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ANNUAL GENERAL MEETING

AUDIT COMMITTEE REPORT

PRESENTED BY : MR A KANANA

07 November 2023



AGENDA

- Reflecting on 20 years of Good Governance
- About the 2022/23 Audit Committee
- The ELIDZ Internal Controls Environment
- ELIDZ Assurance Processes
- Audit Committee Opinion
- ELIDZ Going Concern

A FIRM FOUNDATION OF GOOD GOVERNANCE AND CLEAN ADMINISTRATION

- One of the factors that have differentiated the ELIDZ over the years has been the existence of a skilled, committed, and visionary board of directors who have led from the front in enabling the vision of the ELIDZ and in navigating very turbulent and challenging waters over the 20-year journey.
- One notable challenge, from an Audit Committee perspective was in 2012/13 when the ELIDZ received a qualified audit opinion.
- As difficult as this was for the ELIDZ, it also gave rise to courageous leadership from the board of directors who were determined to use the crisis as an opportunity to learn, to improve and to aim for excellence in administration and since then, the organisation has not looked back and has maintained a record of clean administration for the last eight years.
- The ELIDZ board and management have been very intentional about leading a team that is responsible and accountable for how it does business and how it diligently utilises all the resources that have been entrusted to the entity.
- This has fostered an ethical culture within the organisation, and this has been an important foundation for how the ELIDZ operates in every sphere of its mandate.

A JOURNEY OF CONTINUOUS IMPROVEMENT

An important measure of good governance for ELIDZ is its **audit track record** and this is an area that the Audit Committee has **guarded vigilantly**.

2011/12

AGSA takes over the external audit - ELIDZ maintains an **unqualified opinion** on the financial statements, but **material findings** are raised on compliance and the internal control environment

2012/13

A regression in audit outcomes is noted with ELIDZ receiving a **qualified audit opinion**

2015/16

ELIDZ receives their first **clean audit report** - an unqualified opinion with no material non-compliance

2018/19

The entity successfully changes the reporting framework to **SA GRAP** and maintains a clean opinion through out

2022/23

Eighth consecutive **unqualified audit opinion with no material findings**, no irregular expenditure and no significant internal control weaknesses identified

2022/23 AUDIT COMMITTEE



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ABOUT THE AUDIT COMMITTEE



Name	Expertise	Date of appointment
Mr A Kanana (Chairperson)	Chartered Accountant (SA), Audit, Finance and Governance	2012/10/24
Mr E Jooste	Public Finance Management and Governance, Supply Chain Management, Public Private Partnerships, Project Finance.	2013/11/01
Ms C Kongwa	LLB, LLM	2020/10/30
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)	7 of 7
Mr E Jooste	7 of 7
Ms C Kongwa	3 of 7
Mr M Mufuleni	5 of 7

- Separate closed meetings were held with Auditor-General (AG), Internal Auditors and management during the year under review.

AUDIT COMMITTEE OVERSIGHT AREAS

Financial Management
and other reporting
practices



Compliance with laws
and regulation



The internal audit
function



Internal controls and
management of risks



ICT governance



The external audit

AUDIT COMMITTEE COMMITMENT

- **Committed Culture of Integrity:** The Audit Committee is dedicated to fostering a culture of integrity where every team member understands the importance of internal controls and is committed to upholding ethical values and standards.
- **Preventing Errors and Fraud:** We recognize the critical role of a strong control environment in preventing errors and fraud, safeguarding the ELIDZ's assets, and ensuring the accuracy of financial reporting.
- **Ongoing Enhancement:** Our commitment extends to continuous enhancement of control environment components, aligning with our corporate values, and adapting to evolving business needs and regulatory requirements.
- **Steadfast Oversight:** The Audit Committee provides steadfast oversight and support to ensure that the control environment remains robust and that ELIDZ's reputation for excellence in internal controls is upheld

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

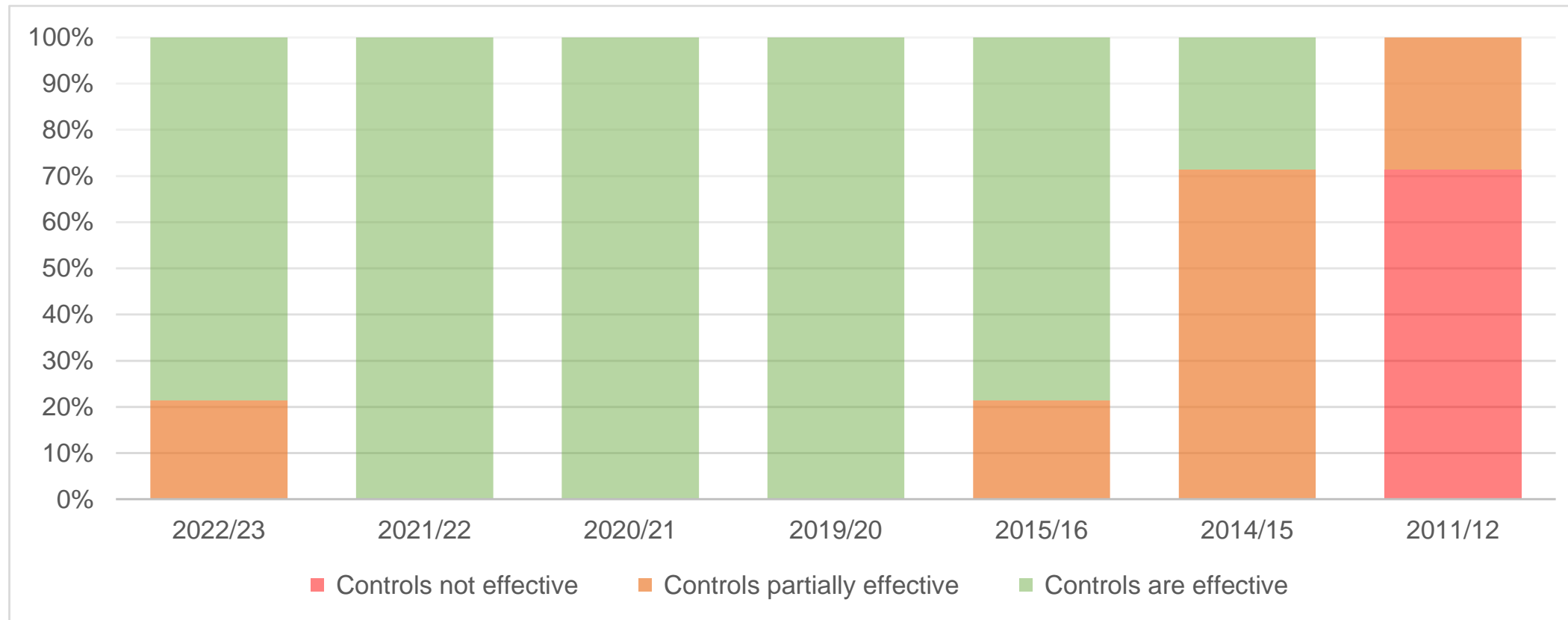
THE ELIDZ INTERNAL CONTROLS ENVIRONMENT



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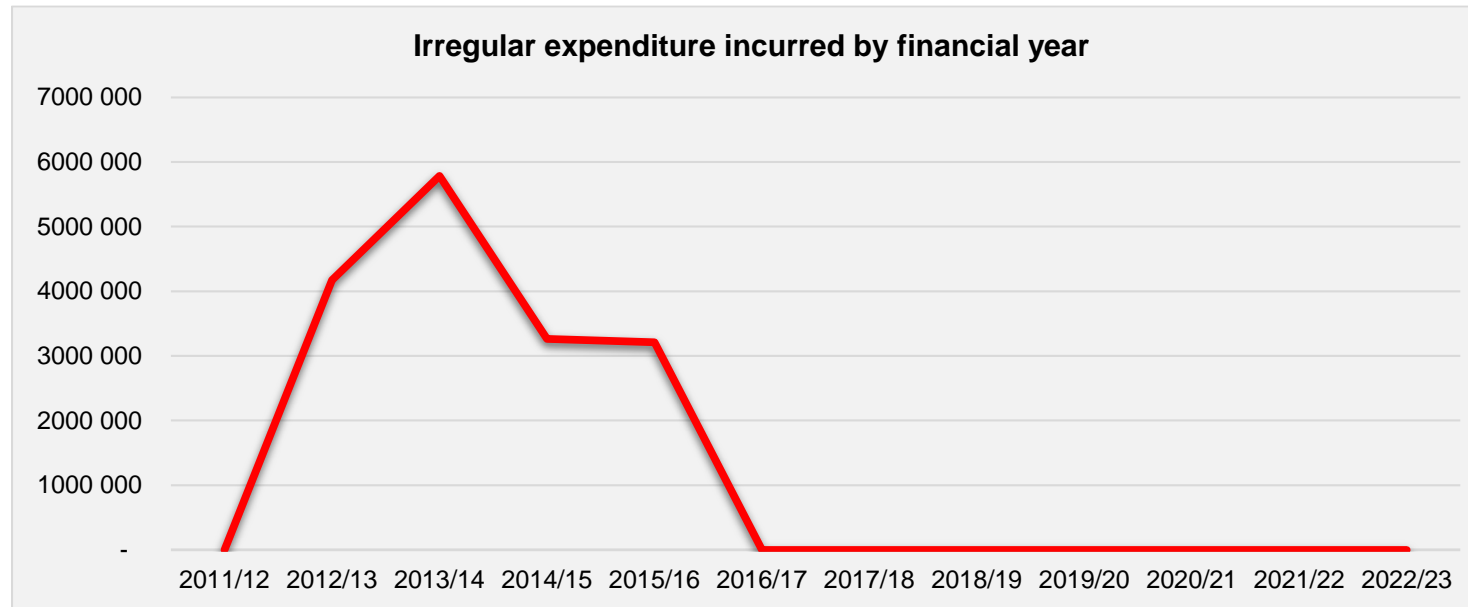
STRENGTHENING OUR CONTROL ENVIRONMENT

The following key milestones have been noted in improving the ELIDZ control environment:



SUPPLY CHAIN MANAGEMENT

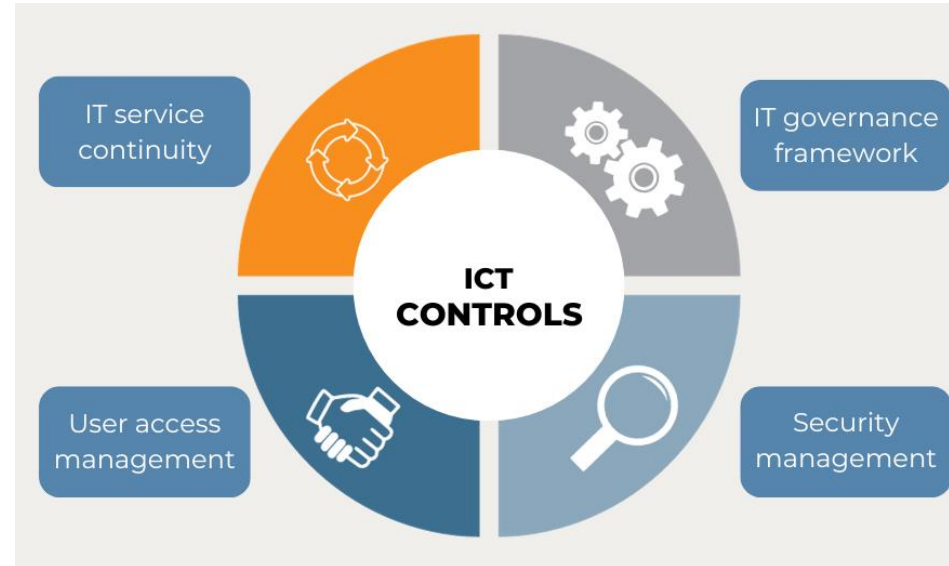
- Due to the significant legislation and compliance requirements, SCM controls have been a focus area for the Audit Committee.
- This has resulted in the following positive improvements:



- No undisclosed related party interests were noted during 2022/23

INFORMATION SYSTEMS

- Information systems controls are assessed on the following four categories:



- ELIDZ acts as service provider to government in the ICT sector as a result of the strength of their ICT control environment and their reliability to provide uninterrupted ICT facilities

ELIDZ ASSURANCE PROCESSES



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ELIDZ ASSURANCE PROCESSES

INTERNAL AUDIT

- 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.**

EXTERNAL AUDIT

- ELIDZ received their **8th consecutive clean audit opinion** for the 2022/23 financial year
- **No findings** were raised on performance information
- **No significant internal control deficiencies** or fraud risk factors were identified
- **No irregular or fruitless and wasteful expenditure** was incurred
- Accountability ecosystem was found to be **effective**

AUDIT COMMITTEE 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**.

ELIDZ GOING CONCERN

- Assets of the company **exceeded liabilities** by R639 133 122 and although the company realised a deficit in 2022/23, it has been making profits for the past 3 years and is expected to return to profitability.
- 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 has access to **funding for capital projects under the SEZ funding** mechanism.

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 2023.
- **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 2023 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 the fair value adjustments related to ELIDZ properties.

THANK YOU

**EAST LONDON INDUSTRIAL
DEVELOPMENT ZONE SOC LTD**

Tel: +27 43 702 8200

Fax: +27 43 702 8251

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ANNUAL REPORT

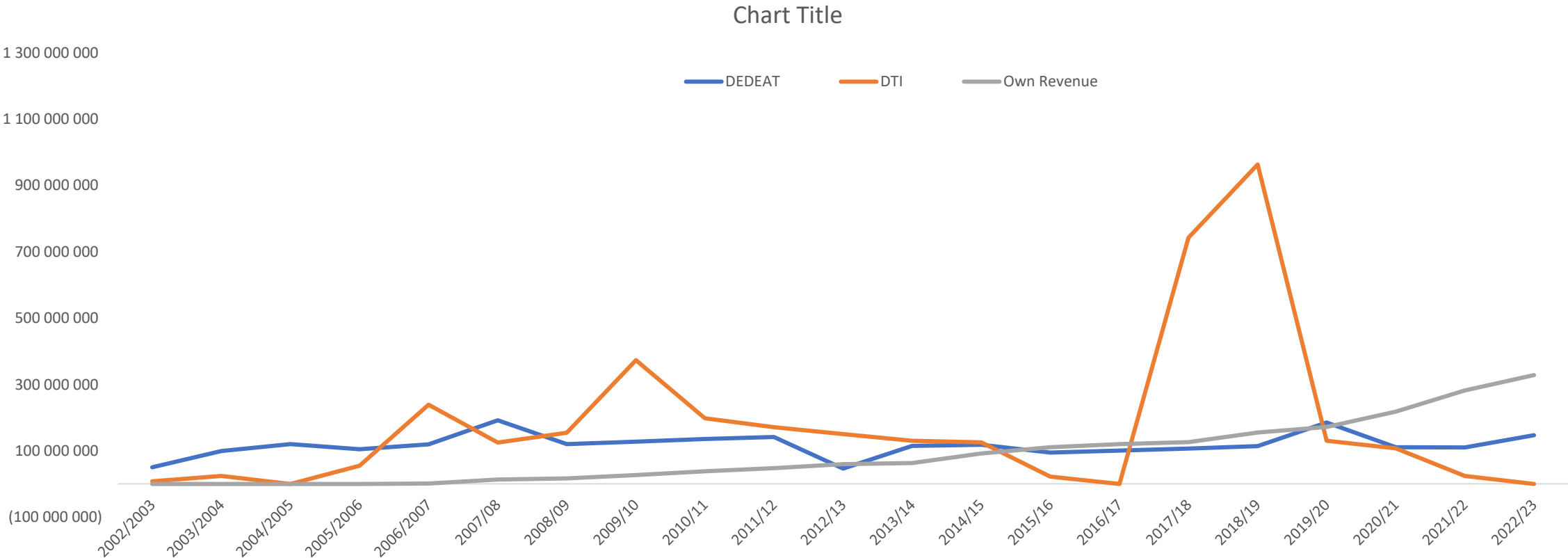
PRESENTATION OF ANNUAL FINANCIAL RESULTS PERFORMANCE

PRESENTED BY: Mr Gift Matengambiri

7th November 2023

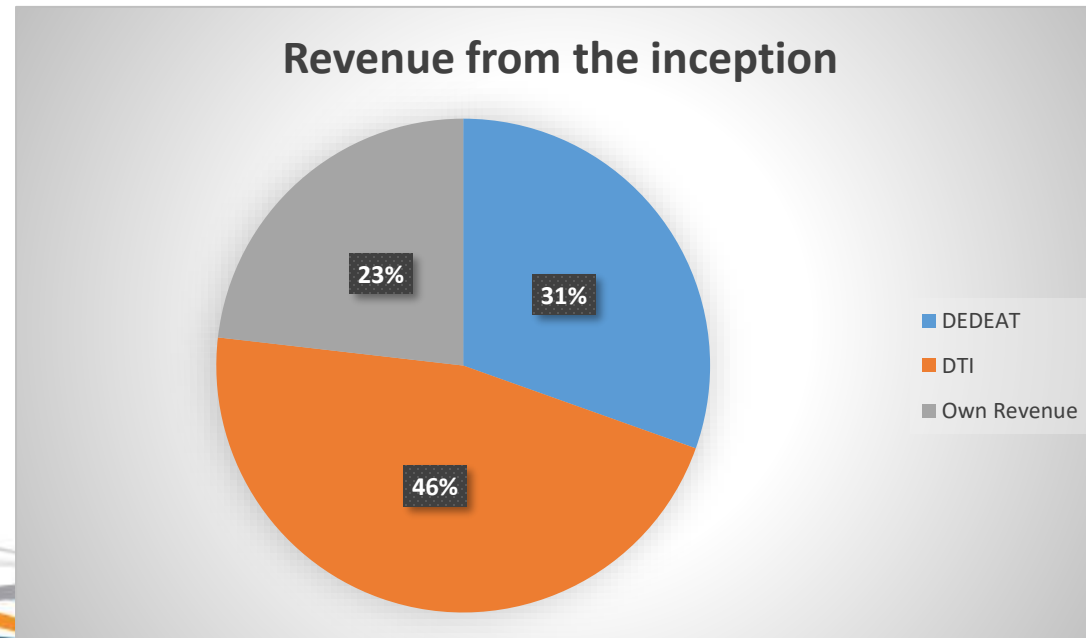


ELIDZ Grants/Revenue – FOR THE PAST 20 YEARS



ELIDZ Grants/Revenue – FOR THE PAST 20 YEARS

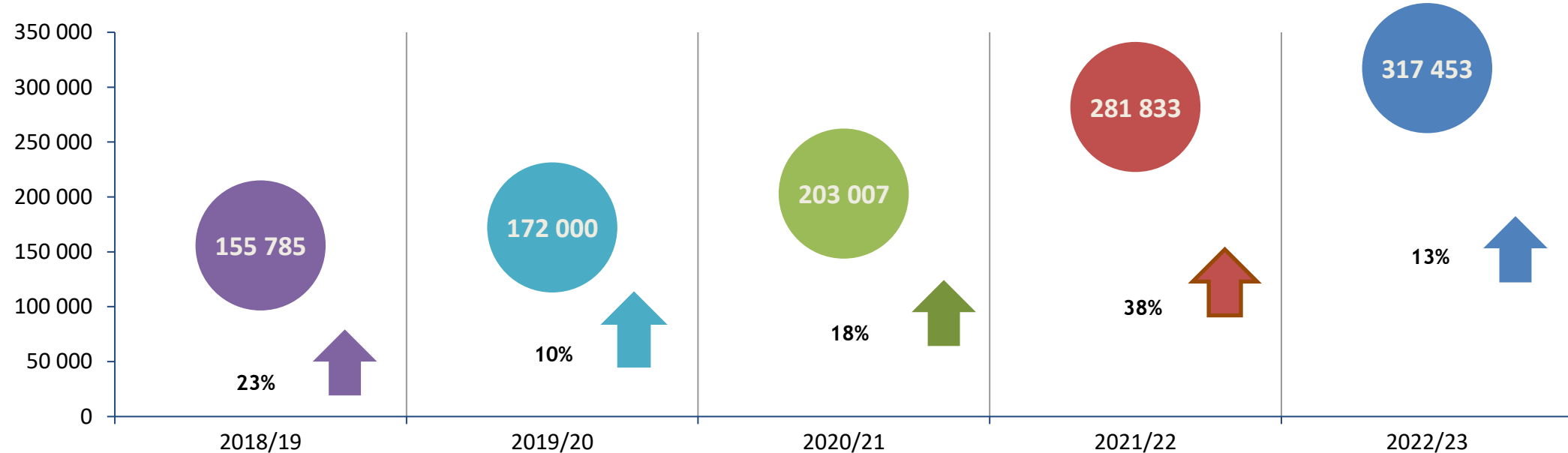
<i>Sources of Funding</i>	<i>Totals</i>	<i>%</i>
DEDEAT	2 457 241 878	30
DTI	3 742 788 660	46
Own Revenue	1 871 016 390	23
Totals	8 071 046 928	



REVENUE GENERATION FOR THE PAST FIVE YEARS

OWN REVENUE GENERATION TRENDS- 2019 TO DATE

Since 2018/19 ELIDZ has increased its annual own revenue generation capability by 104% and in the last financial year it has increased by 13%



REVENUE GENERATION

Year	2021	2022	2023	2023 % Change	2022 % Change	2021 % Change
Rentals	107 763 572	150 386 711	159 066 876	6	40	50
Utilities	98 625 669	131 446 251	158 386 190	20	33	-1

Rentals increased by only 6% because of high vacancy rates caused by tenants that were liquidated, or had leases cancelled.

Utilities increased by 20% because of high price increase in the year and more usage.

REVENUE GENERATION BREAKDOWN cont...

Year	No of factories added	Rental income	Services income	Total
2018-19	2	12 898 669	3 780 818	16 679 486
2019-20	2	3 837 999	1 801 670	5 639 669
2020-21	-	-	-	-
2021-22	5	26 420 876	18 149 805	44 570 682
2022-23	3	4 563 359	-	4 563 359
Total	12	47 720 903	23 732 293	71 453 197

- For the past five years, there were 12 new projects that were completed, and they generate about **R47million** in rental in a year.

REVENUE GENERATION BREAKDOWN cont...

- The utility billing during the year was more than the Pre COVID 19 activity. Production is peaking in the zone:

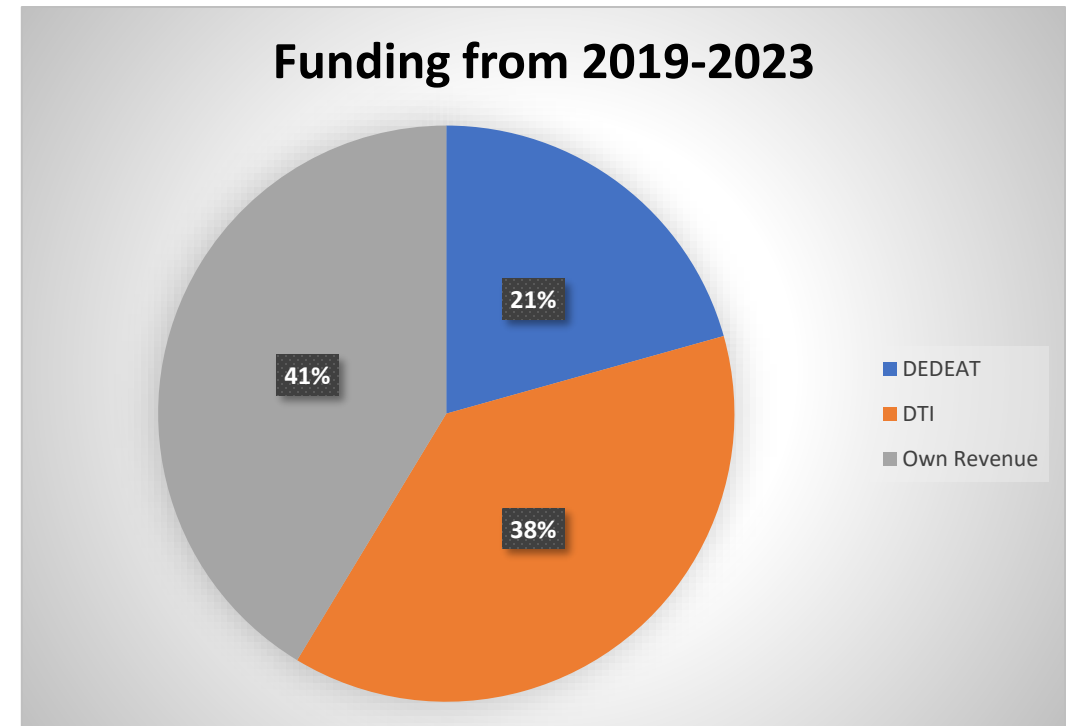
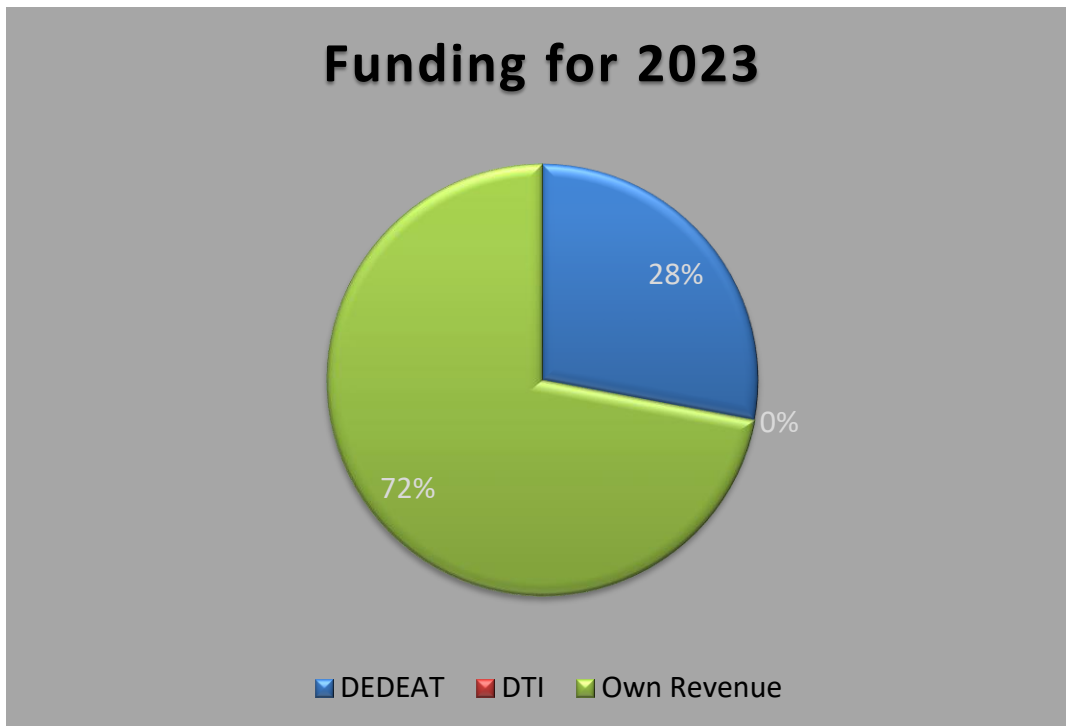
Services Units	Total 2018/19	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23	% change Y/Y	% change 5 Years
Electricity Tenant Usage (kWh)	42 513 847	46 757 544	37 729 098	58 508 131	63 535 046	8,6%	49%
Water Tenant Usage	228 117	228 117	359 882	367 263	228 685	-38%	0,2%
Conference Centre (Pax) - No of people	12872	8725	905	795	2566	223%	-401%
Analytical Lab (No of samples tested)	6 441	5 299	4 683	6 684	7 198	7,7%	11,75%

PROFITABILITY OF DIFFERENT REVENUE STREAMS

Description	2021	2022	2023	% increase
Rendering of service	98 625 669	131 446 251	158 386 190	20
Renting of facilities	107 763 572	150 386 711	159 066 876	6
Interest received	2 426 072	2 408 850	3 536 604	47
Sundry income	263 600	755 036	7 323 353	870
	209 078 913	284 996 848	328 313 023	15
Employee costs	95 517 766	95 471 806	105 085 805	10
Lease Rentals	918 071	585 938	686 052	17
General Expenses	184 376 700	225 685 690	282 866 776	25
	280 812 537	321 743 434	388 638 633	21
Operating loss	- 71 733 624	- 36 746 586	- 60 325 610	64
<i>% as total income</i>	-34,3	-12,9	-18,4	
Non Cash items				
Debt Provision	41 706 315	- 29 390 860	728 855	-102
Impairment	194 727	0	0	
Depreciation	25 043 130	24 240 395	26 933 050	11
	66 944 172	- 5 150 465	27 661 905	
Net Loss	- 138 677 796	- 31 596 121	- 87 987 515	178
<i>% as total income</i>	-66,3	-11,1	-26,8	

GRANT FUNDING - TOTAL

- To augment the own generated revenue the entity receives grants from the provincial government and the DTIC as shown in the pie chart below:



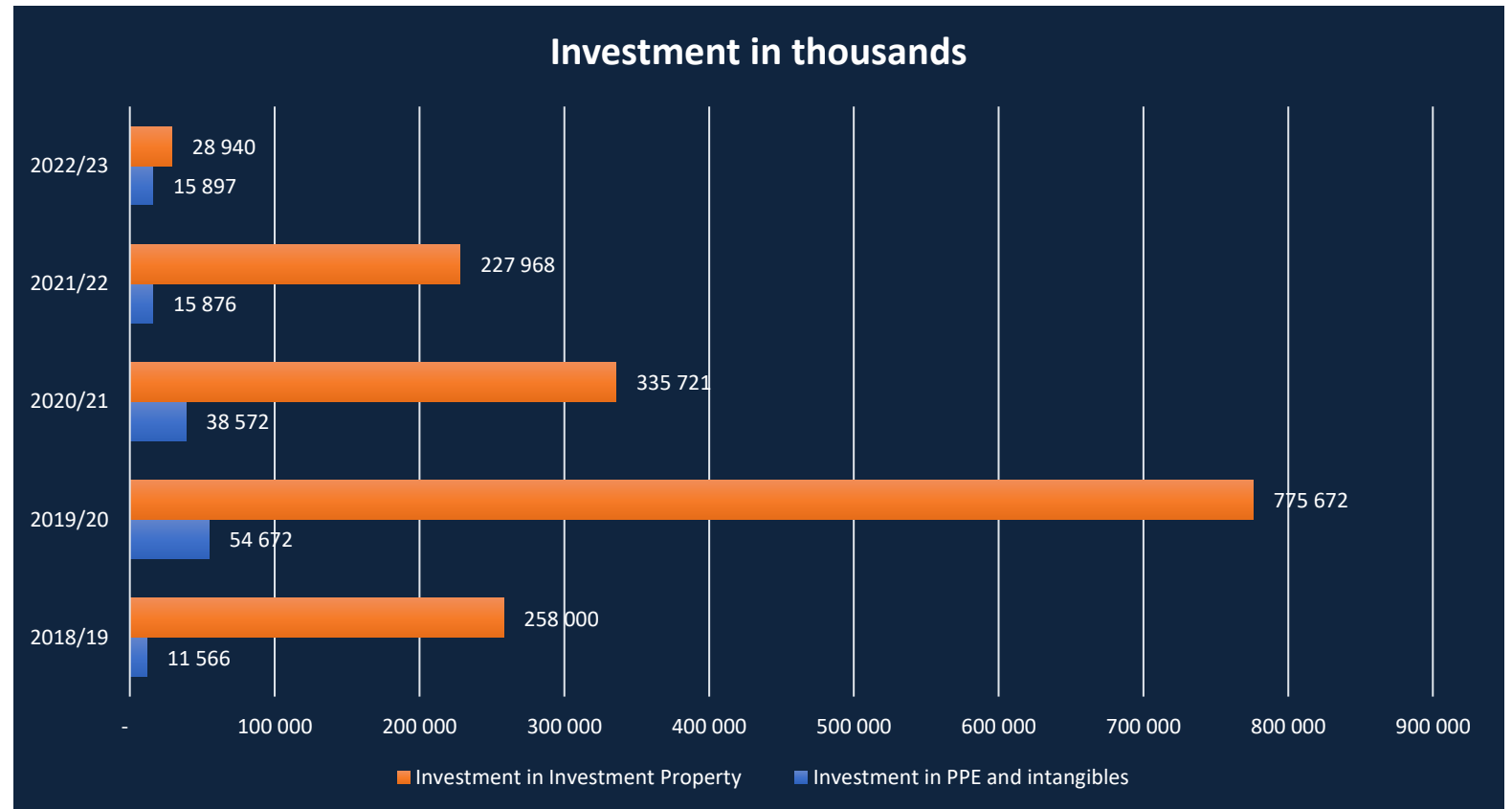
INFRASTRUCTURE FUNDING USAGE

- The grants at year end are for finishing projects that were not completed in the year and rolled over to next financial year .
- The organization gets grants for infrastructure development from the Department of Trade and Industry (DTI) and DEDEAT as well. The table below shows the receipts and the utilization of the funding:

Year	2020	2021	2022	2023
Opening balance	1 155 853 866	574 553 655	318 755 990	178 343 166
Conditions met and released	-810 763 588	-371 415 794	-179 297 847	-33 407 610
Grants receipt for the year	168 668 415	95 941 605	28 552 130	32 173 913
Interest generated	60 794 962	19 676 524	10 332 893	11 439 464
Funds Surrendered	0	0	0	-56 000 000
Closing balance	574 553 655	318 755 990	178 343 166	132 548 933

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 shows the increase/additions in assets over the years.



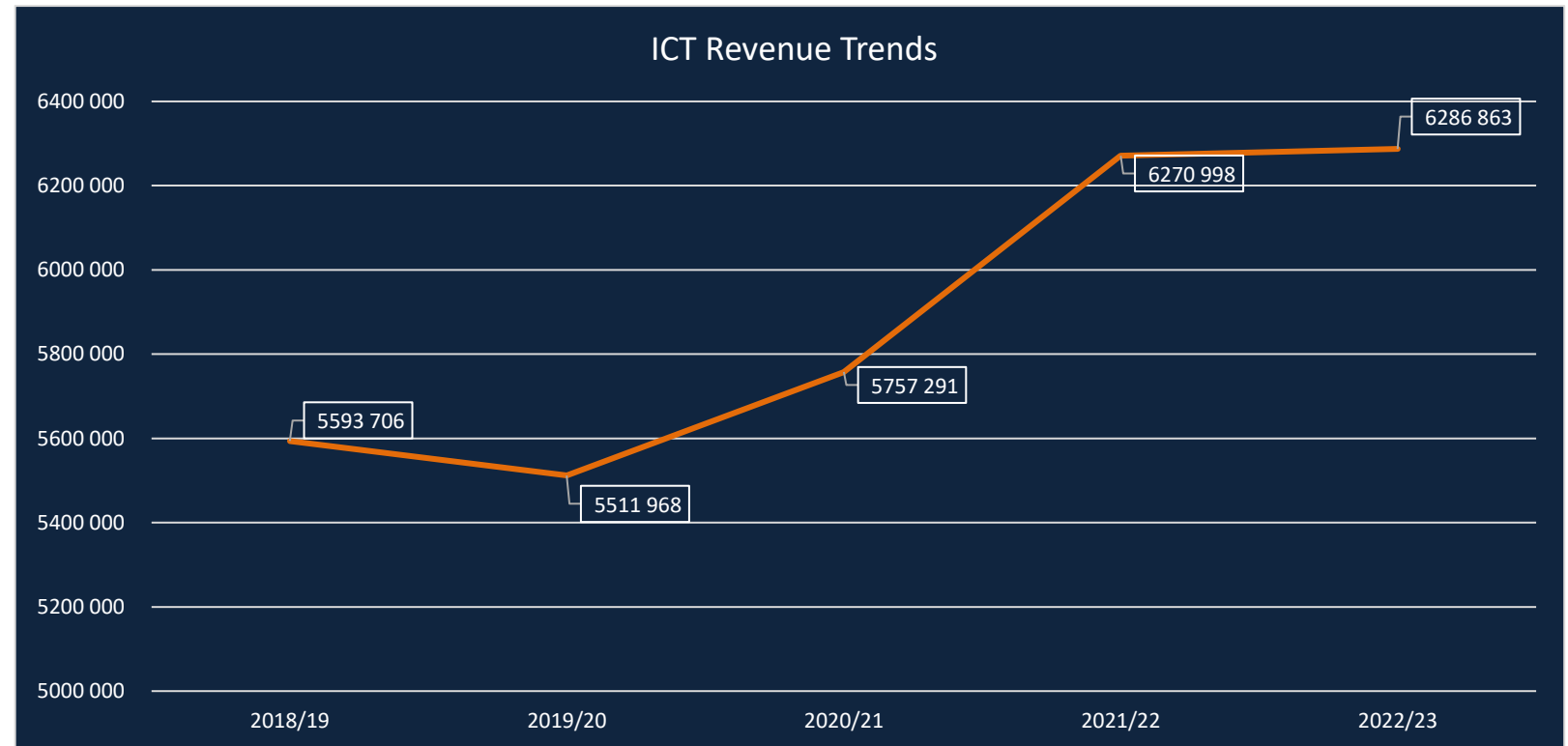
FAIR VALUE ADJUSTMENT

Description	2021/21	2021/22	2022/23
Fair value adjustment (negative)	456 171 926	137 309 842	135 367 755

- The year under review has seen the **fair value of investment property decreasing by R135 million (2022- R137 million)**.
- Revaluation was based on **best use methodology**
- The decrease is because of the rental model of industrial properties in East London compared to the Construction costs and the high spec to reduce maintenance costs over the useful life of the investment property.
- There are facilities worth more than R72 million under construction, which will add R2,8million annually in rentals.
- **The fair value loss is noncash.**

DIVERSIFICATION INTO ICT

- The current equipment has reached its maximum potential as shown in the revenue graph below and the organisation would need to expand the capacity.
- The organisation has secured **R58 million** from the provincial stimulus funding for retrofitting one building
- The organisation is seeking additional R23million for equipping the datacentre



LOSS DUE TO INVESTORS FOLDING

- SEZs by nature attract and sometimes loose investors regardless of the prevailing environment .
- During the year (2021-22), the organisation cancelled leases or liquidated the following investors after their businesses had failed in the zone. It was the last resort after the organisation has tried to revive them without success.

<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>Meek Mines</i>	<i>1 697 540</i>	<i>1 833 343</i>	<i>1 980 010</i>
<i>ILB Helios Southern Africa</i>	<i>2 729 541</i>	<i>2 855 100</i>	<i>0</i>
<i>Yekani Manufacturing</i>	<i>14 353 300</i>	<i>15 358 031</i>	<i>16 433 093</i>
<i>D Fence building</i>	<i>5 251 464</i>	<i>5 671 581</i>	<i>6 125 308</i>
<i>Nulatex SA</i>	<i>1 726 414</i>	<i>1 864 527</i>	<i>0</i>
	<i>20 506 795</i>	<i>21 911 001</i>	<i>24 538 411</i>

STATUS OF PPPFA IMPLEMENTATION

51% Black Owned Sub-contracting

No of contracts	PROJECT VALUE	SUBCONTRACT VALUE AFTER DEDUCTIONS	51 % BLACK OWNED SUBCONTRACT SPENT TO DATE	% sub contracted as per PPFA 2017
10 Projects	R1 510 828 435,29	R1 203 312 729,70	R619 497 572,49	51,5

Of the 10 projects that were undertaken in the last 3 years, **3 are still in progress** and will be completed in the current financial year

CLEAN ADMINISTRATION



The organization takes the issue of clean administration seriously and got a clean audit for the 8th *consecutive year*.



No fruitless and wasteful expenditure was incurred during the previous financial year and the current year.

BUSINESS OUTLOOK: DEVELOPMENTAL PROJECTS

TENANT	INVESTMENT VALUE	FUNDING STATUS	LEASE STATUS	CURRENT STATUS
Manufacturing incubator	74 000 000	APPROVED		under construction
Data Centre	81 000 000	APPROVED		under construction
Electrical Upgrade	40 000 000	APPROVED		tendering stage
	195 000 000			

ADDITIONAL FUNDING NEEDED – Private



The organization will try sourcing funding from the private sector on projects that cannot be funded from the fiscus. The organization will need to get permission from Treasury.

Description	Budget Needed	Budget Available	Funding Shortfall
Land purchase	R48 000 000	R-	R48 000 000
Roof top and battery project	R400 000 000	R-	R400 000 000
Development of the Golf course	R6 000 000 000	R-	R6 000 000 000,00
Total	R 6 448 000 000	R	R6 448 000 000,00

THANK YOU

EAST LONDON INDUSTRIAL
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Fax: +27 43 702 8251

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PERFORMANCE HIGHLIGHTS 2022/23

CEO OVERVIEW

PRESENTED BY: MR SN KONDLO

09 October 2023



INTRODUCTION

- The 2022/23 financial year marked an important milestone in the history of the ELIDZ , it marked the 20th year since we were designated as an IDZ by Department of Trade, Industry and Competition (DTIC).
- As we reflect on what we have achieved in the 2022/23, we do so cognisant of the firm foundation that has been laid over the last 20 years. A foundation anchored by our vision of wanting create a memorable economic legacy for the communities of our province and powered by the organisation's commitment to deliver excellent results and to create a lasting impact.
- The 2022/23 financial year also marked a mid-way point in our journey to Vision 2025 – a visionary strategy driven by our ambition to not only excel in our core business but to test, develop and mainstream new strategic initiatives in new sectors such as commercial property development, energy generation and innovation.
- This presentation will look at our performance during the 2022/23 financial year and how this impacts on the 5-year goals we have set for the organisation. It will also touch on the cumulative outcomes of the organisation and how these continue to have a lasting impact in our region.

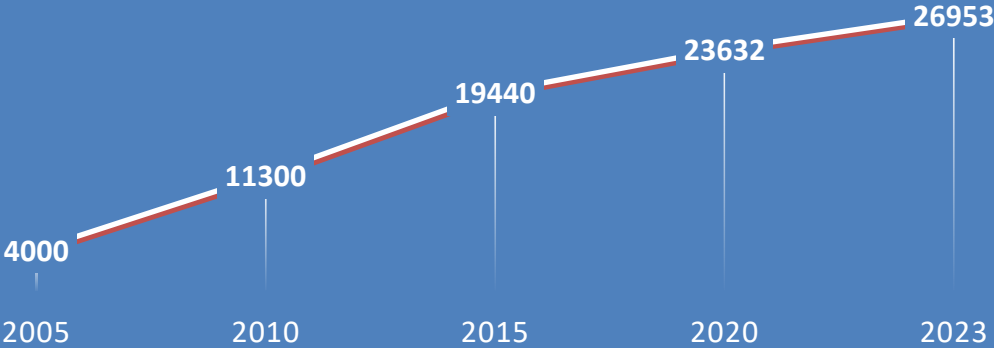
TWENTY YEARS OF A FIRM FOUNDATION

The last twenty years have been possible because of a concrete and unshakeable foundation that continues to deliver excellent results, to touch many lives and to grow a memorable economic legacy for future generations.

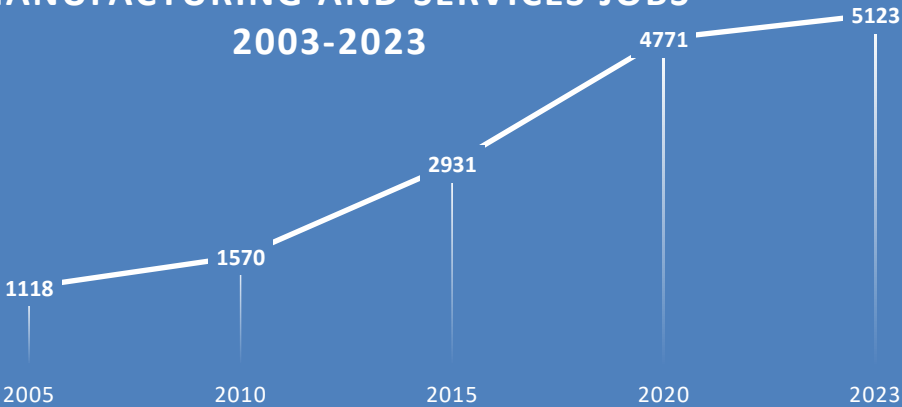
- **LEADERSHIP TENACITY** : *The journey was ANCHORED and enabled by the tenacity of the ELIDZ's leadership to create a path where there was none, to concretise the idea of what an IDZ in South Africa would look like and to tirelessly lobby for the creation of a conducive regulatory framework to power the vision.*
- **CORPORATE INTEGRITY**: *It is a journey FOUNDED on ethical , inspirational, and committed leadership, who since the beginning of the journey, have led from the front and have demonstrated intellectual honesty, veracity, and resilience at the best, and at the worst of times.*
- **COURAGEOUS COMMITMENT**: *It's a journey that has been FUELLED by the courageous commitment to deliver results in the midst of uncertainty, to go beyond the call of duty to give credence to the ELIDZ vision by making delivering what many have thought impossible.*
- **PERFORMANCE EXCELLENCE**: *It is a journey that is inspired by impact and the desire to make our tomorrows better than our yesterdays by tirelessly pursuing a resolute , a selfless and developmental founding core ideology that positions the ELIDZ as to the change that this province, this city, this country, wants to see.*
- **ENABLING STAKEHOLDER ECOSYSTEM** : *This is a journey that has been ENABLED by the commitment, support of our stakeholders our funders and shareholders who courageously invested in a long-term vision that had no guarantees, but a vision, that today is yielding great returns for our country.*

20 YEARS OF GROWING IMPACT

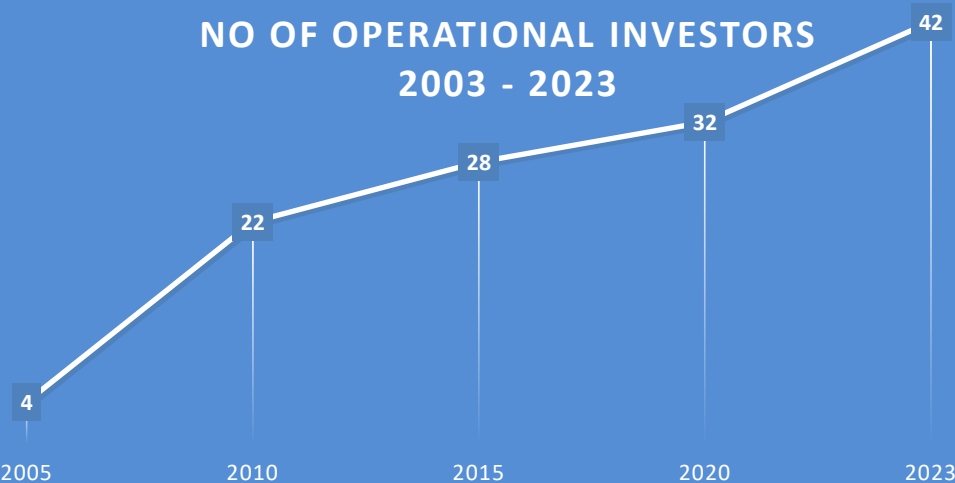
ELIDZ CONSTRUCTION JOBS
2003 - 2023



MANUFACTURING AND SERVICES JOBS
2003-2023



NO OF OPERATIONAL INVESTORS
2003 - 2023





2022/23 IN REVIEW

OUR CORE IDEOLOGY

OUR VISION

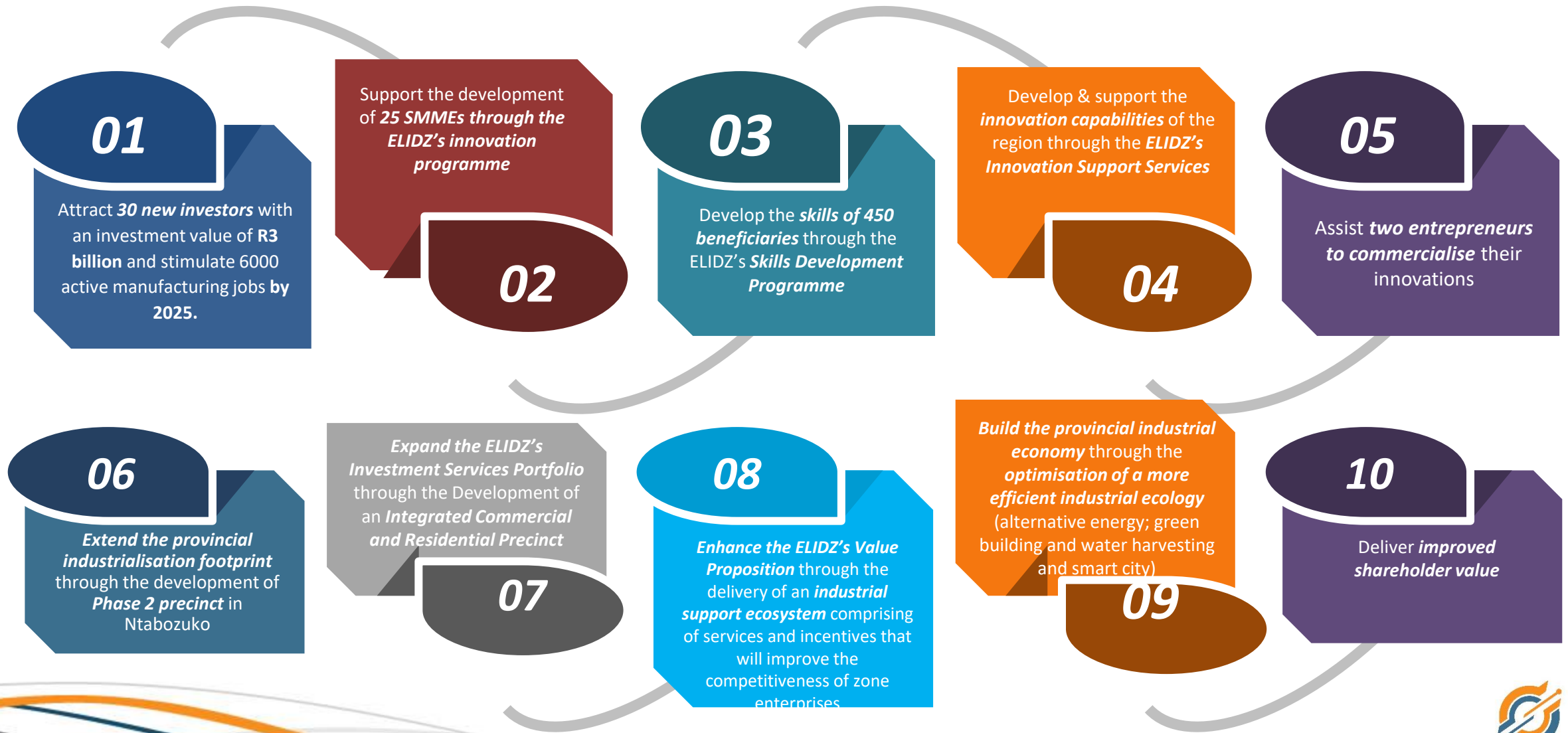
To be a catalyst for growing a strong regional industrial base, supported and sustained by a business ecosystem that serves to extend the global competitiveness of local industries.

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.



VISION 2025 AND IMPACT ENVISIONED

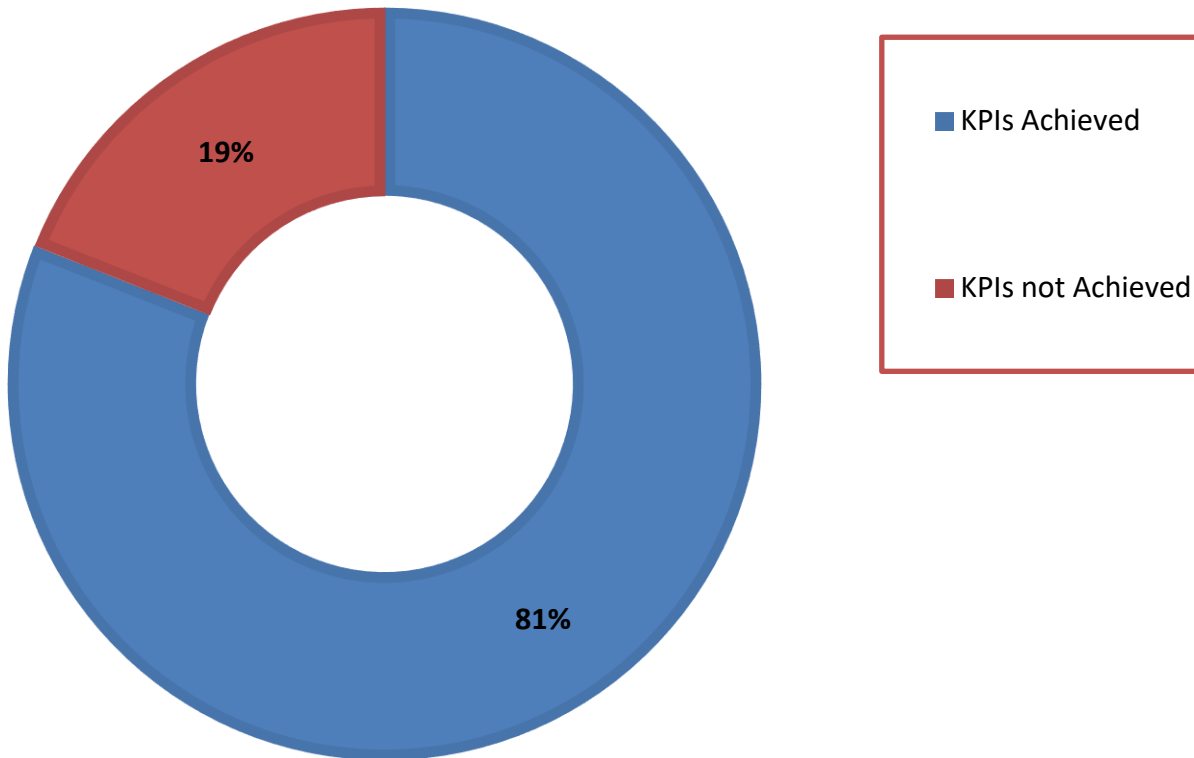


PERFORMANCE OVERVIEW – A CHALLENGING LANDSCAPE

- The 2022/23 financial year continued to be marked by global economic sluggishness, uncertainty and heightened investor risk aversion. This was exacerbated by the national energy challenges in the country and further impacted on the attractiveness of South Africa to investors.
- While the global supply chain challenges that impacted heavily on the automotive sector in prior years seemed to have subsided in the 2022/23 financial year, the performance of the sector in the zone continued to be below what we had initially forecasted at the beginning of the five-year cycle.
- Delays in securing funding for some of the organisation's catalytic projects such as the data centre and the manufacturing incubator impacted the ELIDZ's ability to swiftly deliver on this projects and take advantage of existing market opportunities.
- Despite these challenges, the ELIDZ delivered an excellent set of results for the 2022/23 financial year.

PERFORMANCE OVERVIEW – KEY PERFORMANCE STATISTICS

ORGANISATIONAL SCORECARD ACHIEVEMENT



Areas of under-performance

- Number of enabling construction projects implemented (underperformance mainly linked to delays in funding)
- Annual increase in sqm constructed for tenant activity (lower number of new investments operationalised than in prior years)
- BBBEE Level
- Vacancy rate of investment property
- Staff Turnover Rate

PERFORMANCE OVERVIEW KEY HIGHLIGHTS

- **NEW INVESTMENT SECURED** : While the growth of the pipeline and attraction of investment has proven more challenging , the ELIDZ was able to attract four new investments **valued at R1,9 billion** by the end of the financial year **surpassing the ELIDZ's R400 million target** on value of investment secured. These investors include Permalox Pepkor (logistics); Kempston Properties (logistics); Lejo Matla (renewable energy) and Thezi Langa (renewable Energy).
- **NEW FACILITIES OPERATIONALISED** : The ELIDZ also **operationalised 3 new investment facilities in the year under review** and as such increasing the ELIDZ's potential revenue streams for both rentals, utilities and services. The three companies that have been operationalised are Drager Safety Zenith (manufacture of safety and medical equipment) , Bushveld Electrolyte (vanadium beneficiation for commercial energy storage solutions and Pepkor Permalox (retail distribution centre). **Two of these operationalised facilities were constructed by the ELIDZ** (Drager and Bushveld), while one was a private development.
- **MANUFACTURING AND SERVICES JOBS** : The 2022/23 has seen significant growth in the Manufacturing and Services jobs since the beginning of the financial year. The ELIDZ started seeing growth in the 2nd and 3rd quarters of 2022/23 resulting in a **cumulative performance of 5123 manufacturing and services jobs for the financial year against a target of 4600**. There was a growth of 10% in the agro-processing sector jobs owing to new opportunities linked to new investor, Sundale Schreiber. The automotive sector, which contributes 70% of the total jobs created in the zone saw an overall growth of 22% on the employment opportunities created.

PERFORMANCE OVERVIEW KEY HIGHLIGHTS

- **GROWTH IN IMPACT:** The growth in industrial turnover increased from R3,5 billion to R4,4 billion year on year **marking a growth of 27,5%**. Export-oriented production **increased by 20% from** R2,6 billion to R3,1 billion year on year.
- **INCENTIVE BENEFIT FOR INVESTORS:** The ELIDZ had set an annual target of 75% for enterprises eligible for the SEZ incentive benefit including other supporting tools and has achieved a **performance of 89,4%** against the annual target. The ELIDZ currently has Sixteen (16) Customs Controlled Area Enterprises , one investor continues to benefit from the Employment Tax incentive while some also benefit from the reduced corporate tax incentive that is part of the SEZ incentives.
- **INCUBATION AND INNOVATION SUPPORT:** The ELIDZ STP has assisted in the **development of 2 completed prototypes during the year**. The first prototype was for a marketing platform software application which enables players in the agriculture space to sell and market their produce and services. The second prototype is an application for disadvantaged learners and enables the learners access to critical study material without data access. The ELIDZ is currently **hosting 2 incubators** - Schubert Park (textile incubator) and Cisco (ICT incubator).

PERFORMANCE OVERVIEW – INCREASED IMPACT

- **SKILLS DEVELOPMENT :** The ELIDZ STP **trained 112 beneficiaries** through the STP Skills development programme in the period under review, exceeding the target of 90 beneficiaries. This due to the partnerships achieved with service providers and funding providers, diversification of training courses on offer and positive uptake.
- **CONSTRUCTION INCUBATOR:** Whilst the ELIDZ has faced a number of challenges in securing a partner for practical work for this incubation programme, the ELIDZ is starting to see some fruits of the programme. As at the end of 2022/23 a total of **8 contractors had been upgraded at least by 2 grades** while an additional eight contractors achieved 1 upgrade according to the CIDB calculator. There are currently **56 SMMEs participating in the construction incubation programme** against a target of 45.
- **INTERNSHIP PROGRAMME:** The ELIDZ was able to provide **workplace experience to 55 graduates** as part of its internship programme during the financial year.
- **CSI:** This year saw the ELIDZ award **15 bursaries** to Maths and Science university students in dire need of financial support. The ELIDZ also implemented **17 Corporate Social Investment Initiatives** in Sports, Education Support and enterprise development.
- **COMPLIANCE AND BEST PRACTICE:** The ELIDZ continues to comply to best practices as evident in its retention of its ISO Certifications in Environment, Quality and ICT . The 2022/23 financial year also marked the 8th consecutive clean audit for the organisation.

ELIDZ PERFORMANCE IN NUMBERS

4

NEW INVESTORS SECURED 4/4

The ELIDZ **signed 4 investors** in the last year

R 1972,5

VALUE OF INVESTMENT SIGNED (R1972,5/R500m)

The ELIDZ successfully leveraged private sector investment of R1,97 billion for the period under review

5123

MANUFACTURING AND SERVICES JOBS (5123/4600)

The operational investments in the ELIDZ were able to create 5123 active manufacturing and services jobs

750

CONSTRUCTION EMPLOYMENT (750/700)

The ELIDZ created 750 construction jobs during the FY.

27,5%

INCREASE EXPORT ORIENTED PRODUCTION (27,5%/3%)

A zone census undertaken in the zone revealed an increase of 27,5% year-on-year in terms of the export-oriented production by zone industries. This was from R3,5 billion to R4,4 billion year-on-year.

20%

GROWTH IN INDUSTRIAL TURNOVER OF ZONE ENTERPRISES (20%/ 3%)

A zone census undertaken in the zone revealed that the reported growth turnover in the zone had increased by 20% from the prior year. This was an increase from R2,6 billion to R3,1 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

3,37%

INCREASE IN CONSTRUCTED TENANT FACILITIES (3,37%/6%)

- The cumulative increase of tenanted facilities was 3,37% which was lower than the forecasted 6% growth

89%

% OF INVESTORS ENABLED TO BENEFIT FROM SEZ INCENTIVES (89%/75%)

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

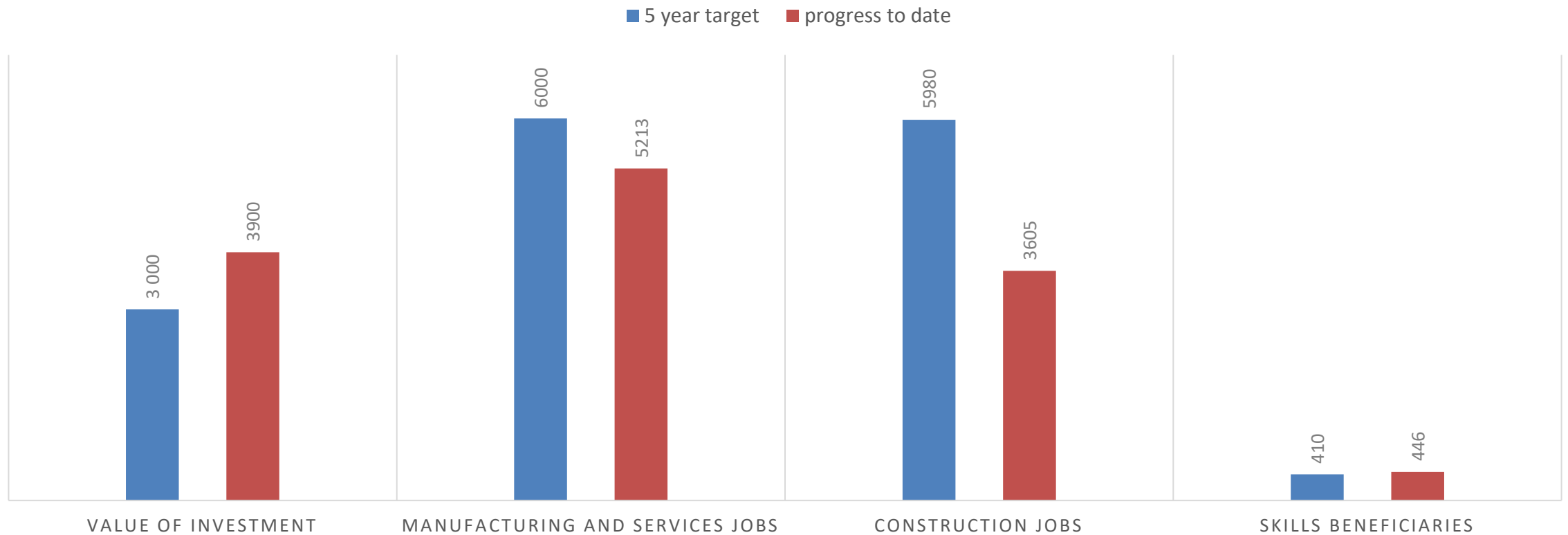
20,5%

INCREASE IN GROSS INCOME FROM ELIDZ SERVICES (20,5%/10%)

The iELIDZ exceeded their target on revenue from services owing to increased consumption of utilities and growth of customers for services like ICT

PROGRESS ON 5 VISION 2025 – OUTCOME INDICATORS

PROGRESS ON VISION 2025 OUTCOME INDICATORS





KEY STRATEGIC PROJECTS TO ACHIEVE VISION 2025



Enhance the digital economy portfolio of the Eastern Cape province through the development of the Data Centre in the ELIDZ

Development and attraction of Renewable Energy capability and investments into the province

Attraction and settlement of new investment projects in the ELIDZ in order to increase construction activity and improve manufacturing and services jobs.

Localization and incubation of new industrial capability through the development a manufacturing incubator in the ELIDZ

Golf Course Commercial Development

THANK YOU

EAST LONDON INDUSTRIAL
DEVELOPMENT ZONE SOC LTD

Tel: +27 43 702 8200

Fax: +27 43 702 8251

www.elidz.co.za



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business streamlined

ANNUAL GENERAL MEETING

SOCIAL AND ETHICS COMMITTEE REPORT

PRESENTED BY: Mrs N Mnconywa

7 November 2023



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

MONITORS the organisation's activities with regards to social and economic development, good corporate citizenship; the environment, health and public safety, consumer relationships and labour and employment.

REPORTS to the board and the shareholders of the company on the organisation's progress and developments with regards to social and economic development, good corporate citizenship; the environment, health and public safety, consumer relationships and labour and employment.

OVERSEES the organisation's governance of ethics in a manner that supports the establishment of an ethical culture.

ASSISTS the board in assessing aspects of governance applicable to the committee's function and terms of reference

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**



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KEY HIGHLIGHTS



PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



BUSINESS ETHICS
& TRANSPARENCY

- Key to the ELIDZ's values is the **commitment for every member of the board, management and staff to be ethical by nature** and to ensure that due care is taken in the use and optimisation of organisational resources.
- During the period under review the ELIDZ **amended its ethics framework to strengthen its controls** with respect to management of the declaration of interest process.
- **Ongoing awareness** to ensure that employees were aware of the ELIDZ's policies in relation to employee **conduct, fraud and ethics management**.
- To ensure that the organisation promoted an organisational culture that was supportive of its aspirations to be ethical by nature, the ELIDZ nominated an **organisational culture task team who implemented a culture enhancement programme that supported the living of the ELIDZ values** and the promotion of good ethics within the organisation.
- To mitigate the risk of conflict of interest in in operations , the ELIDZ has **an automated process for the annual declaration of interest** and requires all employees to recommit to the Code of Conduct annually.

PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE



BUSINESS ETHICS
& TRANSPARENCY

- The ELIDZ has various policies and practices in place to ensure that the organisation's ethical standards are applied in all recruitment, performance evaluation, reward of employees and award of contracts to suppliers and the ELIDZ's internal audit plan includes auditing the implementation of these policies in a manner that upholds the ethical standards of the organisation.
- The ELIDZ continues to have an externally managed Fraud Hotline and all matters reported to the hotline are handled confidentially and investigated.
- . During the period under review the ELIDZ received a clean audit opinion from the AGSA for the period under review and there were no findings relating to any fraudulent or corrupt activity.

PRIORITY 2: ELIDZ EMPLOYMENT PRACTICES

The ELIDZ board, as part of its Human Capital Management Strategy acknowledges that employees are an important asset to the organisation. As part of this realisation, during the period under review the ELIDZ refined its Employee Value Proposition to include the following :



The graphic features the East London IDZ logo at the top left, with the text 'east london idz business streamlined' and 'EMPLOYEE VALUE PROPOSITION' in large, bold letters. Below the logo is a collage of six images: a large group of diverse employees standing outdoors, a group of people in a meeting, two workers in safety vests on a construction site, a man in a white lab coat using a microscope, a man pointing at a large digital screen, and a group of people working together at a computer. At the bottom, there are six colored boxes labeled: COMPENSATION (orange), BENEFITS (grey), CAREER (teal), WORK ENVIRONMENT (red), CULTURE (yellow), and IMPACT (blue).

At the East London IDZ we offer our employees:

- A **thriving, dynamic and safe work environment** where exposure to **new industries and trends** is **prioritised** and **employee well being** is **never compromised**;
- **Growth** through **market leading learning and continuous development** opportunities and **market leading rewards**;
- Meaningful **engagement, exposure and access** to all levels of the organisation through a **compact and efficient organisational structure** that is anchored on **values-based leadership**;
- **Opportunities** to deliver outcomes that **positively impacts the society in which we operate** through investment, job and opportunity creation.

COMPENSATION **BENEFITS** **CAREER** **WORK ENVIRONMENT** **CULTURE** **IMPACT**

PRIORITY 2: ELIDZ EMPLOYMENT PRACTICES



WORKPLACE
(EMPLOYMENT PRACTICES)

- During the period under review, **the ELIDZ developed and approved a new 5-year plan (effective from 01 November 2022 to 31 October 2027)**. The purpose of the plan is to transform the organisational environment such that the ELIDZ's workforce is representative of the demographics of the province.
- In terms of the Skills Development Act read together with the Skills Development Levies Act, designated employers are required to submit their **Workplace Skills Plan and Annual Training Report (WSP/ATR) annually** and the ELIDZ compiled its WSP from the developmental interventions identified through the Personal Development Plans and reported on the training conducted in the previous financial year.
- **The total training expenditure as at end Quarter 4, amounts to R5 490 559 which is 7,49%** of the annual cost of employment. The targeted Organisational training expenditure percentage for the 2022/23 financial year is 3% of the total cost of employment.

PRIORITY 2: ELIDZ EMPLOYMENT PRACTICES



WORKPLACE
(EMPLOYMENT PRACTICES)

STAFF TURNOVER

11.9%

ELIDZ TURNOVER FOR THE YEAR
STOOD AT 11,9% AGAINST A TARGET OF 10%

EMPLOYEE TRAINING & UPSKILLING

7.49%

OF TOTAL EMPLOYEE
COSTS WAS SPENT ON
EMPLOYEE TRAINING

TARGET = 3%

EMPLOYEE SATISFACTION

81.99%

ANNUAL
EMPLOYEE
SATISFACTION
INDEX

TARGET = 75%

VACANCY RATE

16.83%

THE ELIDZ
STAFF VACANCY
RATE

TARGET = 15%

GRADUATE TRAINING

55

INTERN OPPORTUNITIES
CREATED IN THE ELIDZ

TARGET = 30 INTERNS

PRIORITY 3: ECONOMIC DEVELOPMENT & TRANSFORMATION



- The ELIDZ has prioritised the **development of an innovation support ecosystem within the ELIDZ's Science and Technology Park** to support this ambition.
- As part of this ecosystem, in the last year, **the ELIDZ has successfully hosted two incubators to support and grow entrepreneurs in both the ICT sector and in the Textiles sector.**
- A **successful partnership with CISCO to support and grow entry level tech companies through the provision of infrastructure**, training and other business support tools has also contributed to increased impact by the ELIDZ.
- The ELIDZ continues to implement a **skills development programme to build new capabilities to support the manufacturing activity** in the zone.
- The ELIDZ also has a **construction incubator which is currently incubating 58 construction companies from the Eastern Cape** and despite the current economic climate, this incubator has, in the last few months seen a total of **eight contractors being upgraded at least by 2 grades** while an additional eight contractors achieved 1 upgrade according to the CIDB calculator

PRIORITY 3: ECONOMIC DEVELOPMENT & TRANSFORMATION



ECONOMY
(ECONOMIC DEVELOPMENT
& TRANSFORMATION)

JOB CREATION

5123

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

TARGET = 4600

**CONSTRUCTION
JOBS CREATED**

IN THE ZONE IN 2022/23

750

TARGET = 700

SKILLS DEVELOPMENT

112

**SKILLS DEVELOPMENT
BENEFICIARIES**
TRAINED in the ELIDZ STP.

TARGET = 90

TWO

INCUBATORS
ACTIVE ON ELIDZ
PLATFORM

TARGET = 2

2

**PROTOTYPES DEVELOPED
AT ELIDZ STP**

TARGET = 2

PRIORITY 3: ECONOMIC DEVELOPMENT & TRANSFORMATION



ECONOMY
(ECONOMIC DEVELOPMENT
& TRANSFORMATION)

ZONE INDUSTRY IMPACT

27,5%

TARGET = 3%

**GROWTH IN
INDUSTRIAL
TURNOVER** OF
ZONE ENTERPRISES
YEAR-ON-YEAR

20%

TARGET = 3%

**GROWTH IN
EXPORT-ORIENTED
PRODUCTION**
BY SEZ ENTERPRISES
YEAR-ON-YEAR

PREFERENTIAL PROCUREMENT

127%

**BBBEE –
ACHIEVED
AGAINST A
TARGET OF 90%**

31%

**SMES – ACHIEVED
AGAINST A TARGET
OF 30%**

15%

**BLACK WOMEN –
ACHIEVED AGAINST
A TARGET OF 12%**

PRIORITY 4: COMMUNITY DEVELOPMENT



SOCIETY
(COMMUNITY DEVELOPMENT
& RELATIONS)

CORPORATE SOCIAL INVESTMENT - CSI

17 **CSI INITIATIVES**
IMPLEMENTED IN 2021/22
TARGET = 12 INITIATIVES

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

- 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.

PRIORITY 5: ENVIRONMENTAL IMPACT MANAGEMENT



ENVIRONMENT
(ENVIRONMENTAL IMPACT MANAGEMENT)

- The ELIDZ prioritises **minimising the impact of its operations and those of its attracted industries on the environment.**
- Additionally, the ELIDZ **encourages its employees and its customers to implement best practices** when it comes to the protection of people, the environment and natural resources that surround it.
- To this end the ELIDZ for the 2022/23 financial year maintained the following standards:
 - • Effective Implementation and compliance to **ISO14001:2015 Environmental Management System**
 - • Effective Implementation and compliance to **ISO 45001:2018 Occupational Health and Safety Management system.**
 - • Effective implementation and compliance to **ISO 9001:2015 Quality Management System**
- Moreover there were **no material non compliances noted on matters relating to the management of the organization's environmental impact** and the ELIDZ undertook the necessary environmental due diligence and approval processes prior to the establishment of new enterprises in the zone.

KEY AREAS OF FOCUS FOR THE 2023/24

- **Environmental, Social and Governance (ESG) reporting** has become a growing phenomenon globally. ESG reporting is aimed at addressing social and environmental problems while also achieving a sustainable society.
- It is critical that as part of its ESG journey an organization **sets its own ESG Goals based on its core business, its value creation model, industry standards and investor and shareholder expectations.**
- It is also vital that an organization selects a **set of ESG KPIs , aligned to industry best practice that will enable key stakeholders to measure the company's performance** with respect to ESG.
- As an organization that is focused on attracting global industries into South Africa and whose value proposition is anchored on providing customers with world class industrial precinct which enables industries to be globally competitive, **the ELIDZ will, in 2023/24 prioritize ESG Investment and reporting and the need to establish robust data collection, analysis and reporting mechanisms** to effectively track and measure ESG performance.

THANK YOU

**EAST LONDON INDUSTRIAL
DEVELOPMENT ZONE SOC LTD**

Tel: +27 43 702 8200

Fax: +27 43 702 8251

www.elidz.co.za