



SABS

South African Bureau of Standards

Status Update on the SABS Turnaround Plan – 10th February 2021

A presentation to the TIA Committee of National Economic Development and Labour on Work in relation to PPEs during the pandemic and efforts to ensure greater localisation of PPEs

Jodi Scholtz – Lead Administrator

Our legislative mandate

SABS

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

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

The objectives of SABS are as follows:

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

International Membership



Accreditation of SABS



South African National Standards (SANS) are voluntary standards and are not prescribed by law

Our shareholder

SABS



Executive Authority

Development Finance & Small Business Development Institutions

Regulatory Institutions

Standardisation, Quality Assurance, Accreditation & Metrology Institutions (SQAM)

Accounting Authority



SQAM Institutions

Standardisation, Certification & Testing

- Develop South Africa National Standards (SANS)
- Provide system & product certification services
- Provide testing services

Regulation

- Administers regulation to ensure compliance and protect human health and safety

Accreditation

- Provides formal recognition to carry out specific tasks
- Recognised by the South African Government in Act 19 of 2006 as the single National Accreditation Body

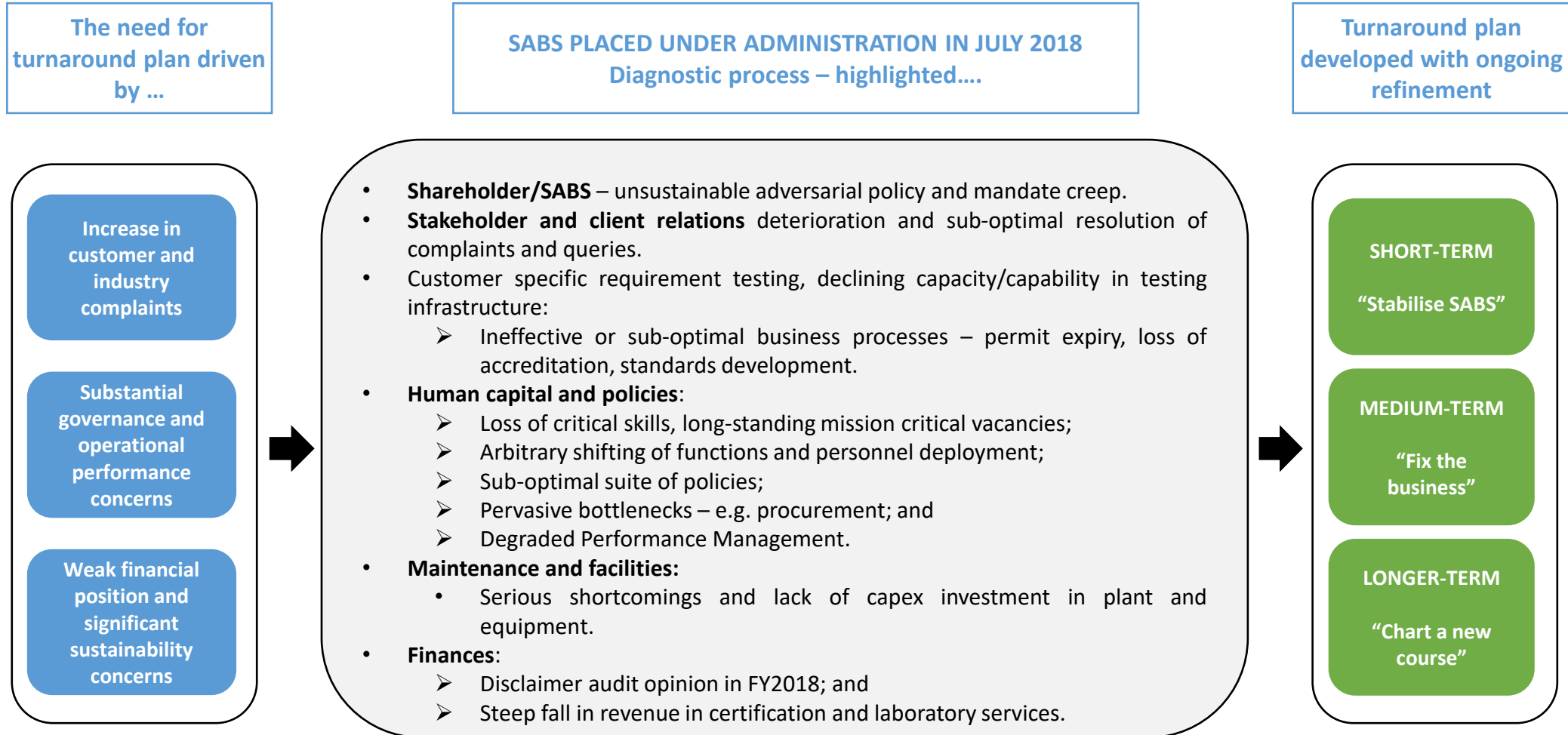
Metrology

- Underpins testing and calibration through measurement, accuracy and measurement traceability



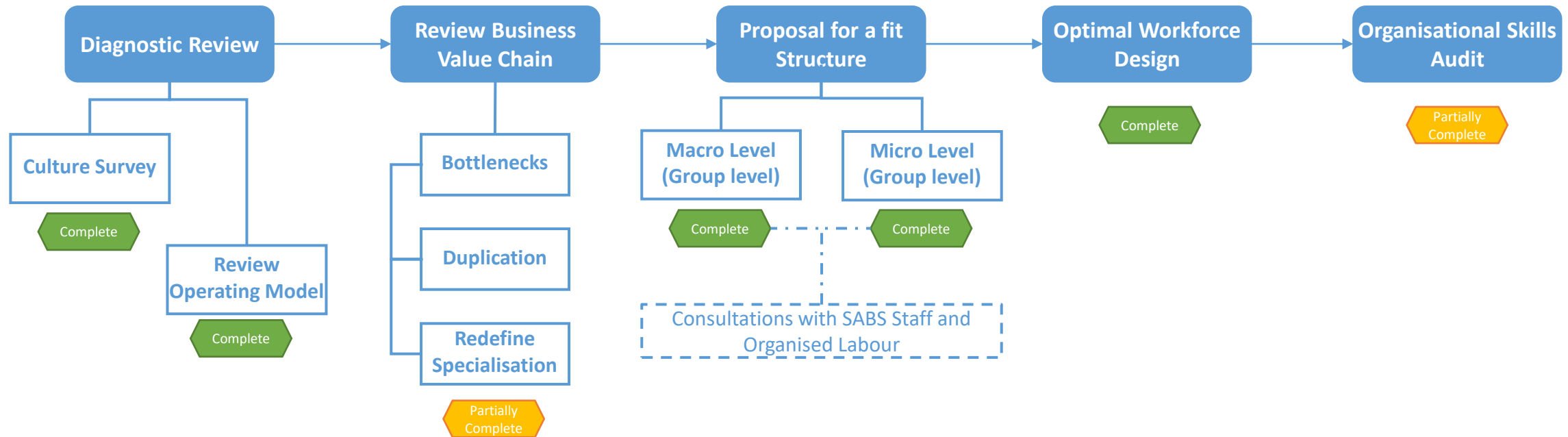
The need for a turnaround

SABS



The stabilisation phase

Turnaround Strategy

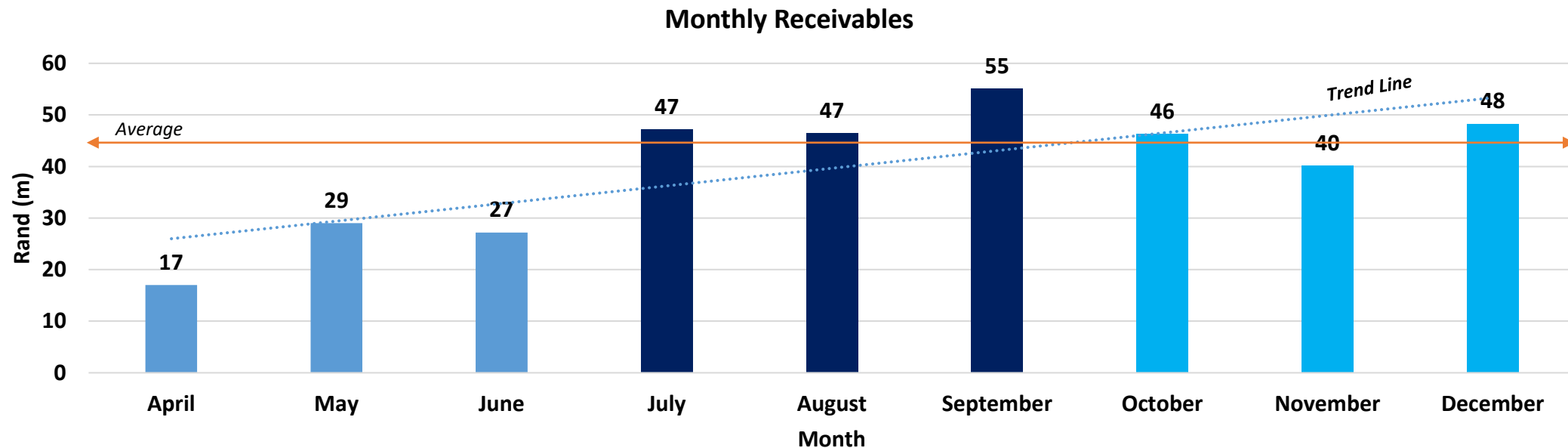


- Installed Building Management System
- Completed Plantroom upgrade
- Disaster Management Regulations (100% compliance)
- Installed new High Voltage Switchgear testing equipment
- Upgrade of HVAC in Q-Block
- Transitioned to Labware LIMS v7.0
- Implemented online tracking system (Supply Chain Management)
- Cleared backlog in Materials and Installations (80%) & Cement (60%) labs
- Purchased new laboratory equipment for testing of ventilators & masks
- New IT Systems (Magento 2 & Genesys Engage) rolled out
- Retained Accreditation



Impact of Covid-19 – Revenue Collection

- Both revenue and cash collections were impacted by Covid-19. Under normal circumstances the SABS collects monthly receivables of between R45m and R55m per month.
- Cash collections were severely constrained by the national lockdown in the first three months and the eighth month of the financial year
- Management expects cash collections from customers to stabilise at roughly the same levels for the last quarter of the financial year.



- The SABS has not escaped the brunt of the Covid-19 lockdown as there were less activities from end of March 2020 which slowly increased toward the period under review
- Lack of full operations from the SABS and lack of activities from the client's perspective has negatively impacted revenue generation during the lockdown period
- The SABS Group has achieved year-to-date loss of R64.4 million which is below the year-to-date budgeted loss R122.1 million
- The SABS Group has not achieved the revenue targets set for the period under review and is significantly below budget by R20.31 million (6.7%)
- Most of the 6.7% variance is from Laboratory Services Division, the Training Academy and from Standard Sales, which contributed 5.7% (R17.2 million), 1.7% (R5.3 million) and 1.3% (R3.8 million) towards the total variance respectively
- Certification revenue on the other hand exceeded year-to-date budget by R7.7 million
- There has been no increase in total administrative and operational costs

Capital Expenditure - Labs

SABS

Investment in laboratory infrastructure and equipment - R15,6 million spent as of 31 December 2020

R41,4 million is committed, as at 31 December 2020, and is currently in the Purchase Order (PO) phase

Planned Capex in the Radiation Protection Lab of R60 million over three years as part of revenue protection

- Specification documents issued in October 2020.
- Site briefing conducted with potential service providers in November 2020.
- Evaluation of tender submissions is in progress. It is anticipated that the procurement process will be concluded by end of February 2021.

Testing of Personal Protective Equipment

- Capex for testing of ventilators approved.
- In January 2021, approval was granted by National Treasury for SABS to partner with CSIR in establishing a ventilator testing facility.
- Procurement process to be initiated and concluded within three months (subject to response from the market).

Refurbishment of Secunda laboratory - scope of work in progress and to be issued by February 2021

Ad hoc projects approved Capex but not spent

- Purchased laboratory equipment for testing of ventilators (R6,4 million), spent Capex for Condom lab and Materials & Installations (R6,0 million) and laboratory equipment for testing of masks (4,9 million).



Upgrade and refurbishment of laboratories:

- Plantroom refurbishment project completed in December 2019 – however still experiencing power outages from theft of municipal cables
- Building Management System (BMS) pilot project installed in the New Electronics Lab

Update on Cement lab:

- New mixer and moulds delivered in November 2020 and December 2020 respectively.
- Purchase Order for two pressers issued and delivery expected in February 2021.
- Subcontracting of samples to an independent lab for compression strength testing - on going.

Labware LIMS was recently updated:

- Platform upgrade from version 6.0 to 7.0
- Sourcing of required resources (industrial engineers and business analysts) is currently in progress

Other operational improvements:.

- Project (data quality enhancement) aimed at improving the response rates of customer satisfaction surveys sent to clients to be initiated end of February 2021.
- Weekly operational meetings held with laboratory Business Unit Managers to monitor progress on lab testing turnaround times
- A Request for Proposal (RFP) for a forecasting and planning tool has been issued

Implement a new operating model to drive centralisation:

- Achieved - improved planning, effective coordination of processes and optimal use of resources

Repositioning of Local Content Verification as a proactive measure:

- Revised approach expected to be launched during Q1 of FY2021. This initiative will ensure that Local Content verifications are proactive rather than being performed post awarding.
- In addition, more focus to be placed at points of manufacture using *a risk-based approach*. Key stakeholders involved among others are **the dtic**, DBSA, National Treasury & Proudly SA. To date 117 Auditors have been trained as part of bolstering capacity to execute local content verifications.

Improve collaboration externally:

- Mainly targeting National Standards bodies on the Continent in support of local Manufacturers intending to export. Improve engagement with industry associations and regulators. Have assigned dedicated teams in the form of Client Managers to cultivate new opportunities.



Development of a Certification digital system:

- First phase expected to be functional in Q1 of FY2021, operational priority will be for all management system certification then followed by product certification (SABS Mark Scheme Certification).
- It envisaged that once operational it will assist in elimination identified inefficiencies.

Ensure maintenance of our RvA and SANAS Accreditation (License to operate):

- All external assessment findings that were raised by accreditation bodies have been cleared.

Building and strengthening of partnerships:

- SABS have partnered with National Cleaner Production Centre (NCPC-SA). The NCPC-SA and SABS have initiated an effort to double the number of companies certified for ISO 50001 with sole aim of improving energy management in the South Africa. The role of SABS role will be the certification of companies.

System Certification (Certificates) and SABS Mark Scheme Permits:

- Management has put mitigation plans in place with view of eliminating expired permits.
- Certificates and permits have a validity period of three (3) years.



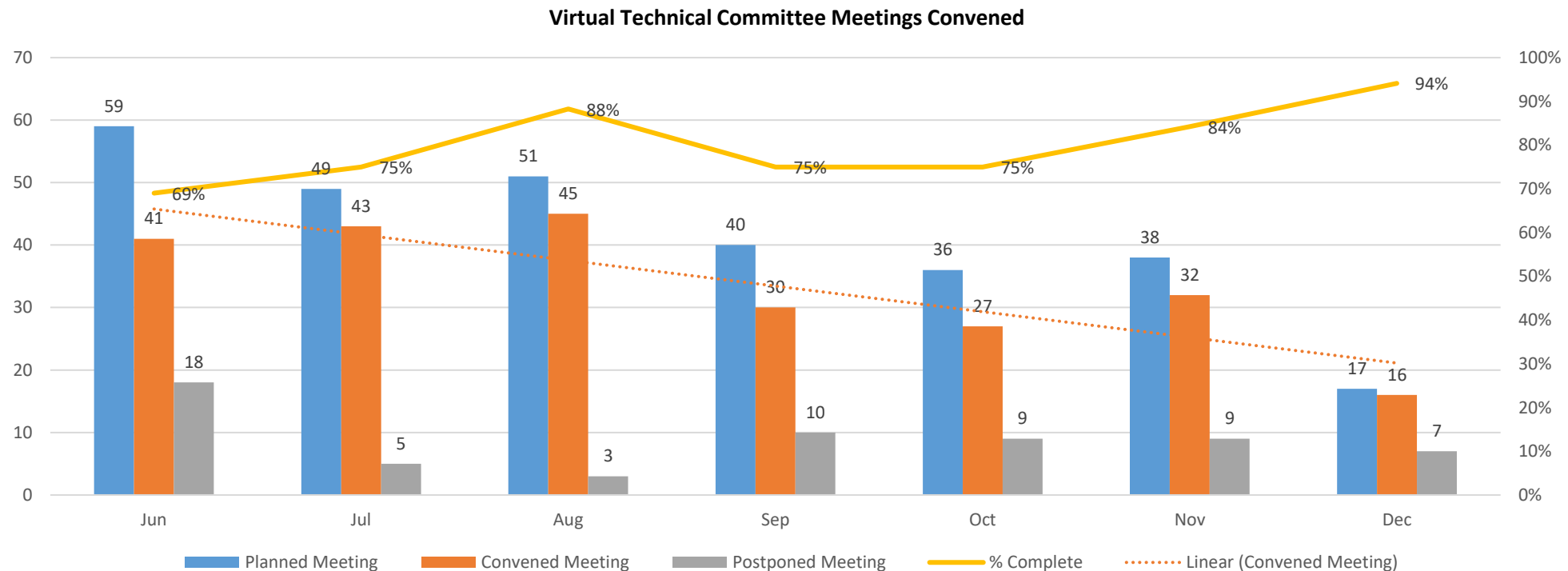
Audit Statistics for Q3 FY2020

Product Certification	Oct	Nov	Dec	Narrative
Audits Planned	518	552	334	<p>Due to the impact of Covid-19 planning had to be redone for the year, starting from July 2020.</p> <p>Remote auditing has been adopted as one of the instruments in performing audits. Exploring wearable tech to support remote auditing.</p> <p>SABS continues to prepare its clientele for increasing remote audit activities. The entire backlog has been planned throughout the remainder of the year, although it gets disrupted from time to time due to COVID cases still being reported.</p> <p>Note: Monthly variance, not cumulative since it gets re-planned to a later date.</p>
Total Audits Conducted	485	548	322	
Desktop/Remote Audits (Included in Total Audits Conducted)	291	137	80	
Variance	33	4	12	
Rolling Variance	24*	4	12	
System Certification	Oct	Nov	Dec	Narrative
Audits Planned	249	281	179	Comments same as above
Total Audits Conducted	220	236	154	
Desktop/Remote Audits (Included in Total Audits Conducted)	132	142	93	
Variance	29	*45	*25	
Rolling Variance	0	14	11	Note: Monthly variance, not cumulative



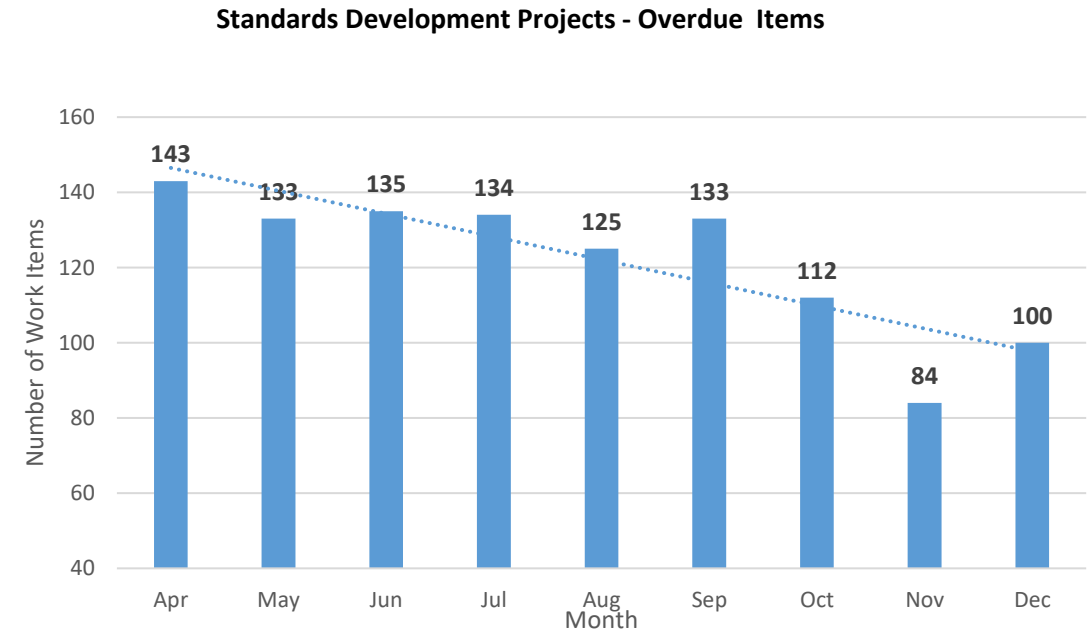
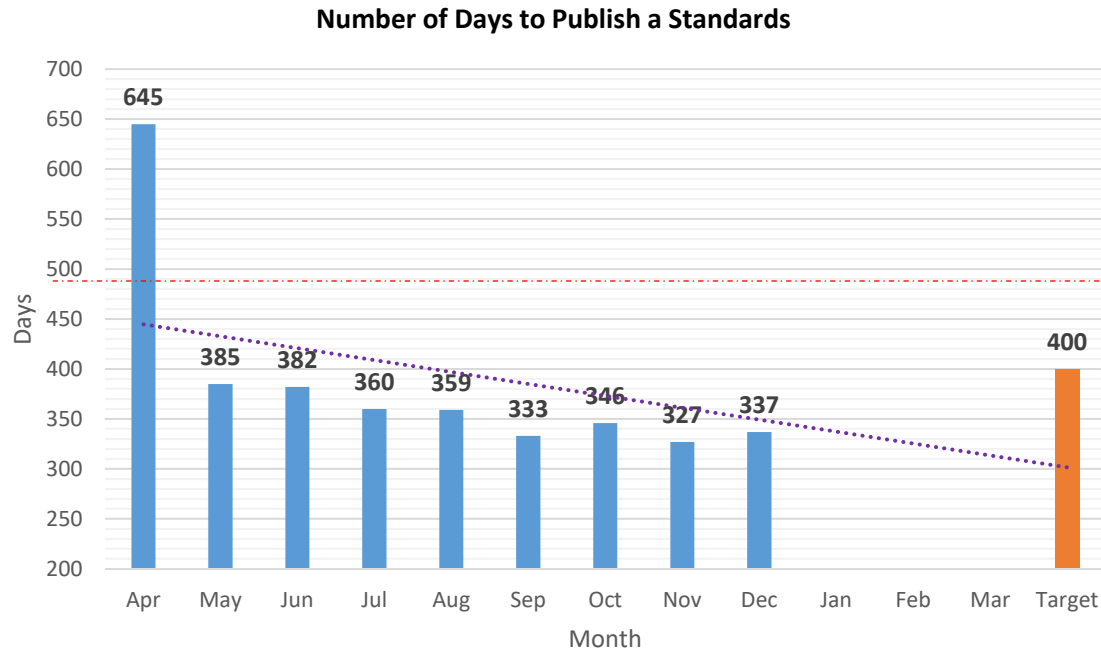
Operational Improvement - Standards

- The committee and working group meetings have been planned and convened through virtual platforms and year-to-date (Q1-Q3) 72% of the schedule meetings have occurred.
- The status will be monitored on a monthly basis in alignment to ISO and IEC communications.
- Targets developed to increased representation of women in TCs/SCs.



Development of National Standards:

- The Standards Division has introduced various process optimisation projects and have improved delivery times when developing national standards. The number of projects in the programme of work is 826 projects



Operational Improvement – Human Capital

SABS

Human Capital finalised the following deliverables:

- Review of the organisational strategy
- Deployment of a culture diagnostic dipstick as well as conducting focus groups to be understand the emerging themes
- Review and development of a new operating model for SABS
- Review and development of a macro and micro-organisational structure for SABS

The next steps post the organisational review for Q4 are as follows:

- Ongoing consultations with all stakeholders and organised labour
- Sign-off of the macro and micro-organisational structures by the Administrators
- Job profiling for the new- or amended- functional roles
- Deployment of a skills audit and proposal of recommendations to close identified skills and competency gaps
- Job matching and placement into the new organisational structure



Finance Team:

- Improved the audit opinion FY2020 from *qualified* to *unqualified* has been achieved under the CFO
- Established an Accounting Technical Committee to strengthen technical capacity to ensure IFRS compliant financials
- Actively reduced the Intercompany loan to SABS Commercial
- Introduced working capital management strategy to ensure there is sufficient cash to pay bills on a monthly basis
- Implemented various strategies to maximise cash collections and monitoring the credit worthiness of customers effected by Covid-19 economic conditions
- Standard Sales pricing & discount exception report is completed and business has commenced ongoing review & resolution of pricing/discount discrepancies
- Building Management System (BMS) upgrade successfully been upgraded resulting in better laboratory testing conditions

Supply Chain Management:

- Implementation of online tracking system (contracts, orders, stores, tenders)
- Benchmark the SCM function and update processes to align with best practice

Operational planning – we have had perform a balancing act between staff safety and servicing customer demands

- 100% of required staff are back at work with restricted numbers allowed in the testing areas so as to ensure compliance with HSE protocols (Level-3 regulations)
- Clear backlogs and allocate additional Capex

Cement laboratory:

- 60% of backlog cleared as at December 2020 which was a result of Covid-19 and power outages.
- Working overtime to reduce backlog with weekly meetings to monitor progress.
- 222 samples (YTDFY2020) have been subcontracted to an independent laboratory for compression testing.
- Testing process definition, mapping and optimization 90% complete (progress impacted by availability of resources)

Materials and Installations (NETFA):

- Materials: 80% of the backlogs have been cleared but still impacted by Level-3 regulations

Electrotechnical Laboratory - Short Circuit testing:

- Repair of SCADA unit in progress and the installation of new batteries for the switchgear completed.



A strategic partnership finalised with a large company in the pump industry. The partnership and investment opened various opportunities especially in testing for the broader pump industry.

- Partnership completed and equipment installed and commissioned in August 2020.
- Testing of pump samples from various manufacturers conducted effective from August 2020.
- Pump industry stakeholder engagement and awareness session to be scheduled before 31 March 2021 (Covid-19 regulations permitting)

Repair of NETFA test infrastructure opened various opportunities in the testing of medium-to high voltage transformers.

- Repair completed and equipment commissioned in September 2020
- Testing of customer samples started from mid September 2020.
- Stakeholder engagement sessions conducted with Switchgear Association and other key clients in November 2020 and December 2020.
- Relaunch of the facility to be scheduled before 31 March 2021 (Covid-19 regulations permitting)

New opportunities are being pursued.

- Testing of cold storage products - In progress as part of sector focused revenue generation initiatives.
- Cosmetics & essential oils, air quality monitoring and mobile coal testing – Project teams established to conduct feasibility studies and formulate business cases.
- Local Content Verification Scheme – Launch to be scheduled before 31 March 2021



Sales and Operations Forum established:

- SOF meeting held regularly to coordinate the delivery of- and the support for all business development and sales activities
- Feedback from clients shared during monthly meetings

Stakeholder engagements

- Customer segmentation completed and each Executive Committee member assigned responsibility for 10-15 key accounts.
- Collaboration meetings held in Q2 and Q3 with SADC member countries (Botswana, Zambia, Eswatini, etc.) to improve relationships and identify areas of mutual interest and collaboration.
- Meetings held by Senior Management with key clients and associations, operating within various industries (e.g. Manufacturing, Mining, Electrotechnical etc.)
- Collaboration with key stakeholders, such as, CSIR, IDC, Proudly SA, SALGA, SEDA, **the dtic** BBC, GEDA, PPC etc.
- Sector focused stakeholder engagements with industry bodies/associations to be planned in the next financial year.



Thank you
Jodi.scholtz@sabs.co.za