programmes are being developed to bridge the compliance gap that is mostly responsible for the turnover at executive level. Great efforts have been dedicated to up skilling our technical employees by exposing them to new technologies through short training opportunities with industry partners locally and abroad.

In summary, this Corporate Plan seeks to establish better alignment with **the dti** and all stakeholders, as well as building stronger partnerships with industry to deliver on the mandate of the SABS. The SABS management is grateful for the support from the SABS Board on the laboratory infrastructure plans, and appreciates the stakeholders' inputs in setting priorities for this investment. We also acknowledge the "in-principle support" we have received from the Ministry of Trade and Industry to leverage our property assets in funding upgrades to our laboratories. As the plans unfold specific PFMA approvals will be sought through the correct channels in line with the materiality framework and the shareholder compact agreement with the Minister. The SABS management is confident that delivering on this Corporate Plan, in alignment with our Board and **the dti**, will greatly enhance the role the SABS plays in the South African economy and the African continent.



Boni Mehlomakulu
Chief Executive Officer



PART A

STRATEGIC DIRECTION AND
GOVERNANCE

1. Strategic Overview

1.1. Vision

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

1.2. Mission

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

1.3. 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

1.4. Legislative Mandate

The SABS is the peak national standardisation institution in South Africa, established by the Standards Act, 1945 (Act No. 24 of 1945), and continues to exist as a commercialised public entity under the Standards Act, 2008 (Act No. 8 of 2008). The objectives of the SABS are as follows:

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

1.5. Principal Activities

The legislative changes brought about by the changes to the Standards Act, 2008 (Act No. 8 of 2008) resulted in the organisation having both a statutory as well as commercial mandate.

The Statutory Mandate: In executing the mandate of the SABS, namely, the developing and maintaining of SANS, the organisation recognises that alignment with the mandates of government and other state entities is key to maximising the benefits of standardisation for the entire South African population.

Commercial Mandate: The Standards Act, 2008 (Act No. 8 of 2008) removed all expediency powers and legislative protection from the SABS, which resulted in the organisation having a commercial mandate and competing with other conformity assessment organisations. SABS Commercial SOC Ltd was therefore established to fulfil the commercial mandate of the organisation.

It is incumbent upon SABS to take the necessary steps to ensure that all its activities under both mandates operate within the ambit of the Standards Act, 2008 (Act No. 8 of 2008), and other laws applicable to its mandate. A case in point is the Consumer Protection Act, 2008 (Act No. 68 of 2008), which provides for the protection of consumer rights and ensures the quality of goods. The Consumer Protection Act expressly provides that every consumer has the right to receive goods that comply with any applicable standard set under the Standards Act. This puts the onus on the SABS to ensure that its conformity assessment regime aligns with the current laws. SABS Commercial is accredited by both local and international accreditation bodies, namely, SANAS (South African National Accreditation System), RvA (Raad Voor

Accreditatie: The Netherlands) and VDA (Verband der Automobilindustrie: Germany), which remains key to the financial sustainability of the organisation.

This Corporate Plan endeavours to improve the revenue generation of SABS, through providing the following services, within the context of balancing its statutory mandate:

Standards

SABS coordinates and leads engagements among social and economic stakeholders to develop, promote and maintain a system of national standards for commodities, products and services in order to enhance competitiveness of industry and protect the quality of life of citizens.

Testing

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

- Regulators in enforcing their regulations;
- Manufacturers and importers to ensure that their products meet applicable SANS; and
- 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, while the specialist laboratories are strategically located across the country.

Certification

SABS also provides quality assurance on products as well as management systems and services through its numerous certification schemes. The SABS Mark has a long history as the premium quality assurance symbol in South Africa and across the continent.

Consignment Inspection

Through this service, the SABS assists bulk purchasers of products with tender documents, product description, reference materials and inspection of delivered goods.

Training

SABS training services help ensure that standards are correctly applied and that optimum benefits are realised for customers and other stakeholders.

2. Governance Structure

Good Corporate governance is paramount to the success of any entity and to protect and advance the interest of the SABS, the organisation subscribes to the governance and management principles outlined in King IV pronouncements on Corporate Governance.

SABS continues to exist as a public entity in terms of the Standards Act, 2008 (Act No. 8 of 2008), under the Executive Authority of the Minister of Trade and Industry. In accordance with this Act, the appointment of the SABS Board is by the Executive Authority (the Minister of Trade and Industry). 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, 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 and Industry may assign to the SABS. SABS Commercial SOC Ltd. is a wholly-owned subsidiary of the SABS and is funded through revenue derived from services to customers. This Corporate Plan includes activities of both the SABS and SABS Commercial SOC Ltd.

In terms of Treasury Regulations, the SABS as a Schedule 3B Public Entity must annually conclude a 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 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.

The Board provides oversight, strategic direction and leadership, determines strategic goals and objectives of the SABS and approves key policies. The Board, supported by five Board Sub-Committees as outlined later, is responsible for ensuring that a comprehensive and effective risk management process is in place.

2.1. Composition of SABS Board

The composition of the Board is prescribed by section 6 (2) of the Standards Act, 2008 (Act No. 8 of 2008), and requires a minimum of seven (7) and a maximum of nine (9) members appointed by the Shareholder; and that members do not serve more than two consecutive terms.

Name	Age	Gender	Date of Appointment/ Reappointment	Term	Expiry of Term	Qualifications	Area of Expertise	Board Membership (incl. SABS)
Jeff Molobela (Board Chairperson and Nomination Committee Chairperson)	62	M	25 August 2014	1	24 August 2019	BSc (Eng) (Hons), MBA (UK), LLB	Engineering, Finance, Legal, Research and Analysis, Project Management, Strategy Development.	5
Bonakele Mehlohlakulu (Chief Executive Officer)	45	F	7 September 2014	2	6 September 2019	PhD Chemical Engineering	Engineering, policy and legislation analysis and strategy development.	3
Michael Ellman (Chairperson Audit Committee)	70	M	25 August 2014	2	24 August 2019	PhD Chemical Engineering MBA	Mining Petroleum and Gas Standards Development Chemicals and Polymer Research and Development.	9
Guy Harris (Chairperson Risk Committee)	64	M	25 August 2014	2	24 August 2019	B. Comm (Hons), CA (SA)	Manufacturing, Finance, SME growth	5
Webster Masvikwa	62	M	25 August 2014	2	24 August 2019	CA (SA) MBL (SA) AMCT (UK)	Finance Risk Management	4
Elekanyani Ndlovu (Chairperson Social and Ethics Committee)	35	F	25 August 2014	1	24 August 2019	BSc (Electrical Engineering)	Electrical Engineering Technical Infrastructure and Governance Risk Management Strategy Development	5

Name	Age	Gender	Date of Appointment/ Reappointment	Term	Expiry of Term	Qualifications	Area of Expertise	Board Membership (incl. SABS)
Nivashnee Naraindath (Chairperson HR and Remuneration Committee)	46	F	25 August 2014	1	24 August 2019	BA, LLB, LLM Diploma in Nuclear Law (France) Admitted Attorney	Legal: Litigation, drafting of commercial contracts, legal opinions Corporate Governance Nuclear, Employment and Commercial Law Legal Compliance Risk Management	1
Zanele Monnakgotla (Chairperson Finance and Investment Committee)	46	F	1 April 2017	1	24 August 2019	B Com, LLB, LLM, Management Advanced Programme (Wits), Masters in Finance (Wits Business School), Admitted Attorney	Legal, Project Finance, Private equity, Innovation and Strategy, Investment	2
Garth Strachan	66	M	1 October 2017	1	30 November 2018	Masters	Public Policy	1

At the time of compiling this Corporate Plan, the Board had established the following six committees to assist in discharging its responsibilities:

Risk Committee

The Committee comprises one executive member and three non-executive members, the majority being independent. The Board recognises the important role of the Risk Committee as part of the risk management and corporate governance processes and procedures of the SABS Group. The mandate of the Committee is, amongst others, to review the effectiveness of internal controls in cost effectively mitigating its risks, maintain oversight for managing strategic risks and ensure that the Group has an effective policy and plan for managing its risk. In this regard, the Committee has oversight of financial reporting risks, internal financial risks, as well as fraud and IT risks as they relate to financial reporting.

Audit Committee

The Committee comprises five independent non-executive members; one of whom is a nominee of **the dti** who is not a Board member but is part of **the dti** Executive Management team. All have the requisite financial skills and experience to fulfil the duties of the committee. The Board recognises the important role of the Audit Committee as part of the corporate governance processes and procedures of the SABS Group. The mandate of the Committee, amongst others, is to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance, and maintain oversight for financial results and integrated reporting.

Social and Ethics Committee:

The Committee comprises one executive and two independent non-executive members. As required by the Companies Act, 2008 (Act No. 71 of 2008), as amended, and King IV, this committee oversees and monitors the activities of the SABS in relation to social and economic development, corporate citizenship and ethical behaviour, stakeholder, customer and public relations, and safety, health and environmental issues.

Finance and Investment Committee

The Committee comprises three independent non-executive members. The mandate of the Committee as set out in the SABS Investment Policy is to, amongst others, meet the daily operational cash flow needs of the SABS, allow for any unforeseen expenses or other cash flow needs, as well as provide for medium- and long-term capital expenditure, post-retirement medical liability and any other specific liabilities.

HR and Remuneration Committee

The HR and Remuneration Committee comprises four independent non-executive members and is mandated to oversee human resource matters including the implementation of the employment equity policy, talent management and succession planning, as well as matters relating to remuneration and performance management.

Nominations Committee

The Committee comprises three non-executive members and is chaired by the Chairperson of the Board. The mandate of the Committee is, amongst others, to oversee the implementation of a formal induction programme for new members, ensure that succession plans are developed for the CEO and executive management, consider the structure and mandates of Board Committees, including the selection and rotation of committee members and chairpersons as well as the development and implementation of a continuous development programme for Board members.

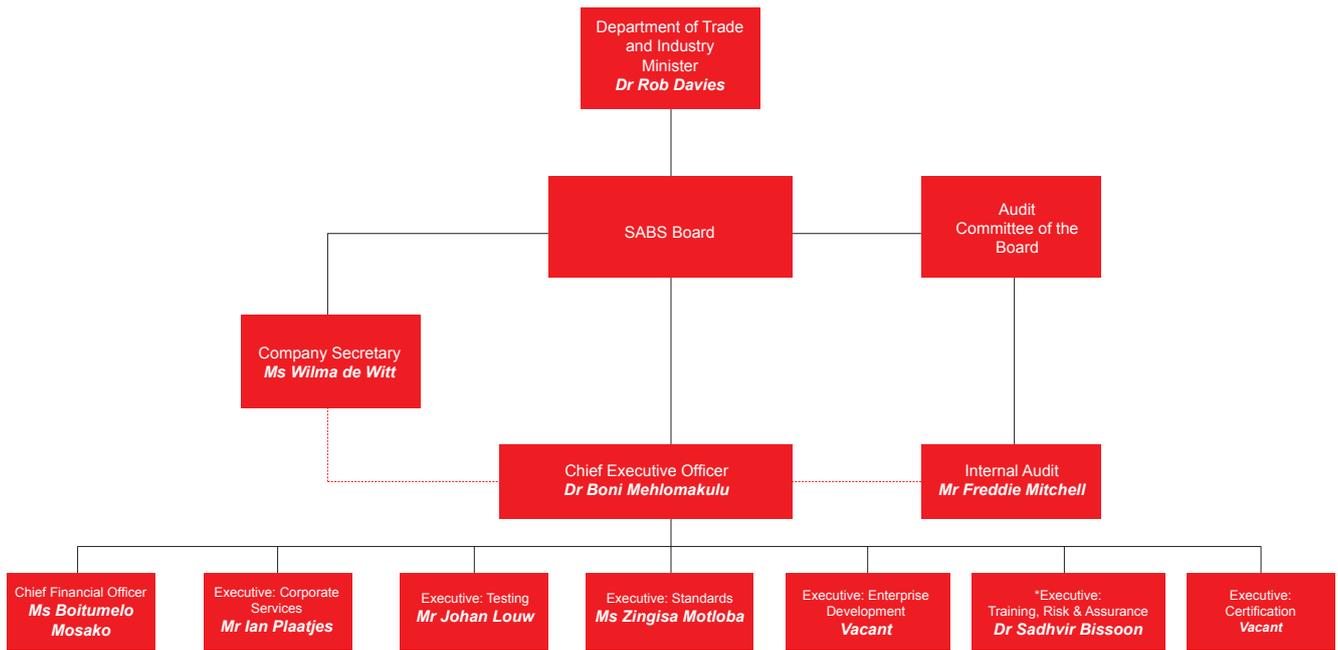
2.2. The Executive Committee

The Board has delegated a wide range of matters to the Executive Committee, including financial, operational, governance, risk and functional issues. A six-member Executive Committee (EXCO) assists the CEO with the day-to-day affairs of the organisation and ensures that the relevant legislation 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 are annually recommended by the HR and Remuneration Committee for approval by the Board. At the time of the report, the Executive Committee comprised the following members:

Name	Age	Gender	Race	Qualifications	Date of Appointment
Bonakele Mehloakulu Chief Executive Officer (Chairperson of the Executive Committee)	45	F	African	PhD (Chemical Engineering)	07 September 2009
Boitumelo Mosako Chief Financial Officer	39	F	African	CA (SA)	11 August 2015
Ian Plaatjes Executive: Corporate Services	52	M	Coloured	Diploma: Electronics; BA (Psychology); Higher Diploma: Management MBA	08 July 2015
Sadhvir Bissoon Executive: Training, Risk & Assurance	45	M	Indian	D-Tech (Biotechnology)	1 August 2003
Gottlieb Johan Louw Executive: Testing	43	M	White	Qualification: B. Eng Chemical Engineering	1 February 2018
Zingisa Motloba Executive: Standards	44	F	African	BA; LLB; MAP; MBA; Admitted Attorney	01 September 2017

2.3 Organisation structure



**The transitional role to oversee implementation of governance protocols and assurance is against the vacant Executive: Human Capital position.*





PART B

SITUATIONAL ANALYSIS

3. Situational Analysis

As an entity operating under a legislated mandate and various other government protocols, the operational environment of the SABS is influenced by a number of external and internal factors as described through a PESTEL analysis below.

3.1. PESTEL Analysis

3.1.1. Political Factors

Fitch, Moody's and S&P all cited political uncertainty as one of the reasons for their recent downgrade of South Africa's rating during 2017. During interactions with the Finance Minister and international and domestic investors, several key issues were raised about constraints, growth and reasons for low investor confidence in South Africa, including:

- Policy uncertainty emanating from long outstanding legislation in key sectors;
- Governance challenges and weak balance sheets for state-owned Companies;
- A constrained fiscal framework and rising government debt; and
- Perceived political uncertainty.³

Critical to the prevention of any further downgrades is the continued strength of key institutions such as the SARB, the National Treasury, and the South African Revenue Service, and for these institutions to remain free from any political interference, as these have been highlighted by rating agencies as positive considerations regarding their ratings decision.

3.1.2. Economic Outlook

Following the release of Q1 2017 GDP data confirming an economic recession, the Minister of Finance engaged with various stakeholders to map a way forward. He acknowledged that failure to set the economy on a higher and more sustainable growth path will disadvantage a large portion of the population and undermine efforts to rapidly address unemployment, inequality and poverty. The Minister highlighted several major concerns, amongst others:

- Continued slow growth, the recession and the potential impact on the fiscal framework;
- Rising government debt;
- The state of State Owned Companies (SOCs) and risks to contingent liabilities; and
- Policy uncertainty and low business and consumer confidence.⁴

Fitch, in its June 2017 Global Economic Outlook, is of the opinion that the new plan is unlikely to significantly boost economic growth prospects, and has reduced its 2018 real GDP growth forecast for South Africa, citing that political uncertainty will continue to weigh on companies' willingness to invest in the country. The downgrades from Moody's and S&P also sighted political uncertainty as one of their reasons for the downgrade. Moody's downgraded South Africa's rating in June 2017 and assigned a negative outlook, while S&P downgraded South Africa in April 2017 and reaffirmed their negative outlook in June 2017.

In the medium-term budget policy statement in October 2017, the Finance Minister announced a downwards revision in the economic growth projections from 1.3% to 0.7% for 2017, with growth expecting to increase slowly reaching 1.9% in 2020.⁵ The economy has been affected by weaker global demand compounded by domestic challenges such as, declining infrastructure spend and rising unemployment.

The International Monetary Fund projects that global growth will average 3.6% in 2017 and reach 3.7% in 2018. This positive global outlook reflects a recovery in demand and trade. Similarly the outlook for Sub-Saharan Africa is projected to recover to 2.6% in 2017, and climb to 3.4% in 2018.⁶

³ 2017 Medium Term Budget Policy Statement. 25 October 2017.

⁴ Inclusive Growth Action Plan, National Treasury Press Release. 13 July 2017.

⁵ 2017 Medium Term Budget Policy Statement. 25 October 2017.

⁶ The International Monetary Fund – World Economic Outlook Update. October 2017.

3.1.3. Social Factors

According to the World Bank, South Africa is still largely a dual economy with one of the highest inequality rates in the world, which perpetuates inequality and exclusion with an income Gini Coefficient of between 0.65 and 0.69. The poorest 20% of the South African population consume less than 3% of total expenditure, while the wealthiest 20% consume 65%.⁷

The 37% unemployment rate compounded by poor education, except for the privileged, means there are expectations that will be difficult to fulfil and every local job is important; especially entry level upskillable jobs that are sustainable as they focus on niche products for high net worth markets. These are most likely to be provided by SMMEs rather than big business, government or survivalist and micro enterprises, although the latter are important counters to poverty.

The South African government is acutely aware of the immense challenges it needs to overcome to accelerate progress and build a more inclusive society. Its vision and the priorities it is making to address these are outlined in the 2030 National Development Plan (NDP), which comprises the two main strategic goals of eliminating poverty and reducing inequality to 0.60 by 2030. To achieve these goals, the NDP lists several factors critical for its successful implementation, which include the sort of focused leadership that provides policy consistency; ownership of the plan by all layers of society; strong institutional capacity at technical and managerial levels; efficiency in all areas of government spending, including management of the public service wage bill and making resources available for other priorities; and prioritization and clarity on levels of responsibility and accountability in every sphere of government, as well as a common understanding of the roles of business, labour, and civil society.⁸

The SABS is a critical part of the South African technical infrastructure organisation known as the SQAM, and is mandated to provide standardisation services, conformity assessment services and local content verification services to enable the achievement of economic and developmental objectives of the government to reduce poverty and create jobs. The SABS looks forward to contributing where it can and is capacitated to do so.

3.1.4. Technology Factors

In South Africa's low growth environment, innovation can play a critical role to create jobs through increased productivity, and improve the lives of the poor, by providing better products and services. According to the World Bank, declining Research and Development (R&D) is an important factor behind South Africa's weak economic performance and its divergence from its emerging market peers in terms of growth in technology. R&D spending, which is essential for identifying and assimilating innovations generated elsewhere to produce new products and services, has declined in South Africa over the past decade, to the detriment of the poor. This is primarily because innovation strongly influences the welfare of low-income households by reducing their cost of living within sectors that have an impact on their daily lives, such as public transport, food and beverages, agriculture and footwear. This decline in R&D spending has taken place despite a high rate of economic return when investment is made.⁹

Given the transformative role of the SABS Design Institute, combined with other integrated value-added services such as conformity assessment services, standards training and Information Communications Technology (ICT), any additional investment in this area will boost the innovation capabilities and overall impact of South Africa. ICT capabilities have become particularly important in transforming the SABS business, enabling new business models with online and real-time transaction capabilities and reporting, which can be leveraged for SMMEs through the SABS Design Institute Services. The Design Institute can be a role model in assisting in the commercialisation of South African innovations on a broad base.

3.1.5. Environmental Factors

Many parts of Southern Africa face two critical resource constraints pertaining to development, namely water and energy. Southern Africa, as a result of global warming and climate change, will experience increasing rainfall intensities, decreasing frequencies of low intensity (soft soaking) rainfall and longer dry periods between rainfall events – the implications of which are severe droughts, floods and heat waves and ultimately greater food insecurity.¹⁰

⁷The World Bank – South Africa Overview. 3 May 2017.

⁸The National Development Plan.

⁹The World Bank – South Africa Economic Update: More Innovation Could Improve Productivity, Create Jobs, and Reduce Poverty. 22 September 2017.

¹⁰Energy Resource Centre. University of Cape Town. Energy, water and climate change in Southern Africa.

Due to its aged infrastructure, the SABS is a significant energy and water consumer and must continue to focus on putting mechanisms in place to reduce its consumption of energy and water. As a technical infrastructure institution, the SABS must play a key role in developing standards that have a positive impact in the environment, and in facilitating the exclusion of non-compliant and unsafe “green” products from the economy and minimising “un-green” products that do not carry a consumption premium to allow for their negative impact to be countered.

3.1.6. Legislative framework

Standardisation has a long history in South Africa from the time it was formalised in the 1900s by industrial and professional associations to the formation of the South African Standards Institute (SASI), a secretariat organisation whose members were professionals and academics that depended on a grant.¹¹ The SASI, through one of their subcommittees, drafted a report to the Department of Trade and Industry that recommended the use of quality marks and proposed a formation of a central, financially independent testing organisation, separate from SASI. Through various reviews, the approved organisation was eventually a “standards bureau” with its own testing and inspection laboratories and this paved the way for the promulgation of the Standards Act, 1945 (Act No. 28 of 1945). This Act still recognised the existence of SASI but the overlap and the anomaly were eventually addressed with the amendment on 30 June 1951 (Act No. 33 of 1951) that ceased the activities of SASI.

Over the years, there were a number of legislative reviews that impacted the SABS. More profound was when the SABS was divested of its regulatory powers and was reconstituted through the promulgation of the Standards Act, 2008 (Act No. 8 of 2008) in keeping with European best practice and World Trade Organisation (WTO) trade facilitation directives and recommendation by business. The review appears to have been argued as a mechanism to address the perceived conflict of interest in the governance of the standards development function, technical regulatory function and conformity assessment functions that were performed by the same institution (SABS). The reforms had the effect of delinking the regulatory powers of quality assurance services from the legislation that established the SABS and which had a strong element of public interest. The current Act, which followed the decision to reconstitute the SABS, excluded a number of significant provisions from the former Standards Act, which underpinned conformity assessment services of the SABS in support of regulations. The following provisions which featured in the erstwhile Standards Act have been excluded in the current Act:

- Section 3(i): The objectives of SABS pre-2008 included, inter alia, to furnish reports and issue certificates in connection with examinations, tests, analyses, calibration and assessment carried out by SABS, subject to the conditions it [SABS] may consider expedient;
- Section 4(1)(e): provided that at the request of any person, body, organisation, administration or authority and subject to the conditions determined by SABS, [SABS] could conduct examinations, tests or analyses or cause them to be conducted in respect of any article, material or substance;
- Section 4(1)(l): provided that in addition to any function, power or duty that SABS is required or empowered to perform, exercise or execute in terms of the provisions of the Act or any other law, [SABS] may do everything that is conducive to the achievement of its objectives or is calculated, directly or indirectly, to enhance the value of or render profitable the property or rights of SABS; and
- The Minister could indemnify SABS against any losses which it incurred when exercising its powers outside the Republic and in instances where such actions are authorised.

The above mentioned provisions of the 1993 Standards Act enabled the SABS to use its discretion when conducting conformity assessment services, in that the SABS could, armed with the powers specifically proffered by the erstwhile Standards Act, balance specific quality assurance needs with compliance to Standards or determine how it would conduct conformity assessment services. Concessions made under the 1993 Act in the interest of the economy and societal realities were protected by Law.

¹¹ Pelser, C. (1995). Standardisation in South Africa.

Despite the position stated above the transitions came with unintended consequences, some of which include the following:

- Although the SABS was left completely changed by the review process, the expectations of its customers did not change. The perception by industry is that the SABS underwent an “internal restructuring”, but its mandate and operations remained the same, when in fact the “restructuring” was legislative in nature and redefined the mandate and operating model of the organisation;
- The review process may have made unrealistic assumptions with, inter alia, expectations of private sector investment to augment and replace the aging infrastructure of the SABS;
- Due to this assumption, the testing infrastructure of the SABS was not adequately upgraded; however, industry and government still expect the SABS to cater for all their conformity assessment needs irrespective of infrastructure constraints. The position was only possible with the SABS as a regulator and having associated powers to make concessions; and
- The repeal of regulation R999 divested the SABS Mark of any form of authority and diminished its value as a quality assurance mark. The SABS under the current Act can only give a SABS Mark with full compliance against SANS. The repeal of R999 stripped South African industries of a competitive edge with the risk of promoting the import of low quality products.

The Broad-Based Black Economic Empowerment Act (“BBBEE Act”), 2003 (Act No. 53 of 2003) provides the legislative framework for Broad-Based Black Economic Empowerment in South Africa (“BBBEE”). The current “generic” Codes of Good Practice on Black Economic Empowerment were published on 9 February 2007 (“Codes”). The primary purpose of the BBBEE Act and the Codes is to address the legacy of apartheid policies and enhance the economic participation of Black people in the South African economy. Although the BBBEE Act and Codes do not impose legal obligations on companies to comply with BBBEE targets, the BBBEE status of a company is an important factor affecting its ability to successfully bid for Government and public entity tenders. Private sector clients also increasingly require their suppliers to have a minimum BBBEE rating in order to boost their own BBBEE ratings. The amendments to the BBBEE Act and the Codes fundamentally change the current BBBEE framework and are a powerful expression of the intention of the Government to promote and implement BBBEE; this is an important factor to be taken into account by the SABS. A key enhancement to the revised codes is that it has identified skills as well as enterprise and supplier development as key dimensions requiring focus. Organisations that fail to realise the requisite 40% sub-minimum under these priority items are penalised by an automatic one level reduction in their contribution level.

3.1.7. Implications of PESTEL for SABS

The weak economic outlook for South Africa means subdued growth in key sectors that utilise the SABS conformity assessment services, such as mining, construction and manufacturing, which will have an adverse impact on the revenue of the organisation. The weak economic conditions, reduction in government support due to fiscal constraints 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 entire spectrum of the economy.

It is important that the rate of change internal to the transformational business of the SABS is greater than the rate of change externally impacting the organisation. To this end the SABS has a robust ICT strategy to digitise and enable business transformation through technology to provide secure multi-channel customer and employee engagements.

The SABS is essentially operating within a policy environment whose recent reforms have impacted the financial sustainability of the organisation and weakened the technical infrastructure as a unit. The SABS has about 35 business units that manage commercial testing services that cut across numerous sectors of the economy and that conduct product testing against more than a thousand national standards. The underutilisation of this infrastructure by regulators, government departments and industry has a direct negative impact on the financial sustainability of these laboratories and puts the current workforce of approximately 400 employees in the Testing division directly at risk and in turn negatively impacts employees in Certification, Training and Standards Development.

The recent verification process against the revised BBBEE codes has highlighted the extent of the gap and significant investment required by SABS to improve its BBBEE level. Although the SABS was certified as a level-7 contributor against the revised codes, due to not realising the sub-minimum requirements under skills development and supplier development, the organisation received an automatic penalty and is therefore certified as a level-8 contributor. This will have a significant impact on the ability of the SABS to grow new business.

To enable informed decision making and targeted investment in advancing BBBEE in a sustainable manner, a comprehensive multi-year plan is being developed and will be implemented with an appropriate tracking and monitoring tool to support the annual verification processes. The objective of the multi-year plan is to work toward being a level 3 contributor over the next three years.

3.2. Internal Environment

In the last three financial years, the SABS was confronted with numerous challenges that negatively impacted the ability of the organisation to:

- Adequately service its Mark Scheme customers in certain industries;
- Grow its revenue;
- Manage its excessive high labour costs; and
- Manage the knock-on effect of the above on profitability and financial sustainability of the organisation.

In response to these challenges, the SABS will focus on an integrated approach across all four strategic objectives; growing revenue while reducing costs, increasing customer centricity, improving productivity and upskilling employees.

To effectively contain its high labour fixed cost, the organisation will maintain its moratorium on all non-critical positions. As part of its strategy to grow revenue and improve customer centricity, the SABS has established a new Enterprise Development (ED) Division incorporating, Sales, Marketing, Product Development, Stakeholder Management and Customer Services. The strategic focus of ALL business divisions within the SABS is to improve their customer responsiveness and increase productivity to become more efficient while growing their revenue base. In building this high performance organisation, the Human Capital Division, in collaboration with each business division, is focusing on transformation initiatives and tightening the governance around performance contracting. This is underpinned by the Human Capital Culture Change and Talent Management Plan, to ensure that the necessary technical skills are available within the required timeframes, and ensuring that the business is ready for the changes, including the organisational culture, to enable the business transformation initiatives.

The laboratory upgrades and ICT renewal programmes will enable business to transform through technology that will increase productivity through business process optimisation and automation of systems. To this end, both the SABS Digitisation strategy and Laboratory Infrastructure Upgrade Programme to increase the profitability of laboratories will be implemented.

3.3. Overview of the Competitive Landscape

As part of the commercial function of the SABS, this corporate plan endeavours to improve the financial sustainability of the organisation as a schedule 3B entity. This is a complex task as it entails the pursuit of the sustainability of the organisation within the context of the statutory mandate of the SABS. The complexity of this task is further exacerbated by the fact that SABS' competitors do not have to comply with certain legislation that is only applicable to public entities, which impedes the flexibility to compete on a level "playing field".

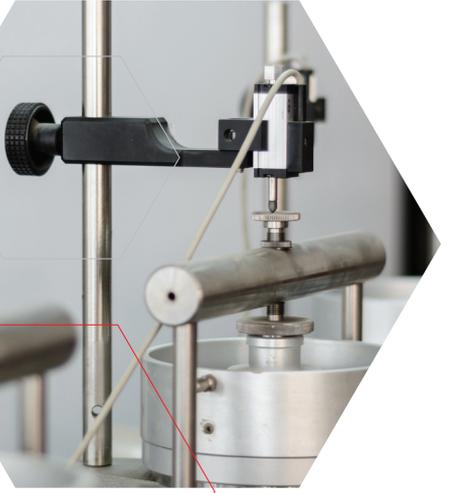
The most salient activities impacting the competitive landscape are summarised below:

- Withdrawal of active state participation in standardisation activities in terms of investment, use of conformity assessment services and the development of standards;
- Increased competition from focused accredited operators, both in the form of large international players and emerging SMMEs in both management systems and product certification services;
- Appearance of alternative product certification mark schemes from industry bodies and other testing service providers;
- Increased competition from international commercial test laboratories operating outside the prescripts of our domestic legislation; and
- Increasing competition in standards training from third party service providers, such as Financial Audit Firms.

3.4. SWOT Analysis

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

Strength	Weaknesses
<ul style="list-style-type: none"> • Long standing association of the brand with quality assurance in the country; • Relationships with regional and international standards bodies and private sector partners; and • Strong balance sheet. 	<ul style="list-style-type: none"> • Ageing testing infrastructure; • Legacy ICT technology that needs to be upgraded and renewed; • Recent reputational damage due to SANAS suspensions; and • The revised BBBEE status.
Opportunities	Threats
<ul style="list-style-type: none"> • Diverse services that can be formulated into value streams of targeted offerings for customers in public and private sectors; • Collaboration with other dti entities to provide an end-to-end customer experience and enable the South African economy; • Leverage the asset base to fund laboratory infrastructure renewal; and • Supporting Government and Government influenced entities with their standards and competitiveness. 	<ul style="list-style-type: none"> • Increased competition – Foreign and domestic conformity assessment companies targeting niche industries and market segments; • Lack of a clear policy direction for the conformity assessment of the SABS (statutory vs. commercial mandates), impacting the deliverables of the organisation to adequately respond to competition; • Loss of Accreditation; and • Political and economic uncertainty.



PART C

STRATEGY



4. Strategy

4.1. Strategic Context

The SABS recognises that unlike its competitors, it is a Schedule 3B public entity that has both a statutory and commercial mandate and has to comply with additional legislation, while supplying services on a commercially sustainable basis. While this mandate is easier to execute when in a position of relative market dominance, strategic dilemmas occur when competition is encouraged and state support diminishes. The SABS aims to align its commercial strategic objectives to its statutory mandate, namely the NDP and IPAP of the governments, in order to ensure that it remains a relevant and leading organisation in growing the economy of South Africa.

4.2. Strategic Pillars

The SABS continues to focus its strategic programme on four pillars, namely, growth, customer centricity, productivity and empowered and competent employees.

Growth

The SABS will continue to invest in programmes aimed at providing relevant standardisation services through:

- Enhancing the collaboration with government for a more focused relationship that seeks to improve alignment with the growth and socio-economic imperatives of the country;
- Focusing on providing quality assurance across the value chain for public sector entities, including regulators, to secure agreements that will ensure sustainable income;
- Partnering with the private sector to provide relevant and value-adding solutions to enable businesses to be more effective and efficient;
- Initiating value-adding customer engagements to improve the image of the SABS and provide feedback to customers regarding the digitisation programme and customer centricity improvement plans at the SABS; and
- Leveraging its balance sheet to fund the renewal of its testing infrastructure.

Customer Centricity

Customer centricity remains high on the investment agenda of the SABS. Various initiatives including, the implementation of a new Customer Relations Management System (CRM) that encompasses automation of business processes to enable end-to-end customer services, will commence in 2018/19. A fully integrated customer online portal will also be implemented that will enable customers to fully engage with the SABS electronically across all services. A new user-friendly SABS website will be implemented that will improve the customer engagements with the SABS, through streamlining all customer interactions through a dedicated Customer Services team, who will be the internal advocate for all customers.

Productivity

Like many organisations in South Africa beset by productivity challenges, the operations of the SABS need a new enlightened approach and an infusion of new technology to become more efficient. A number of initiatives are currently in progress to motivate employees; modernise testing equipment; digitise the business; implement business process optimisation; and increase competitiveness and productivity at the SABS. To compliment these technology solutions, there are also Business Intelligence dashboards and reporting to enable real-time tracking of key business measures and Human Capital initiatives to enhance performance management governance and implementation of a high performance organisational culture.

Empowered and Competent Employees

The services of the SABS require a series of highly technical decisions to be made by employees in different parts of the delivery process. Competent employees are therefore critical to the delivery of services. A number of initiatives will continue to be implemented to empower employees with knowledge about the business and cultivate a culture of accountability. These include the implementation of the Talent Management Strategy and Culture Change Strategy that were approved in the 2017/18 financial year.

4.3. Strategic Objectives

The organisation has four strategic objectives matched to the strategic pillars.

4.3.1. Increase the use of standardisation services by broadening the scope and reach of services offered

During the next three years, the SABS will focus on the creation of value propositions to increase revenue and sustain the business. Initiatives to achieve this objective will include:

- Centralise the sales function with a dedicated focus to grow the revenue and increase the sales team to enable them to take a sector focussed approach with very clear revenue targets per person that includes all existing and new products and services; and
- Create a product development team that will be dedicated to enhancing and improving the management of the product portfolio and product suite.

Progress on objectives will be monitored through revenue from services and the introduction of new services and/or products.

4.3.2. Put the customer at the forefront of everything we do

Customer interaction and relationships are critical to the success of the organisation. In the past eight years a number of initiatives have been implemented to improve the service experience of customers and stakeholders. During the next three years more emphasis will be on the following:

- Increase the use of technology to facilitate online customer engagements and ease of doing business with the SABS; and
- Focus on strategic partnerships that can yield commercial value to the organisation.

Progress on the achievement of this objective will be monitored through services that are delivered to SMMEs, especially high growth, high job creating enterprises, promotion of the SABS value proposition and delivery against commitment for IPAP, as well as new partnerships that lead to the purchase of SABS services. The SABS will also develop closer relationships with Technology Transfer Organisations (TTOs) to assist their spin out companies leverage standards in their quest for commercialisation.

4.3.3. Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy

The extensive infrastructure that the SABS has in Pretoria and across the country is critical to servicing the South African economy. However, because of its age, parts of the infrastructure have become obsolete and will need to be recapitalised. In the environment of diminishing funding from the shareholder, new sources of funding are being explored. During the next three years the focus will be on the following initiatives:

- Exploring alternate sources to increase the capacity of laboratories through partnerships that can yield revenue in a shorter cycle, and reduce backlogs in our laboratories; and
- Implement a Property Development strategy to earn income for the revitalisation of the infrastructure to meet market demands for change.

Progress on the achievement of this objective will be monitored through the profitability of the Testing Division and the pace at which the property strategy is implemented.

4.3.4. Develop and retain competent human resources that are aligned with the mandate of the organisation

The SABS is currently engaged in partnerships with peer organisations around the world, and institutions locally, to explore opportunities to attract and develop employees that strengthen its talent pool in the key service delivery areas of standards development and testing. During the next three years the organisation will continue with the following initiatives:

- Build partnerships that can be leveraged for the development of employees to reach their potential;
- Purposely increase the pool of employees with post graduate qualifications to support innovation and research related to our services; and
- Increase positive motivation, reduce absenteeism, lower staff turnover, improve morale and reduce disciplinary action and grievances once the HC transition process has been successfully concluded.

Progress on the achievement of this objective will be monitored through the number of employees recruited into Standards and Testing Divisions that received specialised training in testing services and the number of employees that obtained Masters and Doctoral qualifications.

4.4. Performance Plan

Note: All performance indicators are profiled in ANNEXURE A of this Corporate Plan

Strategic Pillar 1: Growth

Strategic objective 1: Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered.

Outcome	Output	Performance Indicator	Cumulative	Audited Actual Performance			2017/18 Budget/ Forecast	Targets		
				2014/15	2015/16	2016/17		2018/19	2019/20	2020/21
Growth	Increase in revenue from services	Revenue from services (R m)	No	557.3	544.7	500.9	532.5	560.4	601.8	657.6
	Increase in products/ services offered	Number of new products/services offered	No	-	-	2	2	2	4	5

Quarterly Milestones

Outcome	Output	Performance Indicator	Cumulative over the four quarters	2018/19 Target	Targets			
					Q1	Q2	Q3	Q4
Growth	Revenue	Revenue from services (R m)	Yes	560.4	84.1	224.2	308.2	560.4
	Increase in products/ services offered	Number of new Products/services offered	Yes	2	0	1	2	2

Strategic Pillar 2: Customer Centricity

Strategic objective 2: Put the customer at the forefront of everything we do

Outcome	Output	Performance Indicator	Cumulative	Audited Actual Performance			2017/18 Budget/ Forecast	Targets		
				2014/15	2015/16	2016/17		2018/19	2019/20	2020/21
An improvement in customer and stakeholder relations due to focus on the delivery of standardisation solutions that are aligned to their needs	SMME and entrepreneurship development	Number of SMMEs that received SABS services	No	45	58	83	70	75	80	80
	Improvement in stakeholder relations	Number of sector-specific publications produced	No	-	-	4	4	4	6	8
		% of deliverables completed as per the IPAP plan ¹²	No	-	-	-	80%	≥80%	≥80%	≥80%

¹² The applicable list of IPAP deliverables plan is included in this Corporate Plan.

Quarterly Milestones

Outcome	Output	Performance Indicator	Cumulative over the four quarters	2018/19 Target	Targets			
					Q1	Q2	Q3	Q4
An improvement in customer and stakeholder relations due to focus on the delivery of standardisation solutions that are aligned to their needs	SMME and entrepreneurship development	Number of SMMEs that received design, innovation and certification services	Yes	70	0	20	50	70
	Demonstration of the socio-economic impact of published standards	Number of sector-specific publications produced	Yes	4	0	2	3	4
	Alignment of the Standardisation programme to IPAP sectors	% of deliverables completed as per the IPAP Plan	Yes	≥80%	0	30%	50%	≥80%

Strategic Pillar 3: Productivity

Strategic objective 3: Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy

Outcome	Output	Performance Indicator	Cumulative	Audited Actual Performance			2017/18 Budget/ Forecast	Targets		
				2014/15	2015/16	2016/17		2018/19	2019/20	2020/21
Improvement in operational efficiency and effectiveness across the SABS	Execution of strategies to improve the sustainability of the organisation	% of laboratories (BUs in Testing Division) that are profitable	No	56%	42%		≥55%	≥70%	≥80%	99%
	Optimisation of property assets of the SABS to fund Testing Infrastructure	Allocation of income generated from property to fund Testing Infrastructure (R m)	No	-	-		100% Note ¹	R5 m	R10 m	R15 m

Notes: ¹ The previous KPI was measured as a percentage.

Quarterly Milestones

Outcome	Output	Performance Indicator	Cumulative over the four quarters	2018/19 Target	Targets			
					Q1	Q2	Q3	Q4
Improvement in operational efficiency and effectiveness across the SABS	Execution of strategies to improve the sustainability of the organisation	% of laboratories (BUs in Testing Division) that are profitable	No	70%	55%	65%	70%	70%
	Optimisation of property assets of the SABS to fund Testing Infrastructure	Allocation of income generated from property to fund Testing Infrastructure (R m)	Yes	R5 m	R1 m	R2.5 m	R3.5 m	R5 m

Strategic Pillar 4: Competent and Empowered Employees

Strategic objective 4: Develop and retain a competent human resource that is aligned with the mandate of the organisation

Outcome	Output	Performance Indicator	Cumulative	Audited Actual Performance			2017/18 Forecast	Targets		
				2014/15	2015/16	2016/17		2018/19	2019/20	2020/21
Competent and empowered employees to drive improved service delivery	Development of technical expertise	Number of technical employees that have completed specialist training with leading partners	Yes – Note ²	-	-	6	8	10	12	18
		Number of Doctoral and Masters graduates recruited or developed to support Testing and Standards Development	Yes– Note ²	-	-	2	2	2	6	8

Notes:

2. The previous 3-year cycle ends in 2017/18 and a new 3-year accumulative target starts in 2018/19

Quarterly Milestones

Outcome	Output	Performance Indicator	Cumulative over the four quarters	2018/19 Target	Quarterly Targets			
					Q1	Q2	Q3	Q4
Competent and empowered employees to drive improved service delivery	Development of technical expertise	Number of technical employees that have completed specialist training with leading partners	Yes	10	1	4	6	10
		Number of Doctoral and Masters graduates recruited or developed to support Testing and Standards Development	Yes	2	0	0	1	2

4.5. Alignment to the dti Objectives

The Department of Trade and Industry relies on a group of specialised agencies and institutions, such as the SABS, to support its economic growth, employment and equity aspirations, as well as to deliver 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 dti** as its shareholder and principal. The commercial mandate of the SABS is however self-funding and competes in the market with other private entities.

So, while the statutory objectives of the SABS are aligned with **the dti** at a high level, the policy environment within which the SABS fulfils its commercial mandate needs to be re-examined in order to strengthen its impact on the economic transformation and growth objectives of **the dti**.

STRATEGIC OBJECTIVES		SABS key initiatives/deliverables (in accordance with the current corporate plan)
SABS	the dti	
Growth: <i>Increase the use of standardisation services</i>	Strategic Objective 1: Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation.	Enhancing the collaboration with government for a more focused relationship that seeks to improve alignment with the growth and socio-economic imperatives of the country; <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; and Partnering with the private sector to provide relevant and value-adding solutions to enable businesses to be more effective and efficient.

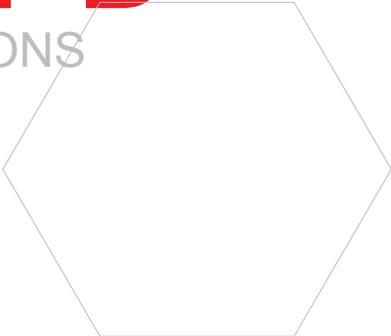
STRATEGIC OBJECTIVES		SABS key initiatives/deliverables (in accordance with the current corporate plan)
SABS	the dti	
Customer centricity: Put the customer at the forefront of everything we do.	Strategic Objective 2: Build mutually beneficial regional and global relations to advance the trade, industrial policy and economic development objectives of South Africa. Strategic Objective 3: Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.	Developing a customer service operating model that will align end-to-end customer processes across the organisation; <ul style="list-style-type: none"> Optimising business processes, through the SABS digitisation strategy, to improve service delivery; and Maintaining influence in international and regional standardisation bodies.

STRATEGIC OBJECTIVES		SABS key initiatives/deliverables (in accordance with the current corporate plan)
SABS	the dti	
Productivity: Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy.	Strategic Objective 2: Build mutually beneficial regional and global relations to advance the trade, industrial policy and economic development objectives of South Africa. Strategic Objective 3: Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.	Develop and leverage a robust Enterprise Architecture that will rapidly facilitate the deployment of people, processes and technologies to enable and transform the organisation; <ul style="list-style-type: none"> Transform the organisation into an efficient and effective operation using an integration of technology, business process optimisation and people change initiatives; Modernisation of laboratory processes and technology to improve availability of management information and decision support systems; and Develop digital operating models that will enable the business through mobile and online capabilities and "paperless" transacting methods.



PART D

SABS DIVISIONS



5. Divisional Overviews

OPERATING DIVISIONS

5.1. Standards

SANS form a critical part of addressing the socio-economic development challenges of the country and opening up regional trade opportunities to the growing and evolving South African economy. Standards are a key enabler for the introduction of new technologies and innovations, and can ensure that products, components and services supplied by different manufacturers and resellers can be compatible and interoperable.

The SABS Standards Division is critical to unlocking this value, and intends to remain steadfast in maintaining its relevance by reinventing its approach to standards development and stakeholder engagement.

The thrust for the Standards Division going forward is to activate and strengthen the effectiveness of the various stakeholder engagement platforms envisaged in the Standards Act, 2008 (Act No. 8 of 2008), in order to achieve better alignment with national policy and the developmental imperatives. Ultimately, these efforts should significantly contribute to delivering a more tangible impact to the economic growth and regional trade ambitions of South Africa.

The redirection of the Division will include, among others, rigorous consultation and collaboration across the standards value chain; training and development; the promotion of standards and the strengthening of local, regional and international relationships. This will require, amongst others, a review of the Standards Development Framework which embodies the elements of strategic stakeholder engagement.

The strategic initiatives of the Standards Division going forward are intended to facilitate improved business interaction; encourage improved compliance with relevant legislation and regulations to ensure quality assurance for consumers and hopefully speed up the introduction of innovative products to market, which is critical in achieving more robust economic growth.

In the next three years focus will be on:

- Revision of the Standards Action Plan to maintain alignment of standards with the National Development Agenda of the country;
- Engagement with government structures and relevant forums to strengthen collaborations and uptake of standards;
- Participating and informing the strategic agenda of key regional and international standardisation bodies;
- Strengthening the standards development and governance processes to ensure broader representation and improved mechanisms to guard against anti-competitive conduct, thereby creating more credible output and optimal conditions for catalysing market growth;
- Identifying and exploiting strategic thought leadership platforms to facilitate the improved use of standards and also speed up the use of standards in the product innovation space;
- Promoting standardisation through a select number of relevant publications and colloquia to increase awareness of standards and the centrality thereof in ensuring inclusive growth, opening up of markets, job creation, etc.;
- Improving the skills and competencies of employees for alignment with the development needs of the country; and
- Implementing better education about the Standardisation Programme.

5.2. Certification

As an independent, third party quality assurance service provider, legislated by the Standards Act, 2008 (Act No. 8 of 2008), the SABS operates in a highly competitive certification environment proliferated by numerous international and local certification bodies. The portfolio of SABS Certification services comprises Product and Management System Certification, including Consignment Inspections and Local Content Verification services.

As the key revenue driver amidst the competitive environment, 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 unlocking the opportunities of operational excellence through digital transformation of the business which will continue into the 2018/19 period. This period will also focus on ensuring the ease of transition of our clients to the 2015 version of ISO 9001 and ISO 14001 as well as the conversion of OHSAS 18001 to ISO 45001.

The Division further aims to significantly improve its customer engagement plans; implement strategic marketing and sales opportunities and diversify its product offering through targeted industry engagements, thereby confirming market relevance.

In the next three years to 2020/21 focus will be on:

- Digitisation of the business;
- Revitalisation of the customer engagement plans;
- Expansion of product offering aligned to market needs; and
- Public sector collaboration and partnerships to support the policy and regulatory priorities.

5.3. Training

The Training Academy is a strategic component of the SABS value chain that supports the Certification business. The current portfolio of services focuses primarily on management system standards that are facilitated through the traditional classroom training model and legacy systems. The Academy has a promising future with the potential to significantly expand its product offerings and diversify its client base. This will be achieved through, amongst other initiatives, the digital transformation of the training business in 2018 that will revolutionise the training system at the SABS. The impact of this will result in appreciable enhancement of operational efficiencies; introduction of digital marketing; and diversifying the delivery of training through blended and e-learning modes of learning.

The strategic focus on partnership with government entities in support of the need to develop management and technical skills of public sector employees will be boosted. Furthermore, in alignment with the industrialisation aspirations of the NDP and IPAP, priority sectors with a focus on SMMEs will receive particular attention.

The African region offers a significant market for the development of technical, leadership and soft skills of its people. The Academy will broaden its footprint into the continent through innovative marketing and sales strategies, with tailored value propositions that meet the unique needs of clients.

In the next three years to 2020/21 focus will be on:

- Implementing the digital transformation of the Training Academy;
- Improved marketing and sales through innovation and digitisation;
- Collaboration and partnerships for upskilling of public sector employees to support the implementation of policy and regulatory priorities and efficient delivery of public services;
- Implementing of new business opportunities in the African region to support the growth strategy into the continent;
- Collaboration with relevant professional bodies and institutions of higher education to enhance the skills and qualification on Standardisation; and
- Establish and accredit new product offerings aligned to market needs and the growth strategy of the academy.

5.4. Testing

In the pre-2008 era the SABS as a regulator was a technology leader in industry based on its infrastructure at the time. From its establishment and throughout South Africa's years under economic sanctions, the SABS was a vital cog in the industrialisation machinery of the state. The SABS was able to match the technologies of the day and provide adequate support to the industrialisation agenda of the day. It has been almost a decade since the deregulation of the testing market, matched with the overall opening of the South African consumer goods market to foreign players. South African manufacturing has been particularly hard hit by the globalisation, the open market stance of the economy and a loss of industrialisation capacity. Government is now implementing various policies and support measures to reindustrialise the country.

Testing is a capital intensive and technology dependent business similar to other infrastructure based SOCs. As a consequence of the testing service being less visible than transport, water and other bulk infrastructure, it is easy to forget that the testing infrastructure is as critical for the continued industrialisation aspirations of the country. Without adequate and consistent investments into the testing infrastructure, industrialisation aspirations of the country will be negatively impacted. Technology changes constantly and capital equipment needs continuous renewal. For an entity that provides commercial testing services to remain sustainable, focused attention and support must be given to implement mechanisms to keep pace with the advancements in manufacturing technologies. Sufficient levels of funding are required to implement and support infrastructure maintenance and renewal programmes in the Testing Division if the business is to remain sustainable.

SABS testing has to navigate an altered landscape where the testing market has opened to local and international competitors. The change of status of the SABS as a significant supplier for government services meant that revenue from these services was no longer protected. As a critical technical infrastructure pillar for supporting certain local manufacturing and providing quality assurance of product safety for local consumers, the SABS testing infrastructure suffers a similar fate as most historical infrastructure in the country which is aging and needs systematic renewal aligned with commercial and socio-economic objectives.

Competitive landscape

The main competition in the testing market in South Africa comes from large listed multinational commercial testing companies. This is unfortunately not a level playing field, as these entities do not have to face the onerous disclosure obligations that SABS Commercial has, as a State Owned Entity in South Africa. Our competitors comply with off-shore listed company requirements where their business models and structures for South Africa are consolidated into their narratives about Africa and the Middle East. Compounding this is an availability of capital to execute their strategies in the country and on the continent with a level of impunity which is a risk to local testing capability and capacity in the country. While there is no policy which forces local testing of products on the continent, the ability to perform quality assurance in an African country will be dependent on international companies. It is incumbent on the policy makers and regulators to bear this in mind as we drive a localisation effort without a concomitant effort to ensure that the quality assurance is localised where there is merit.

The Tipping Point for Infrastructure renewal

The Division cannot maintain its status quo, and the expectation gaps between what the shareholder and the public expect of the SABS, continue to cause friction, as currently the expectations do not align with the technical capabilities of the Division. Without certainty on the status of the Testing Division as either a national imperative or a private enterprise, the investment required to meet the expectations of industry or government will not materialise. A capital injection is necessary to support the implementation of a testing business model. In the absence of state funding mechanisms to upgrade the infrastructure, commercial business cases have to be developed to facilitate capital funding for the required testing infrastructure.

For the next three years, the priority of the Division is to match the infrastructure to revenue and maximise returns where possible.

The Division is to embark on an infrastructure renewal programme targeting testing areas of high socio-economic impact. Industry engagements have been arranged to ensure a stakeholders inclusive approach, including:

- Concrete evidence of the commitment of the relevant industry to the utilisation of the facility;
- Confirmed regulatory instruments including policies and funding, if the infrastructure is meant to support regulators; and
- Operating costs (including maintenance) recovery where infrastructure is donated to the SABS.

5.5. Enterprise Development

The Enterprise Development (ED) Division is a new division, intended to focus on enabling the commercial objectives of the SABS and incorporates Sales, Marketing, Product and Solutions Management, Stakeholder Management, Customer Services, Design Institute (DI) and SMME. The SMME unit is focussed on guiding Small, Medium and Micro Enterprises to secure certification. DI and SMME are stand-alone customer-facing delivery units with a unique value proposition for the market.

Sales and Customer Services will form the frontline of the organisation as an interface for all services offered by the SABS, supported by marketing and Stakeholder management. As is currently the case Customer Services will continue to deal with all customer queries and post-sales customer interaction.

The sales team are responsible for safeguarding revenue from the existing customer base by promoting recurring sales as well as seeking new sources of revenue in order to ensure the growth of the business.

5.5.1. Customer Services

Customer services is solely focused on maintaining a communication channel primarily with existing clients, and where necessary providing information to potential clients. Customer Services will form the front line of the organisation. This unit has embarked on a transformational journey where it is evolving from solely being an entry point of contact, to the role of taking end-to-end responsibility for customer problem resolution. This requires customer services to not only receive enquiries from clients and pass them to the rest of the business, but to now own the customer's problem and the associated resolution and communication to the customer.

The transition will be carried out in three phases, with each phase requiring incremental training for staff

Phase 1: This phase is already in progress and entails ownership and holding the rest of the business accountable to enable Customer Services to provide and communicate timeously when resolving customer issues.

Phase 2: Enabling Customer Services to generate leads for the sales teams.

Phase 3: Enabling customer services to sell commoditised products and services, such as standard sales, product certification for commoditised products.

Customer services will also be the single point of measuring customer satisfaction of all SABS services, with the exception of Standards development. This journey will require the organisation to make an investment in re-training staff to elevate and develop expertise in people.

The key measure of this unit will evolve over time, aligned to the rollout of the phases listed above, and will remain primarily focused on customer satisfaction, and eventually on a broader, and yet to be adopted model, such as a Net Promoter Score (NPS).

5.5.2. Products and Solutions Management

This business unit is new to the SABS and is tasked with documenting, consolidating and managing the product catalogue and related pricing of the SABS. This unit will also be responsible for packaging and pricing SABS' solutions for specific client requirements, based on the capability of the organisation. The team will work closely with other business units in Certification and Testing, and where necessary, will initiate strategic collaborations with external parties to enhance the capability and capacity of the SABS.

The key measure of this unit will be the revenue from successful bids and new proposals, and revenue earned from new products and services introduced by the SABS into the market, within a specific financial period.

5.5.3. SMME Support Services

This SMME Support Service business unit is a revenue generator and profit centre. The focus of this unit is to support emerging businesses (SMMEs) to be in a position to acquire system certification for their businesses. 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 they offer.

In order to adhere to the governance separation of functions between consulting and certification, the SMME unit does not get involved in certification, but only advises on the pre-certification function to help the SMME, and any other business, prepare for certification. The primary difference between the Design Institute (DI) and the SMME unit offering is that the DI offering is on entrepreneurship and product readiness from concept, while the SMME unit works with SMMEs that have management systems and processes at a stage where they can be tested for certification, which requires a minimum level of maturity.

5.5.4. SABS Design Institute

The SABS Design Institute (DI) was formally established in the 1960s to stimulate the development of the manufacturing industry in South Africa through engineering and product design. The Institute is responsible for the promotion of design and innovation as key strategic capabilities for the socio-economic development of South Africa.

In the next three years the Design Institute will focus on ensuring that the system is built for sustainability by leveraging excellent achievements in:

- Securing a sustainable service offering that exceeds clients' expectations;
- Developing local and global reach through impact programmes;
- Acquiring world-class design centre status that can compete with global counterparts;
- Becoming a hub for skills transfer to previously disadvantaged designers;
- Continuation of the implementation of the Design and Innovation Entrepreneurship Programme and rural schools design clinics of Transnet;
- The launch and implementation of the Jobs Fund's Design and Innovation Acceleration Programme; and
- Launch of the Jobs Fund Design and Innovation Accelerator Hub.

The Design Institute will also position itself to have a greater impact on its intended core area of driving industrial design. The DI is not a profit centre, but is expected to be self-funding from its commercial activities.

5.5.5. Sales

The Sales Business Unit is the focal point for customer retention and revenue growth for the SABS. The sales team will be the entry point of contact for new service requirements and for developing and executing strategies for revenue growth. This function will be the only other point of contact for clients of the SABS besides Customer Services. Customer Services will manage pre- and post-sales contact with customers, as well as customer retention responsibilities. The Sales team owns the revenue generation and financial growth targets that are set out in the corporate plan, and is the only Enterprise Development business unit with a regional presence in the East and West Coast offices; this is in order to better facilitate client interaction in the regions.

The team is focused along industry lines to better inform the internal business units, including Certification and Testing, on market opportunities and positioning that maximises value in the following industry sectors:

- Built environment: Construction sector;
- Automotive;
- Electro-technical;
- Food, Chemicals and Materials; and
- International: By means of an opportunities approach.

These sectors are a result of the analysis of the significant revenue sources, and opportunities of the SABS. The Sales team will be target driven and incentivised in line with the revenue growth of the SABS as projected in this Corporate Plan; the focus of the team will be on growing revenue per business unit. To achieve this, the Product and Solutions team, and the Sales team will be working closely to offer integrated value-adding propositions to enable the SABS to increase its revenue. The performance of the Sales Department will be measured on annual revenue and year-on-year growth.

5.5.6. Stakeholder Management

This unit is the second of two new functions in the commercial business. It is very strategic in nature, in that it will work to give the SABS insight into the market. Stakeholder management, or relations, is a dedicated lobby function that focuses on industry relevance and influence directed at commercial interests of the organisation while working closely with the Executives across the organisation. This commercially focused Stakeholder team will align to the Standards Stakeholder team to ensure complete coverage for the objectives of the SABS. This role will focus on relationships in the following areas:

- Industry associations;
- Regulators;
- Specific National and Provincial Government Departments such as Education, Health and Public Service and Administration;
- Departments focusing on Trade promotion;
- **The dti**; and
- TTOs.

SUPPORT SERVICES

The support services of the SABS play an important support and governance role. These services are organised into four divisions, each headed by an executive, namely,

- a) Corporate Services;
- b) Human Capital;
- c) Finance; and
- d) Training, Risk and Assurance.

5.6. Corporate Services

Corporate Services includes Information and Communications Technology (ICT), Legal Services as well as Planning and Reporting.

5.6.1. Information and Communication Technology

The focus for the past year was to develop a robust Architecture Blueprint for the organisation in preparation for the ICT transformation enablement, stabilise the ICT environment, transform the Certification and Accreditation Divisions with online digitised tools and upgrade the bandwidth to all sites to adequately cater for existing and future business needs and to align with the digitisation roadmap. The new ICT strategy has been developed and approved at the November 2017 Board meeting. The strategy leverages the Enterprise Architecture work done over the past year to enable the

effective and efficient deployment of people, processes and technologies to allow for business transformation of the organisation over the next three years to 2020/21. The specific focus will be on adopting a digital business model to strategically and effectively optimise key business processes to drive efficiencies, maintain data integrity and facilitate governance and controls through:

- Online Customer Channels to facilitate all sales and e-commerce;
- Online Customer Portal to enable customer authentication to perform advanced engagements with the SABS;
- Customer collaboration to digitally share knowledge and enable third-party engagements;
- Digital certification;
- Digitised business processes for all core business activities;
- Real-time reporting of all customer engagements and business activities; and
- Enterprise Digital Content management to enable a paperless business.

During this period, the SABS will upgrade and/or outsource the ICT infrastructure and datacentre to accommodate the digitisation strategy and technology renewal programme, while implementing a robust information security environment, enabled through Master Data Management, to protect the SABS and its customers and while still ensuring compliance with relevant legislation.

5.6.2. Legal Services

Legal Services as an internal support business unit retains the skills of qualified and admitted attorneys to guide and protect the interests of the SABS in this highly regulated public sector environment. Various initiatives within the SABS require extensive and careful engagement on, for example, corporate, civil and intellectual property levels as well as criminal areas of the law. Through the Legal Services Unit the SABS is able to retain 100% of its internal commercial law requirement. This entails the negotiation and drafting of commercial contracts and strategic Memorandums of Understanding to support the business of the SABS. During the 2017/18 financial year a landmark collaboration between the SABS and the Competition Commission was concluded; this Memorandum of Understanding (MoU) constitutes a cornerstone for the support required by the Standards Division on competition issues affecting the development of Standards. The Legal Department will support the organisation in the execution and management of the MoU to leverage on collaboration between the two organs of State.

In response to SABS' embrace of the digital age, the legal business unit implemented a new electronic contract management system, automated the management of internal legal requests, and implemented an online real-time IP monitoring tool that scans for both market places and company websites to monitor the abuse of the SABS mark and its corporate logo. The future focus is to optimise the use of the tool and to expand the monitoring capability, including a mobile capability, and take the necessary corrective actions for IP abuse infringements.

The Legal Services Department as caretaker of the litigation profile of the organisation has the capability of tackling complex litigation matters that are of strategic importance to the SABS. In the current financial year, the SABS was successful in instituting civil proceedings in the High Court of South Africa in a matter that had strong elements of industrial espionage. The SABS obtained an order in the urgent Court for the return of its commercial information that was unlawfully removed from the SABS by erstwhile employees. The order was also extended to include a restraint of trade against the implicated employees. This matter will serve as a yardstick for what constitutes valuable commercial information of the SABS and the extent to which erstwhile employees of the SABS can exploit the information obtained in fiduciary positions while employed at the SABS.

5.6.3. Planning and Reporting

Planning and Reporting is an internal support business unit that focuses on ensuring that the integrated strategy of the organisation is aligned to its legislative and commercial mandates, maintains its competitiveness and achieves its objectives. It does this by building a robust system of internal controls that ensure appropriate delegation of responsibility and accountability for planning and reporting roles, preparing an organisation-level corporate plan, a business plan, scorecards and performance reports for review by the SABS Board, **the dti**, National Treasury and Parliament. The function is also responsible for coordinating internal and external audits on the performance information of the organisation as required by the PFMA for a Schedule 3B entity and to facilitate responses to all Parliamentary questions.

In the period to 2021 the function will focus on the following:

- Implementing a KPI Performance Management System aligned with the SABS digitisation strategy to track and report KPI progress;
- Strengthening internal controls to improve accountability for performance across the SABS;
- Building capacity to conduct robust business environment analysis for strategy development; and
- Automating its business processes to improve the effectiveness of planning and reporting in the organisation.

5.7. Human Capital

The Talent Management and Culture Change framework approved in 2017/18 defines the roadmap to facilitate the cultural transformation of the SABS from a regulatory mind-set to a customer-centric, service-oriented, commercialised organisation. The key underpinning of the approach is the prioritisation of performance management compliance and governance and the building of a strong talent pipeline to support sustainable business growth.

Over the next three years, focus will be on:

- Building and strengthening a multi-level performance governance framework to drive the building of a high performing organisation through:
 - Adaptability to Context – the ability to anticipate and respond with agility to changing circumstances;
 - Mutuality – emphasising the need for mutual accountability for performance management amongst all stakeholders;
 - Performance Management Capacity – the ability of all managers and employees, at all hierarchical levels to undertake performance management effectively;
 - Clear Purpose and Direction – explicit alignment between strategy, systems and processes, thereby ensuring a clear line of sight from organisational goals to individual performance;
 - Consequence Management – the systematic and consistent management of poor performance and recognition of exceptional performance; and
 - Credibility of Systems and Procedures – systems designed to enable compliance, support tracking and reporting and provide data rich analytics to support informed decision making.
- Recruit and retain talented people, to ensure that we have people with the relevant skills to deliver on organisational priorities and optimise productivity;
- Prioritised and targeted learning and development investments to support business growth priorities, and building of critical skills to enhance the competitive advantage of the SABS;
- Creating an enabling environment to provide the leadership required to move the organisation to a high performance, customer-centric and commercialised organisation.

5.8. Finance

A key strategic objective of Finance is to ensure the financial sustainability of the SABS, especially during these times of change and challenging economic conditions and to ensure governance and compliance. In the next three years to 2020/21, focus will be on:

- Returning the SABS to clean audit status and closing all the gaps identified in the 2016/2017 audit.
- Unpacking the value of the current accounting system and assessing whether it meets the needs of the SABS. Possible replacement of the system if required;
- Creating efficiencies through automation across the Finance Division (Accounts Payable; Billing; Credit Management and Management Reporting);
- Finding innovative solutions to improve operational efficiencies in current processes (redesign of current processes);
- Ongoing review and implementation of new International Financial Reporting Standards (IFRS) accounting statements;
- Management of the working capital cycle of the SABS and subsequent improvement of the cash flow position; and
- Securing loan funding to fund the Testing capital programme, if needed.

5.8.1. Procurement

The focus of Procurement is on maintaining good governance particularly within contracts and cost management and maintaining compliance with the Public Finance Management Act (PFMA), 2016 (Act No. 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.

This will assist in regaining a clean audit status. In the next three years focus will be on:

- Ensuring compliance by strengthening the internal control environment and focussing on staff training on updated procurement policies and procedure, standardising of all procurement templates, enhancing quality reviews, stringent timeous demand planning and continuous auditing;
- Operational efficiency to enable business aided by the ICT transformation journey that will focus on automating key processes to allow for quick turnaround, transparency and minimise human error; this will include implementing e-sourcing, a supplier performance management system and service rating tools with procurement stakeholders; and
- Continuous engagement with key stakeholders.

5.8.2. Facilities

The SABS currently has an aging Testing infrastructure which was originally established in 1972 and therefore requires significant investment going forward. The buildings require revamping to maintain the current operations and need optimisation to fund the Testing Capex programme. This is necessary to service current capacity and generate growth in light of prospects to expand services to regulators and other industries. In the next three years facilities will focus on:

- Upgrading testing equipment where cost effective;
- Revamping the plant room;
- Implementing energy efficient solutions to reduce electricity costs;
- Enhancing maintenance plans; and
- Continue with security upgrades.

5.8.3. Property Optimisation

A Property Strategy was developed and approved by the Board and is aimed at maximising the value of SABS properties to fund the aging Testing infrastructure and enhance financial sustainability. The strategy includes the development of the Groenkloof facility into a mixed use campus with retail, office and laboratory facilities. The implementation of the overall Property Strategy will be the key focus area in the next three years to 2020/21 and includes:

- Consolidation of operations to reduce rental expenses;
- Revamp buildings namely C-Block and A-Block to optimise rental income;
- Develop the Cape Town offices to include an apartment block and/or student accommodation facility to optimise rental income;
- Obtaining township rights for the Groenkloof campus to commence with the mixed use development;
- Develop or dispose of properties for which approval was obtained from the Minister of Finance and **the dti** in 2009; and
- Setting up a subsidiary that will focus on the implementation of the property strategy.



PART E

Financial Plan and Materiality Statement



6. Financial Plans

In 2008, the SABS went through a regulatory split which had a negative impact on testing revenue. The regulatory market, for which the testing infrastructure was built, was eroded and resulted in unprofitable laboratories. This triggered the development of a strategy that ensured financial sustainability which included deliberate growth in the Certification Division. The growth in Certification had a positive ripple effect on Testing revenue by minimising, not eliminating, the impact of loss of revenue created by the regulatory split. The strategy resulted in profitability for the SABS Group.

In 2013, SABS entered into an unfunded wage settlement agreement that increased the base cost of salaries of the bargaining unit by R112m over a three-year period. The wage settlement introduced benefits that included 75% medical aid subsidy, housing allowance growth to R1200 and a guaranteed (non-performance linked) 13th cheque. In the 2016 and 2017 financial years, the SABS MTEF allocated government grant was reduced by approximately R113m. The SABS has received notification that the allocated grant will be reduced by R4.8m, R5m and R5.3m for the 2018/19, 2019/20 and 2020/21 financial years, respectively. Furthermore, the SANAS suspension in 2016 contributed to eroding the revenue base of the SABS and negatively impacted business growth initiatives. The effort towards a double digit revenue growth funded the wage agreement and had a negative impact on reserves and the cash flow position of the SABS. The wage agreement continues to cost the SABS R50m on an annual basis; in addition the reduced allocation in the government grant and the SANAS suspension equates to opportunity cost of over R300m in cash flow that could have funded the Capex programme in Testing for both replacement and new infrastructure updates. This therefore necessitates the need for the SABS to realise assets and/or borrow to be able to adequately fund its capital programme going forward.

SABS Commercial SOC Ltd is a wholly owned subsidiary of the SABS established in 2005 by consolidating various SABS services in an effort to separate the statutory function of standards development from the commercial services. SABS Commercial SOC Ltd, is governed by the prescripts of the Companies Act, 2008 (Act No. 71 of 2008), which introduces additional risk factors, especially on commercial fundamentals which were negatively impacted by the above challenges. The three-year wage agreement that SABS Commercial SOC Ltd was forced to comply with (due to it being a subsidiary of the SABS) compromised the financial sustainability of the entity. However to ensure sustainability going forward, SABS Commercial SOC Ltd will be capitalised and the directive proposed by **the dti** to use reserves to close the gaps created by the wage agreement, will be implemented to minimise the impact on profitability.

The revenue growth rate for this budgeting period took into account the current economic environment, the scale of the competitive landscape changes, triggered by the 2008 regulatory split and the ripple effect of loss of customers due to the SANAS suspension. Cost containment measures have been extensively applied. Employee costs and benefits, which constitute 72% of total administrative and operating expenses, will increase as a result of the new negotiated wage agreement including a 10% increase for P12 to P18 employees and is expected to be partly compensated by non-replacement of retiring or departing employees, stringent recruitment practices in terms of resignations and a possible organisation structure review where due process will be followed.

To compensate for the impact of the above mentioned factors, the budget for administration and operating expenditure for 2018/2019 has been kept flat at the 2017/18 forecast level with the exception of areas where contracts are linked to annual escalations. For the two outer years however, an inflationary increase has been budgeted for.

As a result, the SABS will attain a net loss position of R16.7m for the 2018/2019 year that will improve to a profitable position over the planning period depending on the successful implementation of the capital programme and economic circumstances.

A key focus area will be on driving infrastructure developments/improvements, particularly in the testing space to ensure sustainability and growth of testing revenue.

The proposed asset realisation and borrowing plan will be utilised to fund testing infrastructure to ensure that reserves are not further eroded going forward. Employee cost reductions will continue to be considered to remain financially sustainable in the event that strategic revenue projects do not timeously come to fruition.

6.1. Statement of Financial Performance

	Actual	Actual	Actual	Budget	YTD	Forecast	Budget		Budget	Budget	
	R'000	% Growth	R'000	R'000	% Growth						
	2014/15	2015/16	2016/17	2017/18	Dec-17	2017/18	2018/19		2019/20	2020/21	
Commercial Revenue	558,340	543,953	500,574	563,263	372,308	532,495	560,391	5%	601,757	657,590	9%
Tests and services	178,247	155,074	162,016	175,418	124,257	175,632	186,169	6%	201,063	225,191	12%
Training	13,752	9,053	11,709	12,887	9,515	13,410	14,251	6%	15,392	16,623	8%
Product and system certification	325,305	319,053	290,108	325,545	211,989	299,753	313,738	5%	335,700	362,556	8%
Design Institute services	15,547	21,014	7,240	19,533	4,949	12,500	13,472	8%	14,550	15,714	8%
Sale of publications	25,490	39,759	29,500	29,880	21,599	31,200	32,760	5%	35,053	37,507	7%
Other Income	24,127	66,754	43,957	24,667	21,401	24,574	28,274	15%	30,026	31,988	7%
Government Grant	193,051	189,662	183,211	243,162	183,329	243,162	234,517	-4%	247,650	261,152	5%
Total income	775,519	800,370	727,742	831,092	577,038	800,230	823,182	3%	879,433	950,730	8%
Administrative and operating expenses	(704,317)	(727,404)	(727,717)	(824,856)	(561,071)	(760,175)	(785,371)	3%	(824,726)	(857,655)	4%
Employee benefits	(473,924)	(497,888)	(507,957)	(581,647)	(397,136)	(538,908)	(565,149)	5%	(595,171)	(619,475)	4%
Contract Services	(62,335)	(69,700)	(59,753)	(60,192)	(42,098)	(56,565)	(56,565)	0%	(59,732)	(63,018)	5%
Strategic projects	-	-	-	(5,746)	-	-	-	0%	-	-	0%
Premises costs	(3,366)	(4,371)	(4,399)	(4,535)	(3,360)	(4,465)	(4,638)	4%	(4,898)	(5,167)	5%
Marketing and communications	(9,780)	(6,730)	(5,192)	(7,250)	(3,551)	(5,061)	(5,061)	0%	(5,345)	(5,639)	5%
Consulting and technical fees	(10,452)	(8,541)	(10,795)	(13,998)	(5,825)	(8,181)	(8,181)	0%	(8,639)	(9,114)	6%
Consumables	(14,365)	(15,202)	(12,930)	(16,564)	(10,372)	(13,060)	(13,975)	7%	(14,757)	(15,569)	6%
Travel foreign	(14,946)	(15,381)	(16,139)	(16,777)	(11,880)	(16,968)	(16,968)	0%	(17,918)	(18,903)	6%
Travel local	(22,620)	(19,410)	(17,974)	(18,910)	(13,846)	(18,544)	(18,544)	0%	(19,583)	(20,660)	5%
Municipal services	(40,417)	(41,938)	(47,651)	(48,939)	(38,798)	(51,419)	(49,180)	-4%	(48,934)	(47,625)	-3%
Other operating expenses	(52,112)	(48,242)	(44,927)	(50,298)	(34,205)	(47,003)	(47,111)	0%	(49,749)	(52,485)	5%
Profit/(loss) from operations	71,202	72,966	25	6,236	15,966	40,055	37,811	-6%	54,708	93,075	70%
Depreciation	(47,941)	(51,336)	(38,597)	(50,699)	(32,623)	(48,721)	(48,995)	1%	(53,995)	(56,495)	5%
Government grants in respect of assets	10,485	11,202	8,016	7,501	6,692	8,879	8,601	-3%	9,082	9,582	5%
Profit/(loss) before other income/expenses, interest and tax	33,745	32,832	(30,557)	(36,961)	(9,965)	214	(2,583)	-1310%	9,795	46,163	371%
Other income	1,248	4,191	1,086	-	1,606	1,192	-	-	-	-	0%
Other non-operating expenses	(24,831)	(39,930)	(45,379)	(28,119)	(46,763)	(85,380)	(33,069)	61%	(35,206)	(36,502)	4%
Forex losses	(1,062)	(1,357)	(6,179)	-	(1,196)	(3,187)	-	100%	-	-	0%
Loss on disposal of property, plant and equipment	(208)	(289)	(281)	-	(23)	(15)	-	100%	-	-	0%
Post-retirement medical aid and pension	(8,163)	(9,004)	(8,491)	(9,484)	(6,354)	(8,472)	(8,029)	-5%	(8,478)	(8,945)	5%
Long service leave awards	(864)	(426)	987	(1,500)	(2,905)	(3,873)	(895)	-77%	(946)	(998)	6%
Prior year adjustments	-	-	-	-	-	-	-	0%	-	-	0%
Income statement losses	(15)	-	-	-	-	-	-	0%	-	-	0%
Royalties	(694)	(1,165)	(454)	(900)	(445)	(1,115)	(282)	-75%	(298)	(314)	6%
Performance bonus	(3,431)	(5,114)	(20,076)	(8,155)	(14,610)	(20,122)	(17,176)	-15%	(18,378)	(18,664)	2%
Bad debts	(6,726)	(20,023)	(7,620)	(5,010)	(18,715)	(44,913)	(3,137)	-93%	(3,357)	(3,626)	8%
Audit fees	(3,190)	(3,030)	(3,264)	(3,070)	(2,514)	(3,684)	(3,550)	-4%	(3,749)	(3,955)	5%
Other expenses	(478)	478	-	-	-	-	-	0%	-	-	0%
Profit/ (loss) before interest, corporate charges and tax	10,163	(2,907)	(74,850)	(65,080)	(55,121)	(83,974)	(35,652)	-58%	(25,410)	9,661	-138%
Finance income/ (costs)	22,530	25,270	30,462	12,605	18,363	18,753	18,956	1%	12,018	(9,622)	-180%
Profit/ (loss) before corporate charges and tax	32,693	22,363	(44,388)	(52,475)	(36,758)	(65,221)	(16,696)	74%	(13,393)	40	-100%

Revenue

Commercial Revenue of R560.4m in the first year of the planning period is projected to grow by 5%, thereafter gradually growing to R657.6m by 2020/21. The growth assumptions are in line with current economic conditions and the growing competitive landscape in which the SABS operates. Revenue consists of commercial revenue which includes Certification, Testing, Training, Design Institute and Standard Sales.

Certification revenue is the largest contributor to revenue at 56% followed by Testing with the lowest contribution at 2.4% by Design Institute.

Testing revenue will grow from R186.2m in 2018/19 to R225.2m in 2020/21. This revenue growth will be driven by the required replacement and improvement in Testing infrastructure which will require asset realisation and/or loan funding.

The Training Academy is projecting revenue of R14.3m in 2018/19, growing to R16.6 m in 2020/21.

Design Institute services revenue will increase from R13.4m in 2018/19 to R14.6m in 2020/21. The Design Institute has signed an agreement with the Jobs Fund on a matched funding basis for R60m over the next four years and this is expected to contribute to the growth in revenue.

Sale of publications is expected to increase by 5%, a small increase in real terms. Revenue is projected at R32.8m for the financial year 2018/19, growing to R37.5m in 2020/21.

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 the fund the Testing infrastructure to reduce the borrowing requirements.

Government Grant

The MTEF government grant funding allocation in 2018/19 is anticipated at R234.5m. The core funding allocation will increase to R247.7m and R261.2m in 2019/20 and 2020/21 respectively. The grant allocation was decreased by R113m for the period 2015/2016 to 2016/2017, and has further been reduced by R15.1m over the next three financial years ending 2020/21.

Expenditure

Administrative and operating expenses are expected to grow from R785.4m to R857.7m over the three year planning period from 2018/19 to 2020/21. The growth in these expenses is driven mainly by employee benefit costs which constitute 72% of the budgeted administrative and operating expenses. Employee benefit costs will increase from R565.1m in 2018/19 to R619.5m in 2020/21 due to the upward cost of living adjustments. The increase in employee benefits for the planning period is budgeted at 5% in the first year of the planning period, followed by an increase of 5% in 2019/20 and 4% increase in the final year. The increase in employee benefits is below the new negotiated wage agreement including 10% increase for P12 to P18 employees and is expected to be partly compensated for by non-replacement of retired employees, stringent recruitment practices in terms of resignations and possible organisation structure review.

Contract services are being actively managed to keep their growth to within general inflation rates. The contract services rates will be actively negotiated with various service providers.

Marketing and communications costs are expected not to increase over the planning period. The marketing budget is of strategic importance to the SABS considering the mandate and competitive environment. The SABS will continue to drive the message to the market to re-institute the quality brand that the SABS represents and create awareness both at customer and consumer level using digital platforms.

Local and foreign travel costs have been capped at the 2017/18 forecast amount and growing by inflation in the later years.

Municipal services costs of R49m are projected to decrease in line with energy efficiency savings that are currently being planned.

A concerted cost containment measure will continue into the next three years, hence the minimal increase projected for other expenses. A cost containment plan in line with the National Treasury Instruction No. 02 of 2016/2017 is being implemented.

Profitability

The SABS is projecting a net loss position of R16.7m in 2018/19 due to the decrease in government grant however, is expected to break even in the 2020/21 year and achieve profits of R0.04m by 2020/21. This is a result of the stringent cost containment measures.

The implications of IFRS 9, 15 and 16 have not been taken into account in the financial plan; therefore the Corporate Plan may require revision.

6.2. Capital Expenditure

CAPEX BUDGET 2017 - 2020													
	2018/19				2019/20				2020/21				TOTAL
	New	Upgrade	Replacement	Total	New	Upgrade	Replacement	Total	New	Upgrade	Replacement	Total	
Testing - Labs	56 000 000	5 000 000	16 500 000	77 500 000	43 000 000	15 000 000	-	58 000 000	-	65 000 000	-	65 000 000	200 500 000
Testing - NETFA	-	150 000 000	-	150 000 000	-	100 000 000	-	100 000 000	-	-	-	-	250 000 000
Corporate	-	81 960 245	16 580 755	98 541 000	-	115 616 697	33 442 303	149 059 000	-	110 017 179	38 632 821	148 650 000	396 250 000
Facilities	-	16 710 245	16 580 755	33 291 000	-	35 016 697	33 442 303	68 459 000	-	10 867 179	38 632 821	49 500 000	151 250 000
ICT	-	65 250 000	-	65 250 000	-	80 600 000	-	80 600 000	-	99 150 000	-	99 150 000	245 000 000
TOTAL	56 000 000	236 960 245	33 080 755	326 041 000	43 000 000	230 616 697	33 442 303	307 059 000	-	175 017 179	38 632 821	213 650 000	846 750 000

A capital expansion plan of R846.8m has been budgeted for the next three-year period. The capital budget is focused on three areas namely Testing, Facilities and ICT. This includes R300m worth of Capex that will be financed. The capital expenditure budget for Testing will be mainly allocated towards the following projects over the three-year period. The Facilities budget relates to work on upgrading the current aged infrastructure and the development of the SABS Groenkloof Campus into a mixed-use development.

Capex Testing	2018/19	2019/20	2020/21
Pipe testing	27,000,000	27,000,000	28,000,000
Fuel Testing Laboratory	16,000,000	16,000,000	-
Chromatographic Services	7,000,000	-	10,000,000
Pharmaceutical Testing	10,000,000	-	-
Food and Pharmaceutical Chemistry	3,000,000	-	-
*Dosimeters	6,500,000	-	10,000,000
Lighting Technology	3,000,000	-	-
Cement Laboratory	5,000,000	-	-
Radiation Protection Services Technology	-	15,000,000	17,000,000
NETFA High Power Plant Refurbishment	150,000,000	100,000,000	-
TOTAL	227,500,000	158,000,000	65,000,000

Priority will be given to upgrading the laboratories that support the SABS Mark and agreements with regulators. The NETFA facility will be upgraded at a cost of R250m over the three-year period.

As previously highlighted, the SABS has begun its ICT transformation journey with an estimated cost over a three-year period of R245m, including the capital costs above. This journey includes the automation of business processes, the revamping of the ICT infrastructure, developing business intelligence tools and implementing new systems. The SABS will borrow R300m to fund the capital expenditure over the three-year period if the asset realisation cannot be fast tracked.

6.3. Statement of Financial Position

	Actual	Actual	Actual	Forecast	Projected budget	Projected budget	Projected budget
	Mar 2015	Mar 2016	Mar 2017	2017/18	2018/19	2019/20	2020/21
	R'000						
ASSETS							
Non-current assets	1 148 592	1 159 762	1 181 312	1 182 872	1 362 763	1 519 378	1 652 602
Fixed assets	732 367	732 191	734 165	749 971	1 027 017	1 280 081	1 437 236
Available-for-sale investments	395 898	407 244	427 338	413 092	315 937	219 488	195 557
Deferred taxation	20 327	20 327	19 809	19 809	19 809	19 809	19 809
Current assets	339 265	303 648	240 750	270 039	278 618	282 469	300 012
Inventory	1 964	1 563	1 640	1 738	1 842	1 953	2 070
Trade and other receivables	137 194	139 310	147 167	151 582	159 161	167 119	175 475
Cash and cash equivalents	200 107	162 775	91 943	116 719	117 615	113 397	122 467
Total assets	1 487 857	1 463 410	1 422 062	1 452 911	1 641 381	1 801 847	1 952 614
EQUITY AND LIABILITIES							
Equity and reserves	962 135	940 628	875 196	836 106	835 255	832 914	844 021
Accumulated profit	841 019	863 373	818 985	753 763	737 068	723 675	723 713
Capital and reserves	121 116	77 255	56 211	82 343	98 188	109 239	120 308
Non-current liabilities	376 997	365 172	375 486	367 076	510 388	578 689	591 742
Employment benefit obligations	102 027	101 263	101 576	102 045	103 958	106 028	108 268
Deferred income	274 970	263 909	273 910	265 031	256 430	247 348	237 765
Interest bearing borrowings	-	-	-	-	150 000	225 313	245 709
Current liabilities	148 725	157 610	171 380	249 730	295 737	390 244	516 851
Trade and other payables	128 427	137 382	153 597	230 396	276 475	345 593	466 551
Employment benefit obligations	9 148	9 219	10 219	10 455	10 662	10 882	11 114
Interest bearing borrowings	-	-	-	-	-	24 687	29 604
Deferred income	11 150	11 009	7 564	8 879	8 601	9 082	9 582
Total equity and liabilities	1 487 857	1 463 410	1 422 062	1 452 911	1 641 381	1 801 847	1 952 614

The forecast and projected budgets are based on deficits of R65.2m, R16.7m and R13.4m in 2017/18, 2018/19 and 2019/20, respectively, and profits of R0.04m in 2020/21.

The SABS anticipates total assets to reach R1.95 billion during the planning period. Property, plant and equipment will increase by R64.5m, R326.0m, R307.1m and R213.6m per year from 2017/18 to 2020/21, as result of the infrastructure upgrade as well as the capital expansion in the Testing Division in accordance with the Capex programme. The capital expansion will be funded by borrowings of R300m over the three-year period. The R330m from investments is earmarked to fund any deficits. Further withdrawals from the long-term investments will be capped to ensure that sufficient funds are available to fund the post-retirement medical aid liability.

Due to the anticipated increase in commercial revenue, receivables will also increase. As no further funds can be withdrawn from investments due to the cap to cover the post-retirement medical aid liability and cash reserves at the lowest possible level, the SABS will continue to process payments to creditors in line with the debtor's days, including prioritising SMMEs. This will result in trade payable balances increasing from R153.6m in March 2017 to R466.6m in March 2021.

The increase in trade payables is indicative of the cash flow and funding gap created by the reduction in allocation of the Government Grant, SANAS suspension and the funding of the wage agreement amounting to opportunity costs of approximately over R300m.

6.4. Projected Cash Flow Statement

	Actual	Actual	Actual	Forecast budget	Projected budget	Projected budget	Projected budget
	Mar 2015	Mar 2016	Mar 2017	2017/18	2018/19	2019/20	2020/21
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash inflow/(outflow) from operating activities	51 364	33 030	(12 458)	54 304	63 936	95 341	162 407
Cash received from customers	582 346	606 753	538 536	553 845	581 086	623 825	681 222
Cash received from government	183 211	189 663	183 211	243 162	234 517	247 650	261 152
Cash paid to suppliers and employees	(736 878)	(788 760)	(764 349)	(761 456)	(770 623)	(788 152)	(770 345)
Cash generated from/(utilised by) operations	28 679	7 656	(42 602)	35 551	44 980	83 323	172 029
Net finance revenue/(cost)	22 685	25 374	30 144	18 753	18 956	12 018	(9 622)
Cash outflow from investing activities	(137 534)	(70 362)	(63 953)	(29 527)	(213 041)	(199 559)	(178 650)
Purchase of fixed assets	(60 622)	(46 480)	(42 459)	(64 527)	(326 041)	(307 059)	(213 650)
Purchase of investment properties	-	(63)	-	-	-	-	-
Purchase of intangible assets	(5 167)	(5 697)	(273)	-	-	-	-
Proceeds on disposal of property, plant and equipment	233	-	4	-	-	-	-
Purchase of available-for-sale investments	(71 978)	(298 792)	(124 225)	(15 000)	(12 000)	(7 500)	(5 000)
Disposal of available-for-sale investments	-	280 670	103 000	50 000	125 000	115 000	40 000
Cash inflow from financing activities	2 819	-	5 579	-	150 000	100 000	25 313
Increase in interest bearing borrowings	-	-	-	-	150 000	100 000	25 313
Funding for government specific projects	2 819	-	5 579	-	-	-	-
(Decrease)/increase in cash and cash equivalents	(83 351)	(37 332)	(70 832)	24 777	895	(4 218)	9 070
Cash and cash equivalents at beginning of year	283 458	200 107	162 775	91 943	116 720	117 615	113 397
Cash and cash equivalents at end of year	200 107	162 775	91 943	116 720	117 615	113 397	122 467

The cash and cash equivalents of the SABS comprise the funds received from the shareholder for the infrastructure project, funds for capital investment portfolio and the net working capital. Cash and cash equivalents of R122.5m are projected for 31 March 2021. This represents an increase of R30.5m from 31 March 2017. Where capital expansion requires further investment, long-term investments will be utilised and/or alternative sources of funding will be pursued. External funding opportunities will be considered for the development of the Groenkloof Campus.

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

6.5. Borrowing Plan

The SABS operates with an aged infrastructure, which reduces the productivity of the organisation. Furthermore, the increase in maintenance expenditure is covered by the revenue generated from operations. The reduction in the Government grant has had a significant impact on the operations of the organisation. Furthermore, the wage agreement also increased the cost of operations. In addition, the SANAS suspension has had a negative impact on the revenue generation of the SABS. All these factors have been offset by the revenue generated by the SABS and also by liquidation of some of the investments. Due to the erosion of revenue and pressure on business it is essential that the SABS borrows to fund the capital expenditure required.

The SABS has to upgrade its testing facilities at NETFA and other laboratories, which requires significant capital investment.

Borrowing Plan Requirements

Section 29.1.3 (a) of the Treasury Regulations requires entities listed in Schedule 2 or 3B of the PFMA to submit three year borrowing plans with their Corporate Plans to the National Treasury. Section 29.1.3 (b) prescribes the submission of quarterly reports on their borrowing programmes to the National Treasury.

The table below provides a framework for the annual borrowing programme. All amounts are reflected in South African Rand.

Borrowing programme

The borrowings will occur in three tranches to the value of R300m. The SABS plans on negotiating a two-year interest grace period during the construction phase of the infrastructure build. The loan will be for a period of 10 years, with interest payable monthly after the construction period. Funding will be sourced from commercial banks or other infrastructure development finance institutions.

BORROWING PLAN			
<i>R'000</i>	<i>FY2019</i>	<i>FY2020</i>	<i>FY2021</i>
Beginning liquidity	116,720	117,615	113,397
Grant funding	234,517	247,650	261,152
Cash receipt from customers	576,086	613,825	666,222
Rental income to part fund Capex	5,000	10,000	15,000
Net Disposal of available-for-sale investments	113,000	107,500	35,000
Net Finance revenue / (cost)	18,956	12,018	-9,622
Cash inflow	1,064,279	1,108,608	1,081,149
Debt capital repayment	-	-	27,022
Debt interest repayments	-	-	24,134
Operational expenses	770,623	788,152	770,345
Capital Expenditure	176,041	207,059	163,650
Special - Infrastructure Upgrade	150,000	100,000	50,000
Cash outflow	1,096,664	1,095,211	1,035,152
Borrowing Requirement For Capex	150,000	100,000	50,000
To be funded as follows:			
External Sources	145,000	90,000	35,000
Rental income optimisation of SABS Property	5,000	10,000	15,000

*SABS to retain cash reserves or operational requirements and borrow to fund capex to prevent further erosion

As part of the borrowing plan, SABS will also apply for a Bank overdraft with a limit of R100m.

7. 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 dti**. In terms of Treasury Regulations 28.1.5 issued in terms of the Public Management Finance Act, 1999 (Act No. 1 of 1999), the accounting authority of the SABS must develop and agree to 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.

<p>Section 50(1)</p>	<p>The accounting authority for a public entity must:</p> <ul style="list-style-type: none"> 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. 	<p>The SABS is committed to having 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.</p>
<p>Section 55(2)</p>	<p>The annual report and financial statements referred to by PFMA Subsection 55 (1)(d) must:</p> <ul style="list-style-type: none"> 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 b) include particulars of – <ul style="list-style-type: none"> (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; and c) Include the financial statements of any subsidiaries. 	<p>Qualitative: Any such matter that the Board thinks will influence the users of the statements.</p> <p>Quantitative: In accordance with guideline issued by National Treasury, materiality is calculated at 0.75% of budgeted revenue/income R6.1m.</p> <p>Any fruitless and wasteful expenditure as determined by the PFMA</p> <p>Grants are agreed to with the executive authority and declared in full. Will disclose as prescribed.</p> <p>All subsidiaries are consolidated.</p>

<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> <ol style="list-style-type: none"> a) establishment of participation in the establishment of a company; b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement. c) acquisition or disposal of a significant shareholding in a company d) acquisition or disposal of a significant asset e) commencement or cessation of a significant business activity; and f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. 	<p>Each transaction separately.</p> <p>50% of voting rights acquired. Materiality figure on the total financial statements 30% or more shareholding.</p> <p>Each transaction separately.</p> <p>50% of voting rights and 30% change of ownership measured against the materiality of the total financial statements.</p>
<p>Section 66(1)</p>	<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> <ol 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). 	<p>The SABS acts within the ambit as set out in this clause.</p>



PART F

Risk and Fraud Management

8. 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.

Below is the Risk Management Plan that is being followed, and that 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

8.1. Strategic Risks Register

Strategic risks affect the long term positioning, performance and achievement of strategic objectives of the company. 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.

Objectives	Risk Theme	Residual Risks	Mitigations, Risk Owners and Timeframes
Increase the use of standardisation services by broadening the scope and reach of services offered.	Financial Sustainability	<ul style="list-style-type: none"> ➤ Impact of bargaining unit benefits on cost structure ➤ Constraints of legislative mandate impacting the competitiveness of the SABS 	<ul style="list-style-type: none"> ➤ Build capacity for business development and customer retention [Executive Enterprise Development, September 2018)
Put the customer at the forefront of everything we do.	Stakeholder Confidence and Customer Satisfaction	<ul style="list-style-type: none"> ➤ Loss of market share and stakeholder support 	<ul style="list-style-type: none"> ➤ Build effective stakeholder engagement infrastructure [Executives: Training, Risk & Assurance; Enterprise Development, Quarterly, 2018] ➤ Upgrade and renew laboratory infrastructure ➤ Obtain required dti support/endorsements
Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy.	Business Modernisation	<ul style="list-style-type: none"> ➤ Outdated business processes to achieve strategic objectives 	<ul style="list-style-type: none"> ➤ Implement of the ICT Digitisation Strategy. [Executive Corporate Services, Quarterly, 2018]
	Legislative Compliance	<ul style="list-style-type: none"> ➤ Non-compliance with legislation 	<ul style="list-style-type: none"> ➤ Develop and Implement Compliance Management System [Executives: Training, Risk & Assurance, September 2018] ➤ Develop and implement Capacity Building Plan for internal specialised legal services expertise
Competent and empowered employees to drive improved service delivery	Culture of non-compliance with internal controls	<ul style="list-style-type: none"> ➤ Poor performance and exposure to higher levels of business risks 	<ul style="list-style-type: none"> ➤ Reinforcement of the governance role of Corporate Units [Executive: Corporate Services and Executives: Training, Risk & Assurance , September 2018]

8.2. Fraud Prevention Plan

The SABS is committed to “Zero tolerance” of any fraudulent behaviour. The Anti-Corruption and Fraud Prevention Policy and Strategy are in place and include a Fraud Hotline that is independently managed by Internal Audit. 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 and
- Recovery of losses

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.

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



PART G

Other Plans

9. SABS Deliverables for the Next Iteration of IPAP: 2018/19 – 2020/21

The SABS identified 12 deliverables in Standards Development and Regional Integration, as well as six commercially focussed deliverables, set out in Table 1 and Table 2, respectively, which will be implemented under the 2018/19 – 2020/21 IPAP Plan. These deliverables are targeted because of their potential for socio-economic impact in the South African economy. They represent work in a wide-ranging number of sectors from agro-processing, electro-technical as well as innovations in African traditional herbal medicines. The deliverables are listed by IPAP priority areas/sector and the rationale to include the initiatives in IPAP is provided below:

Table 1: Standards Development and Regional Integration deliverables for inclusion in the Industrial Policy Action Plan (IPAP) of the dti: 2018/19 – 2020/21

No.	Deliverable identified	Proposed target date	Rationale for inclusion in IPAP	IPAP priority area
1.	New standards for personal protective clothing for hazardous industrial environment.	2018/19: Q4	The introduction of these standards will enable the sector to produce fit-for-purpose products specifically designed for a greater level of protection of the users in hazardous industrial environments, such as mining and industrial plants where worker safety is critical.	Clothing, textiles, leather and footwear
2.	New standard on flexible retort pouches for the food industry.	2019/20: Q4	The standard supports the shift towards the use of pouches instead of metal cans in the food processing and packaging industry. Manufacturing of defective pouches can have a huge impact on the quality and safety of packaged food products. The standard will enable the industry to mitigate these risks, while offering alternative food packaging options that are safe for the consumer.	Agro-processing
3.	New standard for fish oil.	2019/20: Q4	The standard will make available requirements to enable the food industry to produce safe and quality products, thereby protecting consumers from sub-standard products which can pose health risks. It will also assist with proper labelling of the products to guide the consumers.	Agro-processing
4.	Revision of standard on wooden poles, droppers, guardrail posts and spacer blocks – Softwood species.	2018/19: Q4	The standard will benefit the forestry and timber industries to improve the quality of wooden poles. These products form part of the critical infrastructure supporting the agriculture, telecommunications and energy sectors.	Forestry, timber, paper and pulp, and furniture
5.	Revision of standard on pine poles, cross-arms and spacers for power distribution, telephone systems and street lighting.	2018/19: Q4		
6.	Revision of standard on detergent skin cleansers.	2018/19: Q4	The cosmetics industry will benefit from the standard which is being expanded to include other types of detergent skin cleansers to keep in line with evolving industry practices. Its application will protect consumers from potentially harmful products available in the market.	Plastics, pharmaceuticals, chemicals and cosmetics

No.	Deliverable identified	Proposed target date	Rationale for inclusion in IPAP	IPAP priority area
7.	New standard for water efficiency in buildings.	2018/19: Q4	Water use in buildings accounts for the largest use of potable water. The standard aims to increase the efficient use of water in buildings, thereby reducing the increases in total potable water demand in South Africa. Its introduction will also support the building regulations to ensure water efficiency in buildings.	Water and Sanitation
8.	Revision of standard on electric cables with extruded solid dielectric insulation for fixed installations (300/500 V to 1 900/3 300 V) – Service cables.	2018/19: Q4	The standard supports the electrical cables sub-sector by introducing an innovative product that will replace service cables made of copper. Electric cables are designated for local production; the availability of the standard will enable the sector to produce quality electric cables to support this initiative.	Electrotechnical and ICT
9.	New standard for dried abalone.	2018/19: Q4	The development of the standard closes the gap of lack of health and safety guidelines in the aquaculture sector to ensure correct processing of abalone. Consumers will be assured that the product is safe for human consumption due to proper handling, processing and packing of dried abalone as guided by the standard.	Oceans economy
10	New standard for greywater reuse systems – general requirements	2019/20: Q4	The minimisation of water loss is critical towards preserving the scarce water resources which have been threatened by prevailing drought conditions in parts of the country. The standard on alternative water saving solutions such as greywater reuse systems will benefit the sector, and the public at large that are impacted by these conditions.	Water and Sanitation standards support programme
11.	Identify South African National Standards (SANS) that have the potential to increase market access for South Africa and influence the programmes of work of ARSO, AFSEC and SADC-STAN to promote common adoption of the national standards identified.	2018/19: Q4	Regional trade is key to growing the South African economy and standards are central to market access. South Africa is committed to the African developmental agenda as articulated in the National Development Plan (NDP) and IPAP. To this end, SABS is committed to actively participate in and support structures such as African Regional Standardisation Organisation (ARSO) and the African Electrotechnical Standardization Commission (AFSEC) where, among other things the key focus is on harmonisation of standards as one of the key levers for growing intra-African trade.	Regional Integration
12.	Support the development and publication of AFSEC guides for application for standards that support integration of regional infrastructure. Projects for the period under consideration: a) Guide for application of standards for rural electrification in Africa (Revision) b) Guide of application of standards for electricity metering systems in Africa.	2018/19: Q4	One targeted outcome of these initiatives by the SABS will be an increased influence on the harmonisation of standards for expansion of the infrastructure required to facilitate intra-Africa trade: focusing initially on electricity access, but also in future: rail and road transport, and ICT.	

Table 2: The SABS commercially focussed deliverables for inclusion in the Industrial Policy Action Plan (IPAP) of the dti: 2018/19 – 2020/21

No.	Deliverable identified	Proposed target date	IPAP priority area	Rationale for inclusion in IPAP	Responsible Department
1.	Skills development and job creation programme – supported by the Jobs Fund	2018/19:Q4	Unlocking the potential of SMMEs	The SABS and the Jobs Fund programme is supporting new SMMEs in developing quality products and services as the key input to enable SMMEs to achieve sustainability and profitability.	Design Institute
2.	SMME focused technical support in collaboration with Government Departments with SMME development programmes	2018/19:Q4	Unlocking the potential of SMMEs	The SABS partners with Government Departments to deliver on their SMME development mandates by developing and delivering appropriate technical support programmes to SMMEs supported by the Department.	SMME
3.	Upgrading of geyser test facility to increase capacity through automation – supported by the UNDP.	2018/19: Q2	Green and Energy Saving Industries	Increased and faster testing capacity will support local manufacturers and assist them in entering new markets and to remain relevant	Testing
4.	Testing of appliances included in the Energy Efficiency Labelling regulations (excluding Air Conditioners).	2018/19 Q1	Green and Energy Saving Industries	Testing will support local manufacturers to meet the regulations pertaining to the energy efficiency rating of appliances and support the energy saving ambitions of the country.	Testing
5.	NETFA renewal programme	2018/19 Q4	Electro-technical Industries	Renewal of the testing facilities at NETFA will support the development of the electrotechnical industry. The revitalised facility will also support the fulfilment of regulatory obligations.	Testing
6.	Testing of African Traditional herbal medicines for common contaminants and residues	2018/19 Q3	Plastics, pharmaceuticals and chemicals/ cultural industries	Testing will support the health and safety of consumers of herbal African traditional medicines.	Testing



ANNEXURE A

PERFORMANCE INDICATOR PROFILES

Strategic Pillar 1: Growth**Objective 1:** Increase in the use of standardisation services by broadening the scope of service

Indicator title	Revenue from services
Short definition	Is the measure of the organisation's ability to grow and deliver services that can earn commercial revenue from customers and/stakeholders
Purpose/importance	To provide a measure of the relevance of the outputs of the organisation to the users of its products and services.
Source/collection of data	Regular Management Accounts Reports prepared in accordance with the SABS Financial Management Policies.
Method of calculation	The sum of revenues earned for delivering services to customers and/stakeholders
Data limitations	No limitation
Type of indicator	Output
Calculation type	Non-cumulative annually, but cumulative on an intra-year basis
Reporting cycle	Quarterly to the Board and to the dti
New indicator	No
Desired performance	R560.4m in 2018/19 R601.8m in 2019/20 R657.6m in 2020/21
Indicator responsibility	Executives responsible for service delivery operations

Strategic Pillar 1: Growth**Objective 1:** Increase in the use of standardisation services by broadening the scope of service

Indicator title	Number of new products/services offered
Short definition	These may include: <ol style="list-style-type: none"> 1. New and revised certification schemes 2. Testing capabilities for regulators, and to full requirements of SANS 3. Rollout of new training courses aligned to market requirements 4. Delivery of training courses on an electronic platform 5. Design and innovation service 6. Packaged services and new channels for services.
Purpose/importance	This indicator encourages continuous improvement and innovation to grow and diversify products and services to meet changing customer needs.
Source/collection of data	Actual records of sales and/ or promotion that identify the new service
Method of calculation	Count the number of new services offered during the current financial year
Data limitations	No limitation
Type of indicator	Output
Calculation type	Non-cumulative annually, but cumulative on intra year basis
Reporting cycle	Quarterly to the Board and to the dti; monthly reporting internally
New indicator	No
Desired performance	2 in 2018/19 4 in 2019/20 5 in 2020/21
Indicator responsibility	All Executives of the SABS responsible for service delivery operations

Strategic Pillar 2: Customer Centricity

Objective 2: Put the customer at the forefront of everything we do

Indicator title	Number of SMMEs that received design, innovation and certification services
Short definition	An SMME shall be a registered business with a valid tax clearance certificate, and must have a product/service which it is trading with, whether informally or formally and must have turnover of 0 – R10m.
Purpose/importance	To measure the contribution of the SABS to National Development objectives by increasing access by SMMEs to design, innovation and certification services of the SABS.
Source/collection of data	Records of the profile of the SMME and records of service(s) delivered
Method of calculation	Count of each qualifying SMME that has received either SABS certification services or innovation and design services. Where an SMME has received both services, the SMME can be counted twice.
Data limitations	No
Type of indicator	Output
Calculation type	Non-cumulative annually, but cumulative on an intra-year basis
Reporting cycle	Quarterly to the Board and to the dti; monthly reporting internally
New indicator	No
Desired performance	75 in 2018/19 80 in 2019/20 80 in 2020/21
Indicator responsibility	Executive for Certification and Executive for Enterprise Development

Indicator title	Number of Sector specific publications produced
Short definition	These can be articles in other publications, standalone magazines or brochures in hard copy, video and other formats delivered to audiences through any channel.
Purpose/importance	The legislative mandate of the SABS includes the promotion of the importance of standards and quality and conformity assessment services to the competitiveness of the economy and development.
Source/collection of data	Records of the publication, channels of dissemination and identity of the targeted economic sector
Method of calculation	A count of the number of different publications produced
Data limitations	None
Type of indicator	Output
Calculation type	Non-cumulative annually, but cumulative on an intra-year basis
Reporting cycle	Quarterly to the Board and to the dti ; monthly reporting internally
New indicator	No
Desired performance	4 in 2018/19 6 in 2019/20 8 in 2020/21
Indicator responsibility	Executive: Enterprise Development

Strategic Pillar 2: Customer Centricity**Objective 2:** Put the customer at the forefront of everything we do

Indicator title	Percentage of deliverables completed, in accordance with the IPAP Plan
Short definition	It is the ratio of the number of projects completed to the total number of projects (Only projects having committed milestones to the dti falling within the year under review form part of this indicator). The applicable projects list is incorporated as part of the Corporate Plan.
Purpose/importance	To ensure that the organisation can deliver on commitments to the shareholder and aligns its services to the development requirements of the country.
Source/collection of data	Records of projects and committed and completed milestones
Method of calculation	Ratio of completed items divided by total items as a percentage
Data limitations	None
Type of indicator	Output
Calculation type	Percentage is non-cumulative annually, but the numerator and denominator are cumulative on an intra-year basis.
Reporting cycle	Quarterly to the Board and to the dti ; monthly reporting internally
New indicator	No
Desired performance	≥80% in 2018/19 ≥80% in 2019/20 ≥80% in 2020/21
Indicator responsibility	Executive: Standards

Strategic Pillar 3: Productivity**Objective 3:** Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy

Indicator title	Percentage of laboratories (BUs in Testing Division) that is profitable.
Short definition	This indicator measures the percentage of the number individual laboratory and/or groups of laboratories in the Testing Division, which internally are organised into Business Units (BUs), that achieve operating profit of equal to, or more than, 0%, i.e. the indicator effectively measures the percentage of BUs in the Testing Division.
Purpose/importance	Laboratories need to make sufficient revenue to cover their costs in order to secure continued employment of pre-2008 inherited employees.
Source/collection of data	Record of all BUs in the Testing Division that provide testing services and the Management Account statements/reports for each BU.
Method of calculation	<p>Percentage of profitable laboratories = (number of BUs that have Operating profit of 0% and more, divided by all BUs in the Testing Division that conduct testing services) multiplied by 100%.</p> <p>Where: Operating profit % = (Profit from Operations/Total Income) * 100%, and Profit from Operations = Total Income (including internal revenue) minus administrative and operating expenses (excluding depreciation).</p>
Data limitations	None
Type of indicator	Input
Calculation type	Non-cumulative
Reporting cycle	Quarterly to the Board and to the dti; monthly reporting internally
New indicator	No
Desired performance	≥70% in 2018/19 ≥80% 2019/20 ≥99% in 2020/21
Indicator responsibility	Executive: Testing

Strategic Pillar 3: Productivity

Objective 3: Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy

Indicator title	Allocation of income generated from property to fund Testing infrastructure
Short definition	Allocation of income generated from property to fund Testing infrastructure to strengthen the ability of the SABS to sustain and grow its testing infrastructure.
Purpose/importance	It is the responsibility of the leadership to leverage all assets at the disposal of the organisation to ensure its sustainability. The development of the property would cover funding gaps to sustain and renew the testing infrastructure.
Source/collection of data	Record of list of activities and/or milestones committed for completion in the reporting period and proof of reported actual achievement.
Method of calculation	Evaluation of evidence of achievements against committed activities/milestones
Data limitations	None
Type of indicator	Activities/milestones
Calculation type	Cumulative
Reporting cycle	Quarterly to the Board and to the dti ; monthly reporting internally
New indicator	Yes
Desired performance	R5m allocation in 2018/19 R10m allocation in 2019/2020 R15m allocation in 2020/2021
Indicator responsibility	Chief Financial Officer

Strategic Pillar 4: Competent and Empowered Employees**Objective 4:** Develop and retain a competent human resource that is aligned with the mandate of the organisation

Indicator title	Number of technical employees that have completed specialist training with leading partners
Short definition	Number of technical employees that have completed specialist training with partners (customers and suppliers) with the aim of building new capacity and upgrading capability in the SABS.
Purpose/importance	It is important for the SABS to have the capacity and capability to become subject matter experts in standardisation services.
Source/collection of data	Proof of attendance of training for each candidate from the training providers
Method of calculation	Simple count of the number of employees that attended relevant training
Data limitations	No
Type of indicator	Output
Calculation type	Cumulative from 2018/19
Reporting cycle	Quarterly to the Board and to the dti; monthly reporting internally
New indicator	No
Desired performance	10 by 2018/19 12 by 2019/20 18 by 2020/21
Indicator responsibility	Executive: Corporate Services

Strategic Pillar 4: Competent and Empowered Employees**Objective 4:** Develop and retain a competent human resource that is aligned with the mandate of the organisation

Indicator title	Number of Doctoral and Masters graduates recruited or developed to support Testing and Standards development
Short definition	Number of employees that have Doctorates and Masters (complete qualification) recruited or developed in Testing and Standards Divisions.
Purpose/importance	It is important for the SABS to have the capacity and capability to continuously develop knowledge and thought leadership on standardisation, conformity assessment, as well as on economic impact.
Source/collection of data	Records of appointments and proof qualifications
Method of calculation	Simple count of number of qualifying employees appointed or developed in Standards and Testing Divisions during reporting period.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative from 2018/19
Reporting cycle	Quarterly to the Board and to the dti; monthly reporting internally
New indicator	No
Desired performance	2 by 2018/19 6 by 2019/20 8 by 2020/21
Indicator responsibility	Executive: Corporate Services

