



**east london idz**  
*business streamlined*

# ANNUAL GENERAL MEETING

AUDIT COMMITTEE REPORT

**PRESENTED BY : MR A KANANA**

26 October 2021



# ABOUT THE AUDIT COMMITTEE



Name	Expertise	Date of appointment
Mr E Jooste	B. Com (Acc); Public Finance Management and Governance, Supply Chain Management, Public Private Partnerships, Project Finance.	2013/10/24
Mr A Kanana (Chairperson)	Chartered Accountant (SA), Audit, Finance and Governance	2012/10/24
Ms N Mnconywa	Chartered Accountant (SA), Audit, Finance and Governance	2016/09/26
Mr M Mufuleni	Telecommunications Industry Expert; ICT Governance; Manufacturing and Development Experience;	2018/10/31

# REPORT OF THE AUDIT COMMITTEE

## ATTENDANCE

Name	Number of meetings attended
Mr A Kanana (Chairperson)	5 of 6
Mr E Jooste	6 of 6
Ms N Mnconywa	6 of 6
Mr M Mufuleni	6 of 6

- Separate closed meetings were held with Auditor-General (AG), Internal Auditors and management during the year under review.
- The Audit Committee (AC) also had closed meetings with the Chief Executive Officer.

# AC RESPONSIBILITY

The AC has an oversight function with regards to :





# AC RESPONSIBILITY

**In the conduct of its oversight duties, the Audit Committee has, inter alia, reviewed and is satisfied with the effectiveness of the following:**

- The expertise, resources and experience of the finance function; -
- The effectiveness of the CFO; -
- Internal control, management of risks and compliance with legal and regulatory provisions; -
- The effectiveness of the internal control systems; -
- The effectiveness of the system and process of risk management
- Financial and sustainability information provided;
- The adequacy, reliability and accuracy of financial information provided by management

# THE INTERNAL AUDIT FUNCTION

- The internal audit function was **effective throughout the period of reliance**
- They carried out their duties **independently and objectively**
- Their audit plan was **informed by the key risks in the organisation**
- They reported **functionally to the Audit Committee**

# AC OPINION

The Audit Committee is of the opinion, based on the explanations given by management and information gathered by the committee through its extended oversight programme as well as internal audit reports, that:

- The **systems and process of risk management and compliance processes are adequate, effective, efficient and transparent**;
- The **internal accounting controls are adequate** to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained; and
- Having considered the matters set out in section 94(8) of the Companies Act No. 71 of 2008, that it is **satisfied with the independence and objectivity of the external auditors**.

# EVALUATION OF FINANCIAL STATEMENTS

- **AC evaluated and discussed the annual financial statements** of the East London Industrial Zone SOC Ltd for the year ended 31 March 2021.
- **AC considers that the statements comply**, in all material respects, with the requirements of the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999.
- AC concurs with the board of directors and management that the **adoption of the going concern premise in the preparation of the financial statements is appropriate.**
- The AC concurs with **and accepts the AGSA report on the annual financial statements**, and is of the opinion that the annual financial statements should be accepted, read together with the report of the Auditor-General South Africa.



# REPORT OF THE AUDITOR GENERAL

## Opinion

- Financial statements **present fairly, in all material respects, the financial position of the East London Industrial Development Zone SOC Ltd as at 31 March 2021** and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the PFMA and the Companies Act.

## Clean audit

- No material findings were noted** with regards to compliance, reporting on performance information and reporting on financial statements.

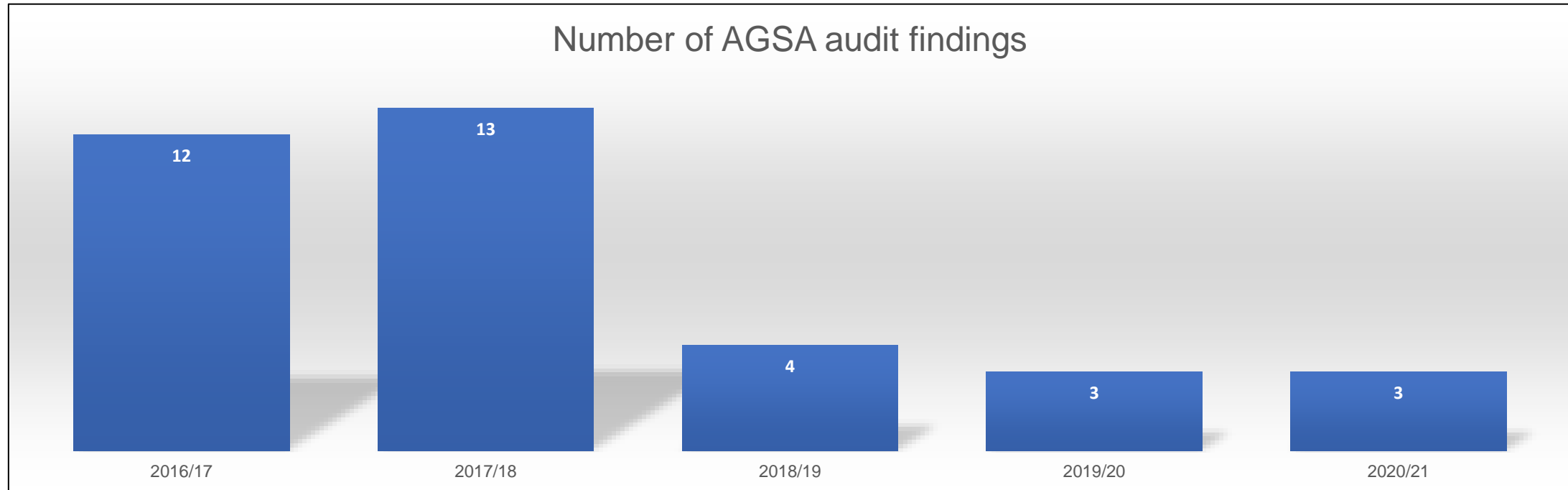
## Emphasis of matter

- AG put emphasis on a matter on impairment of trade debtors and other financial assets as well as the fair value adjustments related to ELIDZ properties.**

# AUDIT FINDINGS COMPARISONS

- The **clean audit opinion for 2020/21** represents the **6<sup>th</sup> consecutive clean audit opinion** for the ELIDZ. There has also been a **notable decline in the number of unresolved audit findings that do not affect the Auditor's report** (from 12 in 2016/17 to 3 in 2020/21)
- The 2020/21 financial year, was a **unique test to the organization's internal controls environment** owing to the **impact of COVID 19 on the workplace** which amongst other things **tested the effectiveness and resilience of the organization's internal systems and its controls.**
- As such, the 2020/21 audit opinion is indicative of **sound financial management and reporting practices, good internal controls, compliance with laws and regulations, effective risk management and best practice ICT governance.**

# AUDIT FINDINGS COMPARISONS



- AGSA noted three (3) unresolved findings that were not affecting auditors report. The findings related to compliance matters and internal control weaknesses.

# ELIDZ GOING CONCERN

- Assets of the company more than the liabilities by R2 601 726 027 and the company has been making profits for the past 3 years.
- The directors have satisfied themselves that **the company has adequate financial resources to continue in operation for the foreseeable future and AFS have been prepared on a going concern.**
- **DEDEAT committed to meet ELIDZ's operational needs for the next three years** to augment own generated revenue.
- **Own generated revenue contribution to the operating budget** has been increasing year-on-year.
- ELIDZ able to **secure 100% funding for capital projects under the SEZ funding** mechanism.

# THANK YOU

**EAST LONDON INDUSTRIAL  
DEVELOPMENT ZONE SOC LTD**

**Tel: +27 43 702 8200**

**Fax: +27 43 702 8251**

**[www.elidz.co.za](http://www.elidz.co.za)**





**east london idz**  
*business streamlined*

# ANNUAL GENERAL MEETING

## PRESENTATION OF ANNUAL FINANCIAL RESULTS

**PRESENTED BY: Mr Gift Matengambiri**

26 October 2021



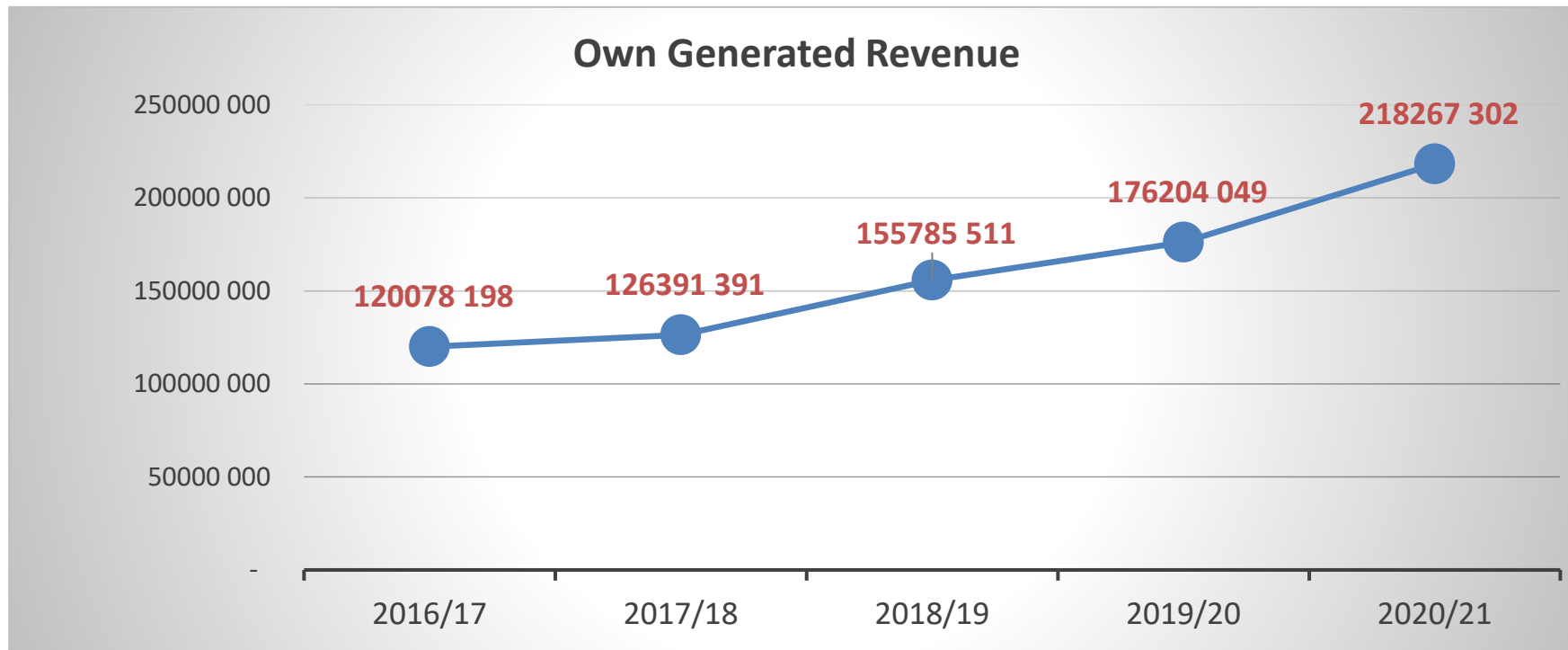
# REVENUE GENERATION

- The revenue generation capability of the organisation continues to grow despite COVID- 19 which affected many businesses last year. The main driver is increase in rental space taken by investors in the automotive sector.
- The increase in rental is after the organisation gave 3 months rental holiday to investors that were not operational during hard lockdown- April – June 2020
- However, there was less revenue that was generated from utilities as there was less activity during lockdown and also when Mercedes Benz South Africa ( MBSA )was retooling to move to a new model last year.

# REVENUE GENERATION cont...

## OWN REVENUE GENERATION TRENDS 2016 TO DATE

Since 2016/17 ELIDZ has increased its annual own revenue (**rentals and utilities**) generation capability by 82% and year on year is 24%



# REVENUE GENERATION PER COMPONENT cont...

Year	2021	2020	% Change
Rentals	107 763 572	72 024 604	50
Utilities	98 625 669	99 492 001	-1

# ACTIVITY IN THE ZONE (Volumes)

- There was less utility billing during the year as there was less activity in year compared to the previous years resulting in the organisation failing to meet its revenue target on utilities. The table below shows the decrease in utility revenue :

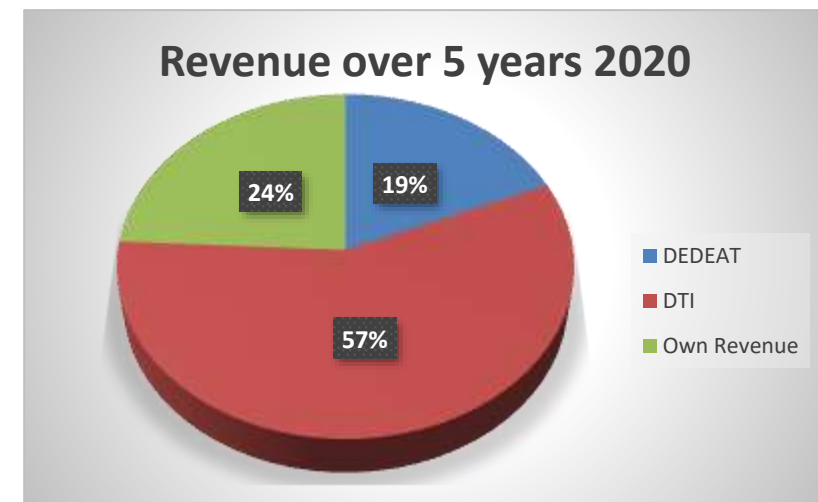
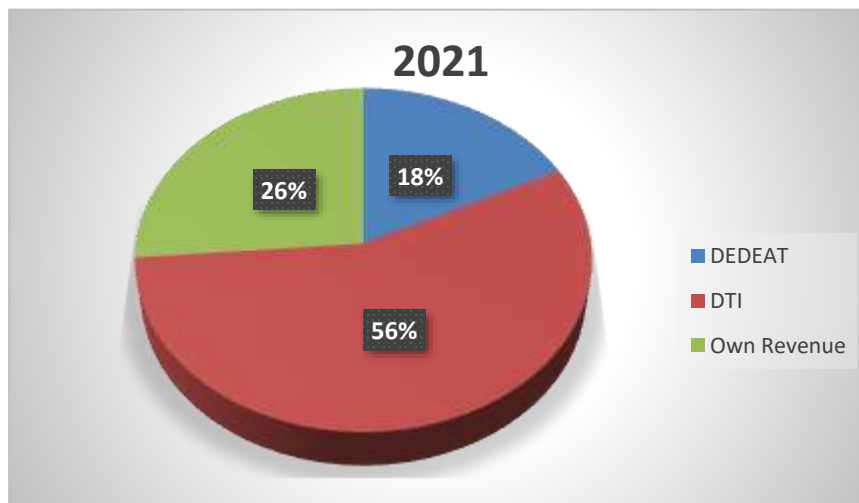
Services Units	Total 2017/18	Total 2018/19	Total 2019/20	Total 2020/21	% change
Electricity Tenant Usage (kWh)	39 307 092	42 513 847	46 757 544	37 729 098	-19%
Water Tenant Usage	191 360	228 117	306 866	359 882	17%
Conference Centre (Pax) - No of people	9 223	12 872	8 725	905	-90%
Analytical Lab (No of samples tested)	5 472	6 441	5 299	4 683	-12%



# GRANT FUNDING - TOTAL

- To augment the own generated revenue the entity receives grants from the provincial government and the DTI as shown in the graph below:

<i>Sources of Funding</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>Totals</i>
DEDEAT	88478948	93656263	98931570	161 000 815	93 827 826	535 895 422
DTI	0	651081121	837612015	113 358 323	95 941 605	1 697 993 064
Own Revenue	120 078 198	126 391 391	155 785 511	176 204 049	218 267 302	796 726 451
<b>Totals</b>	<b>208 557 146</b>	<b>871 128 775</b>	<b>1 092 329 096</b>	<b>450 563 187</b>	<b>408 036 733</b>	<b>3 030 614 937</b>



# INFRASTRUCTURE FUNDING USAGE -

- The organisation gets grant for infrastructure development from the Department of Trade and Industry(DTI) and DEDEAT as well. The table below shows the receipts and the utilisation of the funding:

Year	2021	2020
Opening balance	574 553 649	1 155 853 866
Conditions met and released	-371 415 794	-810 763 588
Grants receipt for the year	95 941 605	168 668 415
Interest generated	19 676 524	60 794 962
<b>Closing balance</b>	<b>318 755 984</b>	<b>574 553 655</b>

# FAIR VALUE ADJUSTMENT

- The year under review has seen the **fair value of investment property decreasing by R456 171million (2020- R322,8 million).**

Description	2019/20	2018/19
Fair value adjustment(negative)	456 171 925	322 852 050

- Revaluation was based on **best use methodology**
- The decrease was because of the rental model of industrial properties in East London compared to the of Construction costs and the high spec to reduce maintenance costs over the useful life of the investment property.
- **However there are facilities worth more than R800 million that are under construction, which will add on the portfolio.**

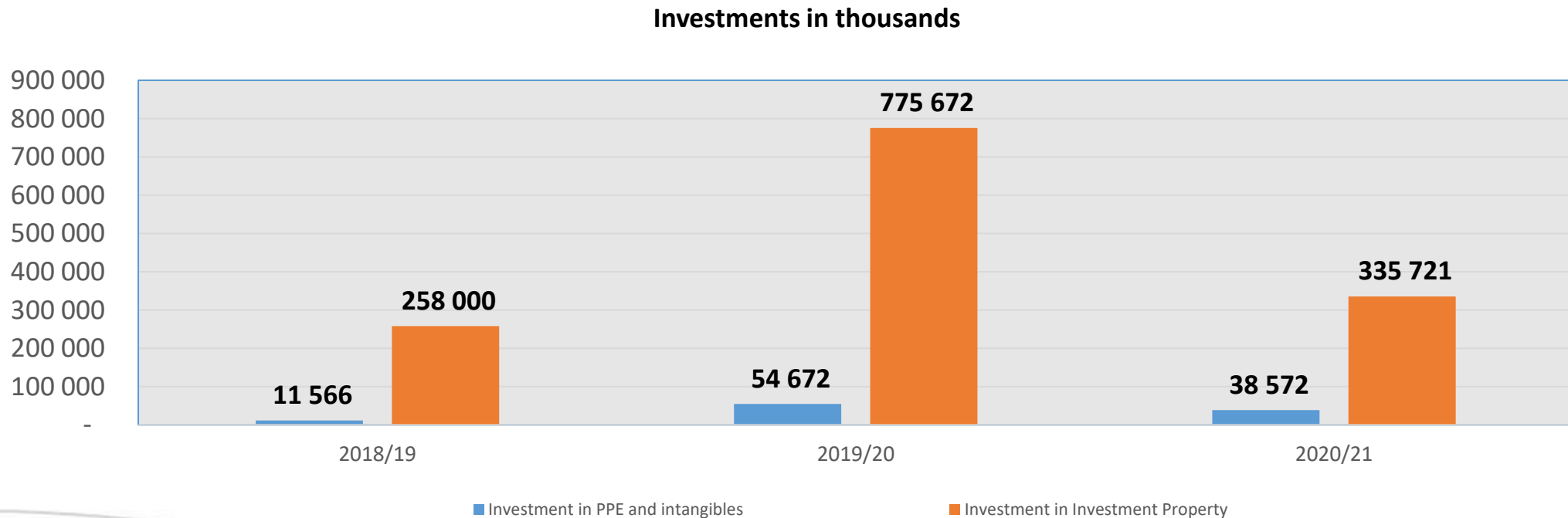
# MANAGEMENT OF OPERATING COSTS

- ELIDZ has implemented the cost containment measures stipulated by the Treasury instruction thereby seeing the operating costs and cost of employment **reducing in the previous years and increasing marginally in the year 2019/20.**
- **Below are some of the major expenses of the organisation and the changes. Most saving are challenged to maintenance projects:**

Major Expenses			
Description	2021	2020	Change %
Rates to BCMM	19 645 164,00	17 666 247,00	11
Insurance	5 529 213,00	5 226 750,00	6
Repairs and maintenance	31 119 774,00	25 226 590,00	23
Costs of employment	95 517 766,00	90 217 813,00	6

# ASSET MANAGEMENT

- Most of the grants received by the organization are used for purchasing and constructing assets and this has seen the asset portfolio of the organization increasing over the years. The information below shows the increase/additions in assets over the years.

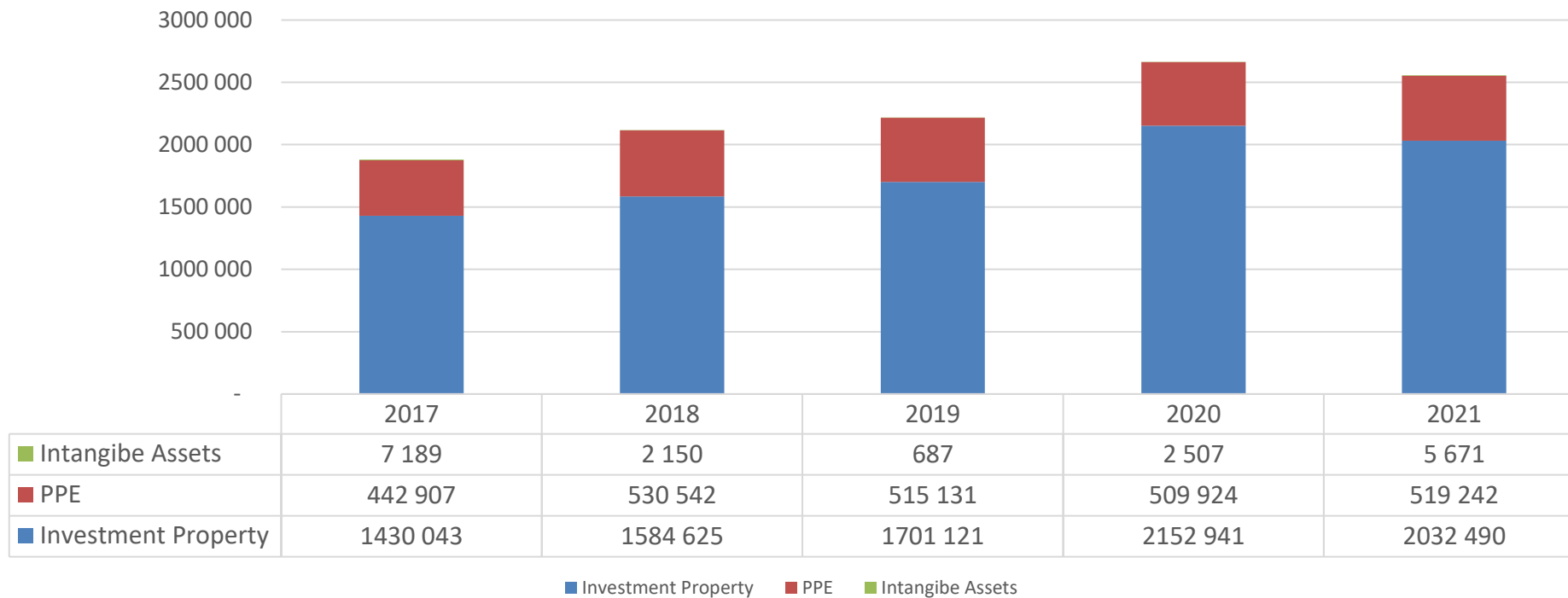




# ASSET MANAGEMENT continued .....

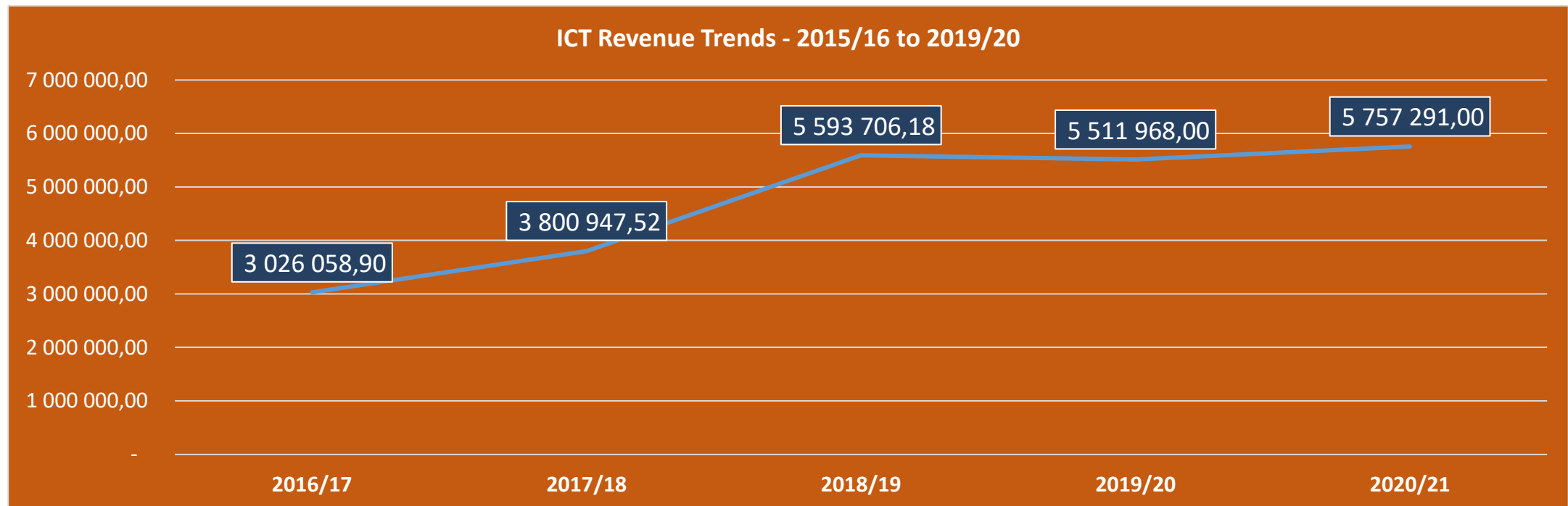
- The graph below shows the asset categories of the organization and increase of **36%** over the years:

*Trend Analysis in thousands*



# ASSET DIVERSIFICATION INTO ICT

- In the 2021/22 financial, Elidz would like to invest about **R125 million incl VAT** in **datacentre and its equipment to expand on the revenue generation of the ICT department.**
- The organisation has already secured **R63million** from the provincial stimulus funding and sourcing the remainder.
- The current equipment has reached its maximum potential as shown in the revenue graph below and the organisation would need to expand the capacity .



# Business Outlook: Possible Loss due Investors Folding

SEZs by nature attract and sometimes loose investors regardless of whether there is a pandemic like COVID 19 or not. During the year (2019-20), the organisation has noticed some entities that are struggling, but their struggle predates the coming of COVID 19. COVID 19 has made the situation worse for these investors.

<i>Tenant Name</i>	<i>Total rental YE 2020-21</i>	<i>Total rental YE 2021-22</i>	<i>Total rental YE 2022-23</i>	<i>Total over 3-year period</i>	<i>Pledged Investment R'm</i>	<i>Pledged Jobs</i>	<i>Actual Operational Jobs Prior Liquidation</i>
<b>Meek Mines</b>	1 697 540	1 833 343	1 980 010,70	5 510 894	423	150	-
<b>ILB Helios Southern Africa</b>	2 729 541	2 855 100	2 986 434,46	8 571 075	120	150	85
<b>Yekani Manufacturing</b>	14 353 300	15 358 031	16 433 092,84	46 144 423	591	1 300	504
<b>Nulatex Condoms SA</b>	1 726 414	1 864 527	2 013 689,21	5 604 630	80	130	3
	<b>20 506 795</b>	<b>21 911 001</b>	<b>23 413 227</b>	<b>65 831 023</b>	<b>1 213,5</b>	<b>1 730</b>	<b>592</b>

# Business Outlook: Developmental Projects

Some **R256million** in matured capital projects (with pre-leasing letters of intent) signal accelerated investment into IDZ property improvements over the coming 12 months. The projects reflect IRR potentials that are in excess of ELIDZ's opportunity cost of capital threshold. They also meet ELIDZ's criteria of showing a positive Net Present Value (NPV).

TENANT	INVESTMENT VALUE	FUNDING STATUS	LEASE STATUS	NPV	YIELD	IRR
AUTOMOULD	R37 459 103	APPROVED	PRE-LEASE LOI	R48 675	4.85	7.23%
YANFENG Expansion	R90 367 501	APPROVED	PRE-LEASE LOI	R1 567 076	4.20%	7.39%
SUNDALE	R85 934 724	APPROVED	PRE-LEASE LOI	R21 088 464	4.04%	9.18%
BUSHVELD	R42 545 021	APPROVED	PRE-LEASE LOI	R16 754 613	4.59%	10.25%
DRAEGER	R91 000 000	APPROVED	PRE-LEASE LOI			
	<b>R256 306 349</b>			<b>R39 458 828</b>		

# Conclusion

- The organization has increased its investment portfolio over the years and that has seen rental revenue increasing.
- Future expenditure to be focused on **income generating projects** in order to grow revenue base of the institution.
- Management to emphasize and maintain **good governance to retain the clean audit.**
- Cost containment measure assisted the organization weather COVID 19 financial pressures.



# THANK YOU

**EAST LONDON INDUSTRIAL  
DEVELOPMENT ZONE SOC LTD**

**Tel: +27 43 702 8200**

**Fax: +27 43 702 8251**

**[www.elidz.co.za](http://www.elidz.co.za)**



**east london idz**  
*business streamlined*

# ANNUAL GENERAL MEETING

CEO OVERVIEW

PRESENTED BY : MR SN KONDLO

26 October 2021





## OUR CORE IDEOLOGY

# OUR VISION

To be **a catalyst for growing a strong regional industrial base**, supported and sustained by a business ecosystem that serves to extend the **global competitiveness of local industries**.

# OUR MISSION

To **attract and retain targeted industries** through the **operation of a world class investment location**, supported by a **conducive business environment** and **special economic zone benefits**, where industries excel and prosper.



# ELIDZ CORE VALUES

Core values express **what is important to the organization** and its members. The corporate Statement of Values informs how the members of the company **make decisions, prioritise and plan strategies**, and **interact with each other** (and with stakeholder partners).

## INSPIRED BY IMPACT

*"We are not satisfied with our performance unless it has a lasting and meaningful impact in uplifting the lives and future potentials of the citizens we have been created to serve."*

## ETHICAL BY NATURE

*"We are responsible and accountable for how we do business, how diligently we utilise all resources entrusted to us and how we manage our operations in a manner that assures the safety and reliability of our industrial precinct and its services."*

## PASSIONATE FOR EFFICIENCY

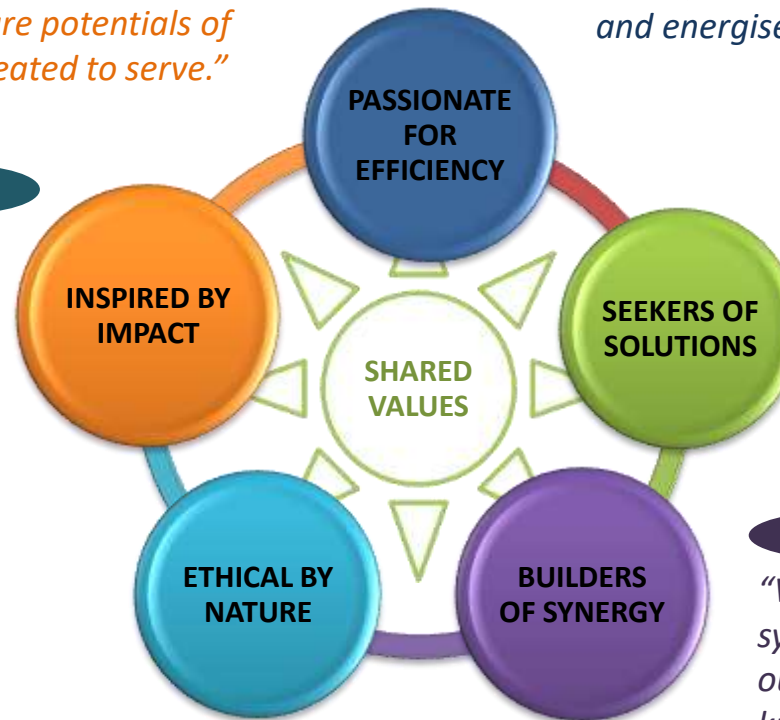
*"We respond to address the needs of customers with speed and efficiency and these needs direct and energise both our plans and actions."*

## SEEKERS OF SOLUTIONS

*"In every situation, we seek out possibilities that foster and yield innovative and practical solutions in order to deliver superior outcomes of value to our customers, stakeholders, and ourselves"*

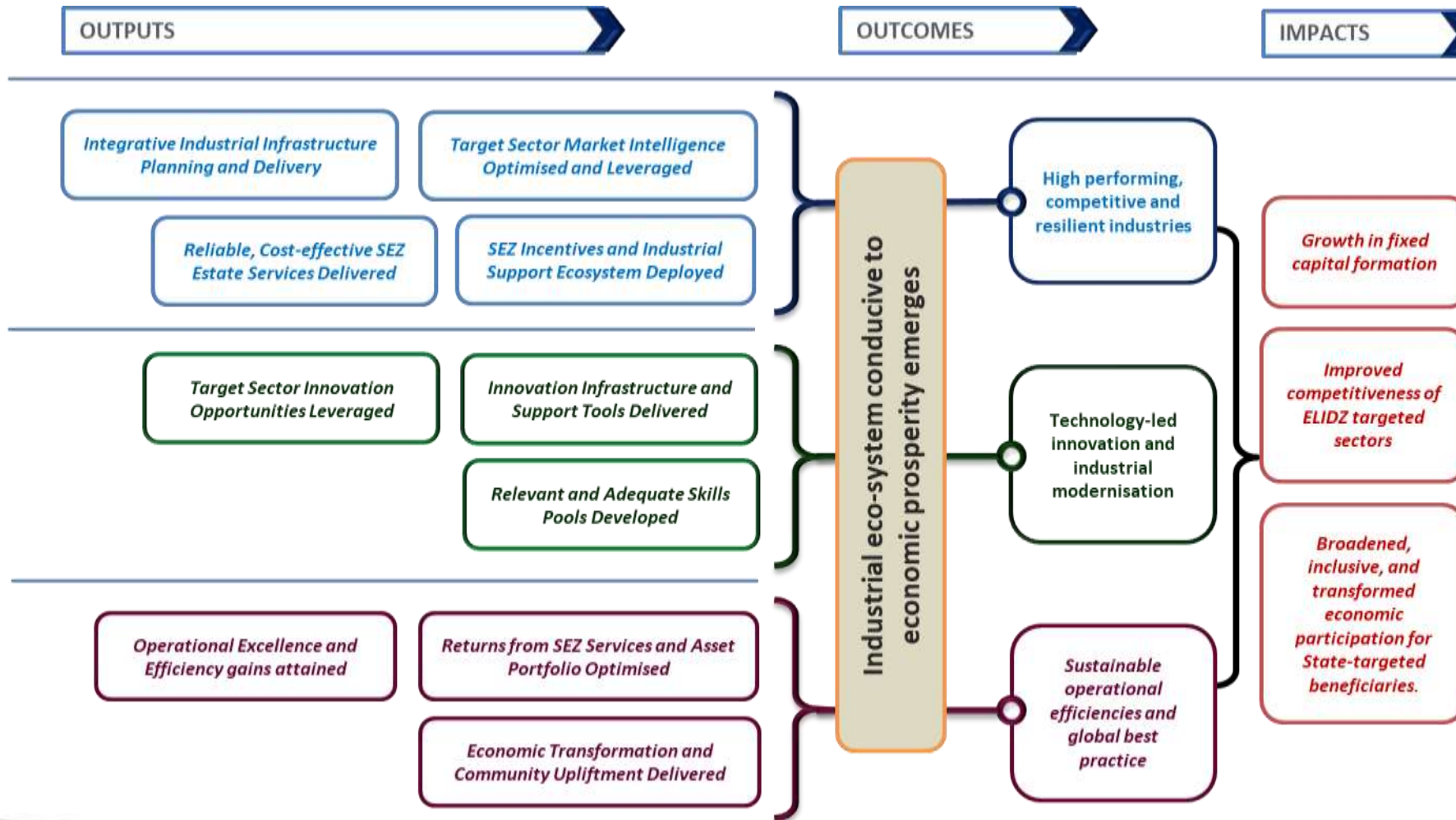
## BUILDERS OF SYNERGY

*"We actively lead in building productive synergies and collective expertise with our key stakeholders, exploiting our knowledge and continuous learning."*





# ELIDZ THEORY OF CHANGE



# DESIRED OUTCOMES POST VISION 2025

## OUTCOME 1:

HIGH-PERFORMING, COMPETITIVE AND RESILIENT INDUSTRIES

## OUTCOME 2:

TECHNOLOGY-LED INNOVATION AND INDUSTRIAL MODERNISATION

## OUTCOME 3:

SUSTAINABLE OPERATIONAL EFFICIENCIES AND GLOBAL BEST PRACTICE



2020/21 IN REVIEW





# A CHALLENGING OPERATING ENVIRONMENT

- With 2020/21 as the first year of the ELIDZ's new 5 year strategic cycle, the ELIDZ set out to utilise the year to **cement its core business of investment attraction**, settlement and retention **whilst also mainstreaming its developmental agenda** and **exploring other growth prospects** in sectors such as ICT Services.
- A very **challenging global economic climate exacerbated by the COVID 19 pandemic** challenged a number of the ELIDZ's **business assumptions and led to a very shaky start for the 2020/21 financial year** for the ELIDZ and the majority of the enterprises operating from its platform. These challenges included:
  - **Massive contraction of FDI inflows** globally which saw a reduced rate of growth of the ELIDZ's investment pipeline.
  - **COVID-19 induced lockdown and travel restrictions** which
    - impacted on the **ELIDZ's ability to bed down negotiations with a number of potential investors** and
    - **halted the construction activity** in the zone.
    - Threatened the **cash flow and financial positions for a number of investors** on the ELIDZ's platform.
    - **Reduced the number of job opportunities forecasted** in the zone for 2020/21
- However , as 2020/21 came to a close, the ELIDZ was starting to **see the results of the fortitude and resilience of its investors, its funders, its stakeholders and other partners in development.**

# HIGHLIGHTS 2020/21

## HIGH-PERFORMING , COMPETITIVE AND RESILIENT ZONE INDUSTRIES

- Despite the challenging climate, the ELIDZ was able to **secure private sector investment from 6 investors** (target 5) with an investment value of R981,5 million (target R400m).
- During 2020/21, the ELIDZ built **9 new investor facilities and further extended three existing facilities** for investors who had received additional business and required bigger facilities for the additional production activity.
- As at the end of the financial year, the ELIDZ had **completed all of the 9 facilities and these together with an additional private sector development in Zone 1 F have since been operationalised.**
- As a result of these developments, the ELIDZ only has 138,99 hectares of its SEZ designated land parcel remaining for additional development. This equates to **only 29,9% of designated area available for further transaction.**
- Moreover, the new investors that have been operationalised have **taken the total number of operational investors on the ELIDZ platform to 40 companies** and these have seen over **R7,7 billion worth of private sector investment into the ELIDZ since inception.**

# HIGHLIGHTS 2020/21

## HIGH-PERFORMING , COMPETITIVE AND RESILIENT ZONE INDUSTRIES

- Some of the flagship projects finalised during this construction peak included **a new facility for MBSA, who has moved from just being a stakeholder to the ELIDZ to being one of the biggest investments in the zone.**
- Other new investors include **Auria, Ebor, Polytech, Valeo, Draeger (all in the automotive space) as well Bushveld (renewable energy).**
- The companies which have, expanded their facilities in the zone, include **TI Automotive who hasn't just increased their volumes but has localised more capabilities that were previously performed in their plants outside South Africa.** This is critical in deepening the value chain for the automotive Sector. Other Automotive investors who have expanded are **Yanfeng and Linde and Wieman.**
- A local company, **Sundale Dairy who first set up in the ELIDZ in 2010 is currently implementing their third expansion in the zone** and are building a cheese processing facility.

# HIGHLIGHTS 2020/21

## TECHNOLOGY-LED INNOVATION AND INDUSTRIAL MODERNISATION

- As part of mainstreaming its development agenda, the ELIDZ sought to **amplify the role of its Science and Technology Park in driving for technology-led innovation of local industries** and harnessing new industry opportunities.
- During the 2020/21 financial year, **the ELIDZ STP worked with various stakeholders to package the ELIDZ Manufacturing Incubator project** which is aimed at incubating and transforming local industries for easy integration into the global economy. The ELIDZ is currently fundraising for this project.
- An enabling environment agile enough to quickly advance new technologies to commercialisation was part of the ELIDZ's priorities for the period under review. **Training on advanced manufacturing was activated for 140 beneficiaries through the ELIDZ Design Centre, the CISCO Incubator and the Renewable Energy Centre of Excellence that are situated at the STP.**
- During the period, the ELIDZ also initiated a province-wide skills audit which is aimed at ensuring that the ELIDZ **develops a medium-term skills development programme that is responsive to industry needs.**

# HIGHLIGHTS 2020/21

## TECHNOLOGY-LED INNOVATION AND INDUSTRIAL MODERNISATION

- The ELIDZ STP is also mainstreaming its skills development programme and is broadening it to not only focus on the additive manufacturing, laser cutting and CNC Machining, but is currently implementing an ICT/4IR promotion programme which includes the following
  - A **technology promotion and awareness** that will encourage learners from previously disadvantaged communities to **cultivate interest in ICT and ICT-related studies** (eg hackathon)
  - A **skills development programme** that will contribute towards the advancement of skills required to support the **digitization** of industry.
  - **Advancement and Incubation of SMMEs** to enable participation in the digital economy
  - **Identification of new technologies** that could help internet access to marginalized communities.

# GROWTH IN IMPACT

- The increased construction activity and the new investment facilities have seen increased socio-economic impact in the zone.
  - A zone census undertaken in the zone in 2021 revealed that the reported combined turnover of zone enterprises in the zone had **increased from R896 million to R2.29 billion year-on-year** owing to the operationalisation of investors such as MBSA in 2020/21.
  - Similarly **export-oriented production by industries in the zone increased from R453, 8 million to R1,16 billion year-on-year**. This is despite a challenging 2020/21 in terms of the international economic landscape.
  - While the **jobs in the zone saw a negative growth(17%) year-on-year owing to the liquidation of two companies (Yekani and ILB Helios)** and slowing down of manufacturing activity in 2020/21, the new investments **will create an additional 1534 manufacturing and services jobs** and these will be operationalized within the next two years.
- **On the construction front,**
  - As a result of the ELIDZ's progressive preferential procurement strategies, the **ELIDZ's total spend on SMME sub-contracting was 62% or R460 million while 46% of infrastructure contracts above R30 million were contracted to 51% black owned companies.**
  - The construction activity in the ELIDZ created a total of 2149 construction jobs
  - There was a further **39% increase in the constructed and tenanted sqms in phase 1 of the zone.**



# ELIDZ PERFORMANCE IN NUMBERS

6

## NEW INVESTORS SECURED 6/5

The ELIDZ signed 6 investors in the last year

R981,5m

## VALUE OF INVESTMENT SIGNED (R981,5/R400m)

The ELIDZ successful leveraged private sector investment of R981,5

3945

## MANUFACTURING AND SERVICES JOBS (3945/5100)

The period saw a decline in the number of active manufacturing and services jobs from 4771 to 3945

2149

## CONSTRUCTION EMPLOYMENT (2149/2000)

The ELIDZ created 2149 construction jobs during the 2020/21 FY.

155%

## INCREASE EXPORT ORIENTED PRODUCTION (155%/3%)

A zone census undertaken in the zone revealed an increase of 155% year-on-year in terms of the export-oriented production by zone industries. This was from R453, 8 million to R1,16 billion year-on-year.

155%

## GROWTH IN INDUSTRIAL TURNOVER OF ZONE ENTERPRISES (155%/ 3%)

A zone census undertaken in the zone revealed that the reported growth turnover in the zone had increased by 155% from the prior year. This was an increase from R896 million to R2.29 billion year-on-year.



# ELIDZ PERFORMANCE IN NUMBERS

2

## NUMBER OF PROTOTYPES DEVELOPED (2/2)

Two prototypes were developed in the zone for the period under review

39%

## INCREASE IN CONSTRUCTED TENANT FACILITIES (39%/7%)

- The construction of superstructures in the zone led to ELIDZ increasing its constructed tenanted facilities in the zone by 39%

80%

## % OF INVESTORS ENABLED TO BENEFIT FROM SEZ INCENTIVES (80%/63%)

Due to a bulk of new investors being operationalised being in auto sector – ELIDZ was able to facilitate their benefit from SEZ incentives

-1%

## INCREASE IN GROSS INCOME FROM ELIDZ SERVICES (-1%/15%)

The impact of reduced services demand impacted on the ELIDZ's revenue from services.

1,18%

## AVERAGE VACANCY RATE PER ANNUM (1,18%/2%)

Despite the impact of Covid 19 on the economy and businesses in general, ELIDZ managed to keep its vacancy rate under 2%

9

## NUMBER OF NEW SUPERSTRUCTURES COMPLETED

As at the end of the financial year, the ELIDZ had completed 9 new superstructures for investors



*east london idz*  
business streamlined

# OUR SHARED FUTURE



# OUR SHARED FUTURE

## CATALYTIC PROJECTS

### ICT AND ELECTRONICS

- **ICT SERVICES :** As part of positioning its self Position the ELIDZ as the preferred ICT Services partner for public and private sector, the ELIDZ has seen an uptake in its ICT client base in the last 12 months from 34 to 46 clients.
- **DATA CENTRE PROJECT :** The ELIDZ is continuing with the Construction of the Data Centre to take advantage of the opportunities linked to the development of a landing station for an under-sea data cable. The ELIDZ is exploring various opportunities to take advantage of the cables that want to land in South Africa. While phase 1 of the project is funded through Stimulus Fund, ELIDZ is currently fundraising for Phase 2
- **ELIDZ RESELLER PROGRAMME :** ELIDZ Reseller programme will be utilised as a platform to capacitate SMMEs that want to tap into the opportunities linked to ELIDZ's services.

### AUTOMOTIVE SECTOR

- **MANUFACTURING INCUBATOR:** The ELIDZ has packaged the project of a manufacturing incubator to develop Tier 2 and 3 Suppliers for the automotive sector.
- The project is being implemented in partnership with AIDC and in collaboration with MBSA. ELIDZ has a funding shortfall on this project owing to partial funding by DTI but is currently revising the operating model to implement a phased approach in order to proceed despite the limited funding.
- **MBSA ENTERPRISE SUPPLIER DEVELOPMENT PROGRAMME:** A new opportunity identified in this sector is that MBSA is considering an employee Enterprise Supplier Development programme. There may be opportunities for the addition of small businesses to be established as MBSA outsources some of their in-house operations/ services and the ELIDZ is currently exploring the provision of a solution for these enterprises.

### AGRO PROCESSING

- **CANNABIS :** ELIDZ is exploring new processing opportunities of products such as cannabis, African geranium and other natural products to be maximized
- **PRIMARY PRODUCTION :** ELIDZ is playing a facilitatory role in the setting up of primary production centres for commodities required form processing in the zone. This is a substantial growth opportunity which priorities an eco-systemic approach to industrialization.



## OUR SHARED FUTURE

# KEY OPPORTUNITIES IDENTIFIED

### AQUACULTURE

- **PILOT:** The ELIDZ through one of its investors, King Fish Enterprise, is piloting new technology for the sector, which will lead to increased production efficiencies and improved success rate of investors in this sector. The pilot, which was started 18 months ago has seen significant success ,great production yield and expansion of the facility that is housed in Zone 1 A of ELIDZ.

### RENEWABLE ENERGY

**POSITION:** Setting up of the first renewable energy generation plant in the ELIDZ's Berlin Precinct is currently in progress

**ENERGY STORAGE:** An energy storage facility is currently being constructed in Zone 1 A of the ELIDZ.

### GENERAL MANUFACTURING

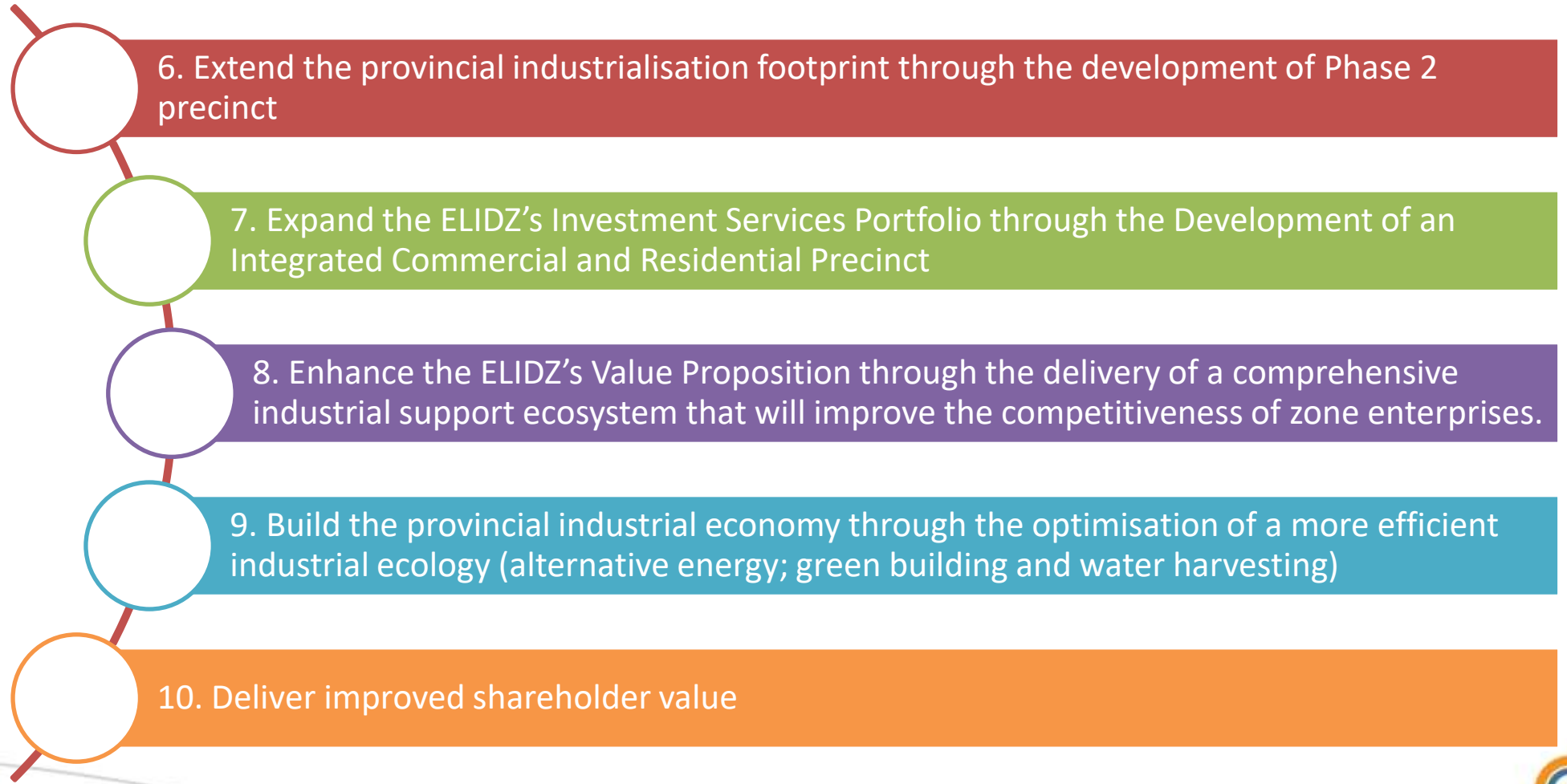
**BLACK INDUSTRIALIST DEVELOPMENT:** ELIDZ has identified various common challenges that have contributed to the failure of these black industrialists on the SEZ platform. Moreover, the impact of the Covid 19 pandemic has also had negative effects on small business in the country and recovery is likely to be slow in the absence of suitable government support and incentives.

The ELIDZ's approach to the general manufacturing sector will, therefore, seek to augment its support levels to these black industrialist to ensure improved success. It will also look at key legislative interventions that could enable cross continental trade and improved access to market opportunities, and particularly through government procurement.

# DESIRED DESTINATION 2025

1. Attract 30 new investors with an investment value of R2,9 billion and create additional direct employment of 4193 by 2025.
2. Support the development of 35 SMMEs through the ELIDZ's incubation programme
3. Develop the skills of 500 beneficiaries through the ELIDZ's Skills Development Programme.
4. Develop and support the innovation capabilities of the region through the ELIDZ's Innovation Support Services
5. Assist 2 entrepreneurs to commercialise their innovations

# DESIRED DESTINATION 2025





# THANK YOU

EAST LONDON INDUSTRIAL  
DEVELOPMENT ZONE SOC LTD

Tel: +27 43 702 8200

Fax: +27 43 702 8251

[www.elidz.co.za](http://www.elidz.co.za)



**east london idz**  
*business streamlined*

# ANNUAL GENERAL MEETING

## SOCIAL AND ETHICS COMMITTEE REPORT

**PRESENTED BY : Mrs N Mnconywa**

26 October 2021



# INTRODUCTION

- East London Industrial Development Zone is a ***Schedule 3D entity*** – **State Owned Enterprise**.
- Requirement for 3D entities **to be run in accordance with general business principles**.
- This includes **compliance with the Companies Act No 71 of 2008** and other best practice with regards to Social Responsibility.
- Additionally, **the King IV Report provides significant guidance and best practice on the role of the Social and Ethics committee in monitoring the impact of the organisation's operations**.
- **The ELIDZ governing body has allocated the role of Social and Ethics Strategy Implementation and Monitoring to the Operations and Risk Committee of the board.**

# MANDATE OF SOCIAL AND ETHICS COMMITTEE

MANDATE OF SOCIAL AND ETHICS COMMITTEE OF THE BOARD	
To monitor the company's activities with regard to the identified five areas of social responsibility	To draw matters within its mandate to the attention of the Board as required
	To report to the shareholders at the company's annual general meeting on the matters within its mandate.
MONITORING	REPORTING



# ELIDZ SOCIAL RESPONSIBILITY FOCUS AREAS



## KEY OBSERVATIONS BY THE SOCIAL AND ETHICS COMMITTEE

- The committee notes with satisfaction that the **ELIDZ** has carried out its environmental, social and governance responsibilities with discipline and care.
- Appropriate policies, plans and programmes are in place to contribute to :
  - *social economic development,*
  - *good corporate citizenship,*
  - *environmental responsibility,*
  - *fair labour practises*
  - *good consumer relationships.*
- **As such the committee noted the following :**
  - Non-compliance with legislation – **NONE**
  - Non-compliance with regulations – **NONE**
  - Non- compliance with best practice – **NONE**





*east london idz*  
*business streamlined*

# KEY HIGHLIGHTS



# PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



BUSINESS ETHICS  
& TRANSPARENCY

- The board and management undertook a **risk identification process** at the beginning of the financial year and as part of this **various ethical risks were considered**.
- The **controls for these risks were assessed and mitigation plans were also put in place**. Key to these were fraud related risks. As at the end of the FY **these risks remain low and the ELIDZ's controls remain effective**.
- To further strengthen the organisation's internal controls with regards to Ethics Management, the organisation **developed an ELIDZ Ethics Framework** which comprised of the following
  - **ELIDZ Ethics Policy** : To ensure there is a shared understanding of organisation's ethical values
  - **ELIDZ Whistle-blower Policy**: To **ensure there is clear guidelines on reporting of any violation of ELIDZ Ethics Policies and Practices**. To further ensure there are **clear processes and procedures** to respond to unethical behaviours and practices.

# PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



BUSINESS ETHICS  
& TRANSPARENCY

- The year 2020/21 was the first year of the ELIDZ's Five Year Strategic cycle. The new strategic cycle had seen the **ELIDZ strengthen its organisational values to highlight the importance of Ethics in the ELIDZ's operations.**
- As part of giving meaning to this strategic intent, the ELIDZ developed an **organisational culture enhancement programme** which amongst other priorities **encouraged employees live the organisational value of "Ethical by Nature"**.
- The organisational culture enhancement programme also saw the following being implemented:
  - **Assessment of the ELIDZ Organisational Culture**
  - Development of a **5 year Organisational Culture Enhancement Programme inclusive of ELIDZ Ideal Culture Definition, articulation of ELIDZ aspirations and Ideals** when it comes to its internal culture and a **programme to inculcate and align espoused culture to the lived culture in the organisation.**



# PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



BUSINESS ETHICS  
& TRANSPARENCY

- **INTEGRATED REPORTING:** As part of ensuring Business Ethics and Transparency , the **ELIDZ is currently implementing a three-year Integrated Reporting Plan to ensure alignment of ELIDZ Annual Reporting to acceptable international Integrated Reporting Standards.**
- **ONLINE DECLARATIONS:** In response to some of the workplace changes brought on by the challenge of COVID 19, **the ELIDZ developed and implemented an online annual declaration process for all ELIDZ staff and board to ensure strengthening of controls relating to management of conflict of interest.** All ELIDZ completed annual declarations for the period under review.
- **EMPLOYEE INDUCTION:** The ELIDZ also **introduced a virtual employee induction programme to ensure induction of new employees** on ELIDZ policies and its culture.

# PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



The following can further be noted for 2020/21 FY:

- ❖ Existence of a **multi-pronged Fraud Prevention Framework** focused on **Fraud Prevention, Fraud Detection and Fraud Response**.
- ❖ ELIDZ Fraud Hotline was active for **365 days** of the FY.
- ❖ There was **ONE fraud related case** investigated and confirmed by the ELIDZ during the FY. A disciplinary for **two implicated employees was completed and both employees were dismissed**. The matter was reported to police and is currently in court.
- ❖ There were **NO** fraud related findings reported by the Auditor General of South Africa

## PRIORITY 2: ELIDZ EMPLOYMENT PRACTICES



WORKPLACE  
(EMPLOYMENT PRACTICES)

### EMPLOYMENT EQUITY

**73%** OF NON-NUMERIC  
GOALS OF **3 YEAR**  
**EE PLAN** ACHIEVED  
(improvement of induction process and increased  
awareness of HR policies still in progress)

TARGET = 80%

### EMPLOYEE TRAINING & UPSKILLING

**4.55%** OF TOTAL EMPLOYEE  
COSTS WAS SPENT ON  
EMPLOYEE TRAINING

TARGET = 3%

### EMPLOYEE SATISFACTION

**72.8%** ANNUAL EMPLOYEE  
SATISFACTION  
INDEX

TARGET = 70%

### STAFF TURNOVER

ELIDZ MAINTAINS  
A **LOW STAFF**  
**TURNOVER** OF **6.1%**

due to various employee retention programmes implemented as  
part of the organisation's Human capital Strategy

TARGET = 10%

### VACANCY RATE

THE ELIDZ KEPT  
ITS VACANCY  
RATE **LOW** AT **8.89%**

TARGET = 12%

### GRADUATE TRAINING

**43** INTERN OPPORTUNITIES  
WERE CREATED IN  
THE ELIDZ

TARGET = 30 INTERNS



**east london idz**  
business streamlined



# PRIORITY 3: ECONOMIC DEVELOPMENT AND TRANSFORMATION



**ECONOMY**  
(ECONOMIC DEVELOPMENT  
& TRANSFORMATION)

## JOB CREATION

**3945** **MANUFACTURING  
AND SERVICES JOBS**  
ACTIVE AS AT THE  
END OF THE FY.

Achievement of target affected by delays in operationalising new investors as well as liquidation of Yekani.

**TARGET = 5100**

**CONSTRUCTION  
JOBS CREATED  
IN THE ZONE IN  
2020/21**

**2149**

**TARGET = 2000**

## LOCAL PROCUREMENT

**89%** **OF CONTRACTS  
AWARDED WERE TO  
LOCAL CONTRACTORS**  
(39/44)

**TARGET = 30%**

**61%** **OF SUB-CONTRACTABLE  
CONSTRUCTION WORK  
FOR TENDERS ABOVE  
R30 MILLION** subcontracted  
to designated groups.

**TARGET = 30%**

# PRIORITY 3: ECONOMIC DEVELOPMENT AND TRANSFORMATION



**ECONOMY**  
(ECONOMIC DEVELOPMENT  
& TRANSFORMATION)

## SKILLS DEVELOPMENT

**142** **SKILLS DEVELOPMENT BENEFICIARIES TRAINED**  
in the ELIDZ STP. **TARGET = 50**

**ONE** **INCUBATOR ACTIVE ON ELIDZ PLATFORM**  
**TARGET = 1**

**2** **PROTOTYPES DEVELOPED AT ELIDZ STP**  
One for *digital medical prescriptions* and one  
a *biometric data capture tool* **TARGET = 2**

## PRIORITY 4: COMMUNITY DEVELOPMENT

### COMMUNITY DEVELOPMENT

**16** **CSI INITIATIVES**  
IMPLEMENTED IN 2020/21  
TARGET = 12 INITIATIVES

**12** **BURSARIES AWARDED**  
TO NEIGHBOURING COMMUNITIES  
TARGET = 8 BURSARIES

CORPORATE SOCIAL INVESTMENT - CSI  
**10.65%** **YEAR-ON-YEAR GROWTH IN ELIDZ CSI SPENT**  
TARGET = 7%

- The ELIDZ continues to **prioritise the development of surrounding communities through its Corporate Social Investment projects** and significant impact has been achieved in this regard.
- There has been **emphasis on initiatives in Ward 46 followed by initiatives in BCMM and the greater EC province** respectively as identified in the CSI Plan that has been internally developed.
- There is also a **strong support of educational initiatives such the provision of learning materials to schools and provision of bursaries** followed by a support for youth and sport development.
- During the FY the **ELIDZ also implemented various community development projects aimed at assisting neighbouring communities to deal with the impact of COVID 19 on their communities.**

# PRIORITY 5: ENVIRONMENTAL IMPACT MANAGEMENT



ELIDZ 2020/21 TARGET	2020/21 progress
# of SHE citations for ELIDZ Corporate	No SHE citations received
Monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents as required.	Continuous monitoring and communication of non-conformance to all zone enterprises.
Ensure Environmental due diligence is performed for 100% of investments presented to board for approval	Environmental Due Diligence undertaken for all proposed investors
100% of SHEQ certifications retained.	All certifications have been retained
Implementation and Monitoring of a COVID 19 Risk Assessment and Risk Mitigation Strategies undertaken	Risk Assessment undertaken COVID 19 regulations compliance monitored inclusive of appointment of COVID 19 Officer Risk mitigation strategies implemented leading to strong preventative measures for both ELIDZ Corporate . There were no COVID-19 related deaths for ELIDZ Corporate during the FY.



# THANK YOU

**EAST LONDON INDUSTRIAL  
DEVELOPMENT ZONE SOC LTD**

**Tel: +27 43 702 8200**

**Fax: +27 43 702 8251**

**[www.elidz.co.za](http://www.elidz.co.za)**