

**Elevating Economic Possibilities**  Your launchpad to Global Competitiveness

# ANNUAL GENERAL MEETING

AUDIT COMMITTEE REPORT

PRESENTED BY : MR A KANANA

1 November 2024



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# AGENDA

- About the 2023/24 Audit Committee
- The ELIDZ Internal Controls Environment
- ELIDZ Assurance Processes
- Audit Committee Opinion
- ELIDZ Going Concern

# 2023/24 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)	8 of 8
Mr E Jooste	8 of 8
Ms C Kongwa	6 of 8
Mr M Mufuleni	7 of 8

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

# AUDIT COMMITTEE OVERSIGHT AREAS



# 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

# AUDIT COMMITTEE 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

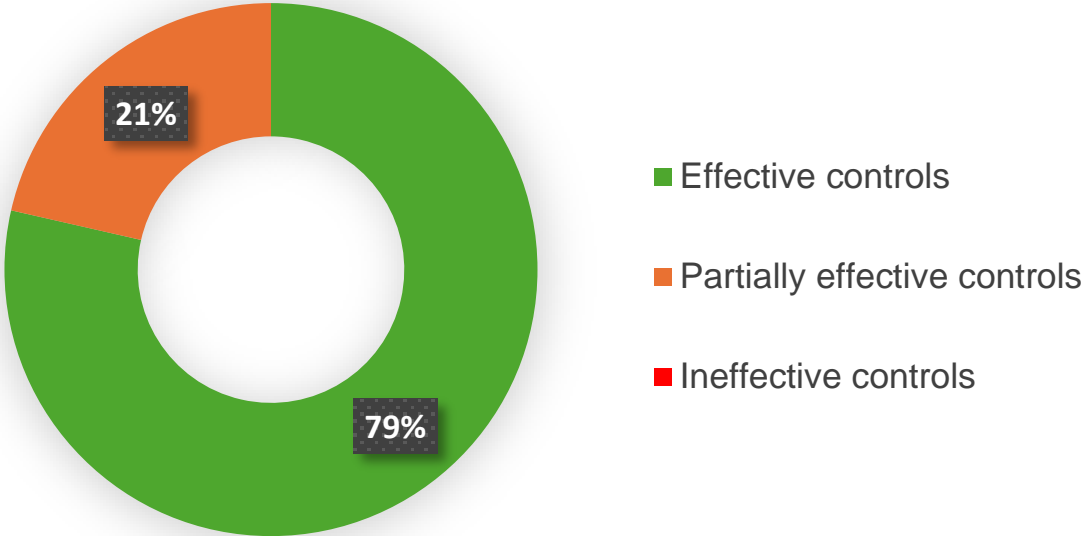


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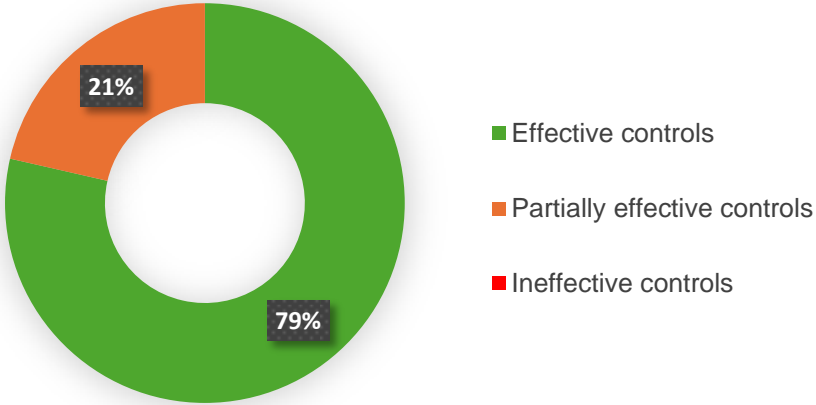
# STRENGTHENING OUR CONTROL ENVIRONMENT

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

### 2023/24 overall control assessment



### 2022/23 overall control assessment



# SUPPLY CHAIN MANAGEMENT

- Due to the significant legislation and compliance requirements, SCM controls have been a focus area for the Audit Committee.
- Findings were raised during the 2023/24 external audit as follows:

Area	Findings		
	2023-24	2022-23	2021-22
Audit limitations			
Deviations			
Conflict of interest			
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

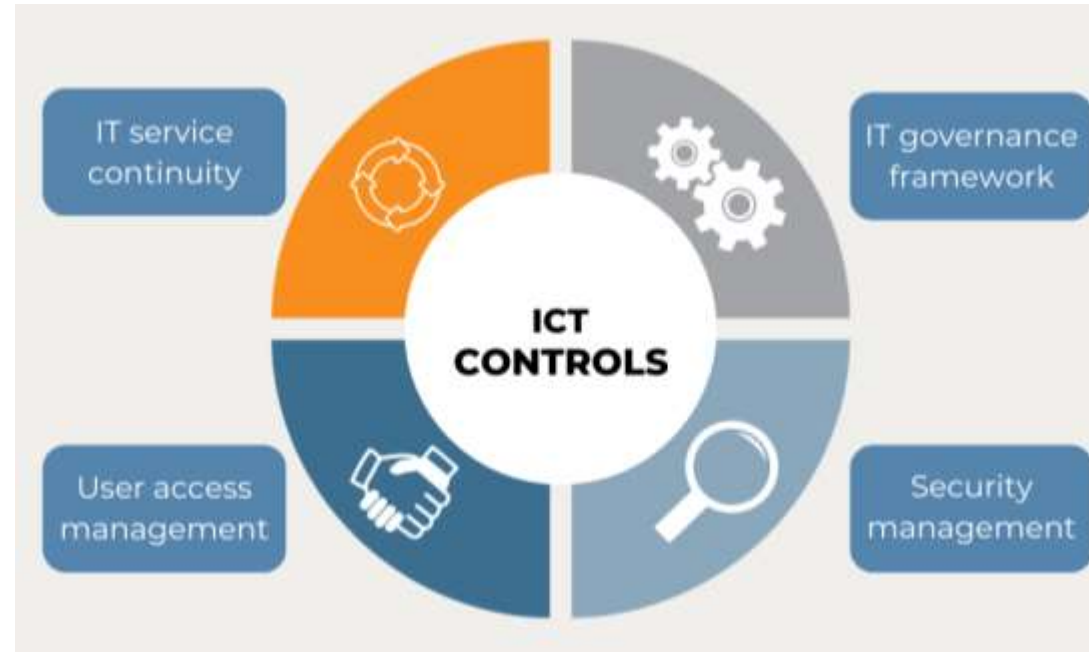
  

	Material non-compliance with legislation	Findings	No findings
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- No undisclosed related party interests were noted during the 2023/24 financial year.

# 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 **9<sup>th</sup> consecutive clean audit opinion** for the 2023/24 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**

# REPORT OF THE AUDITOR-GENERAL

- The Auditor-General of South Africa is of the opinion, that **the financial statements present fairly**, in all material respects, the financial position of the ELIDZ as at 31 March 2024 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.
- The audit was conducted in accordance with the **International Standards on Auditing**.
- One matter disclosed in the financial statements related to a **halted project was emphasized**.
- **No material findings** were raised related to **performance information**.
- **No material non-compliance** was identified with the selected legislative requirements.

# 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 R2 795 865 069 and a profit of R156 731 947 was realised for 2023/24. ELIDZ is expected to realise profits for the foreseeable future.
- 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

- The Audit Committee has **evaluated and discussed** the financial statements for the year ended 31 March 2024 and, based on the information provided to it, considers that **the statements comply**, in all material respects, with the requirements of the **Companies Act** and the **PFMA**.
- The Audit Committee 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 Audit Committee has therefore, at its meeting held on 21 August 2024 **recommended the adoption** of the financial statements by the Board of Directors.
- The Audit Committee **concurs with and accepts** the AGSA's report on the AFS and is of the opinion that the AFS should be accepted and read together with the report of AGSA.

# THANK YOU

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# ANNUAL REPORT

## PRESENTATION OF ANNUAL FINANCIAL RESULTS PERFORMANCE

**PRESENTED BY: Mr Gift Matengambiri**

01st November 2024





# Vision for Financial Management

- A **self-sustainable** organisation with **clean administration**. That must be done in an **inclusive manner** that would see historically disadvantaged individuals and companies coming into the mainstream economy.

# Questions ???

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How is the organisation doing in its journey towards self-sustainability?

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How has the organisation managed the resources that were allocated to it in the 2023/24 financial year?

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How has the organisation utilised the resources that were entrusted to it to advance inclusivity?

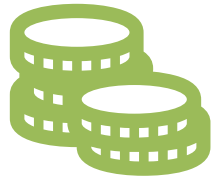
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How is the organisation doing in line with other players in the industry financially?

# Table of contents



**The income statement**



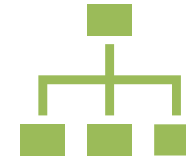
**The balance sheet and investment in the assets**



**Performance of different segments for the zone**



**Capital investments**



**BBBEE Scores for the organisation and its pillars**



**Audit Outcome for the 2023/24 FY**

# Income statement for the past 4 years

Description	2021	2022	2023	2024	% increase	
Rendering of service	98 625 669	131 446 251	158 386 190	187 883 300	19	
Renting of facilities	107 763 572	150 386 711	159 066 876	167 136 587	5	
Interest received	2 426 072	2 408 850	3 536 604	6 775 048	92	
Sundry income	263 600	755 036	7 323 353	505 164	-93	
	<b>209 078 913</b>	<b>284 996 848</b>	<b>328 313 023</b>	<b>362 300 099</b>	<b>10</b>	<b>73</b>
Employee costs	95 517 766	95 471 806	105 085 805	113 956 254	8	
Lease Rentals	918 071	585 938	686 052	738 442	8	
General Expenses	184 376 700	225 685 690	282 866 776	288 392 566	2	
	<b>280 812 537</b>	<b>321 743 434</b>	<b>388 638 633</b>	<b>403 087 262</b>	<b>4</b>	<b>44</b>
<b>Operating loss</b>	<b>- 71 733 624</b>	<b>- 36 746 586</b>	<b>- 60 325 610</b>	<b>- 40 787 163</b>	<b>32</b>	<b>43</b>
<i>% as total income</i>	<i>-34,3</i>	<i>-12,9</i>	<i>-18,4</i>	<i>-11,3</i>		
<b>Non-Cash items</b>						
Debt Provision	41 706 315	- 29 390 860	728 855	24 838 785	3308	
Impairment	194727	0	0			
Depreciation	25 043 130	24 240 395	26 933 050	27 339 293	2	
	<b>66 944 172</b>	<b>- 5 150 465</b>	<b>27 661 905</b>	<b>52 178 078</b>		<b>22</b>
<b>Net Profit</b>	<b>- 138 677 796</b>	<b>- 31 596 121</b>	<b>- 87 987 515</b>	<b>- 92 965 241</b>	<b>6</b>	
<i>% as total income</i>	<i>-66,3</i>	<i>-11,1</i>	<i>-26,8</i>	<i>-25,7</i>		



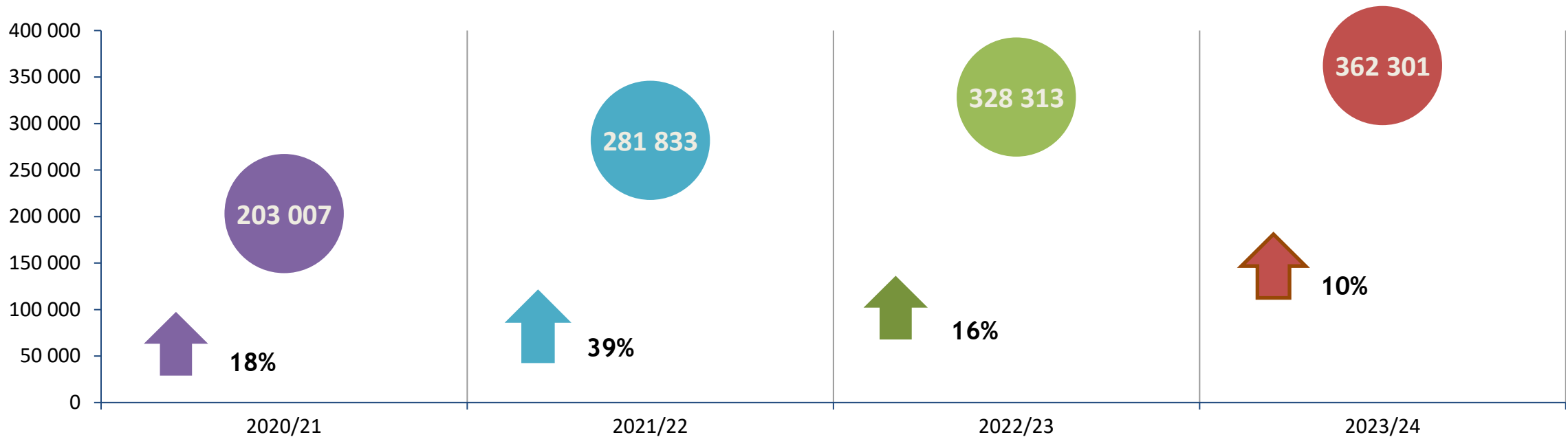
# Income statement for the past 4 years



# Revenue Generation For The Past Four Years

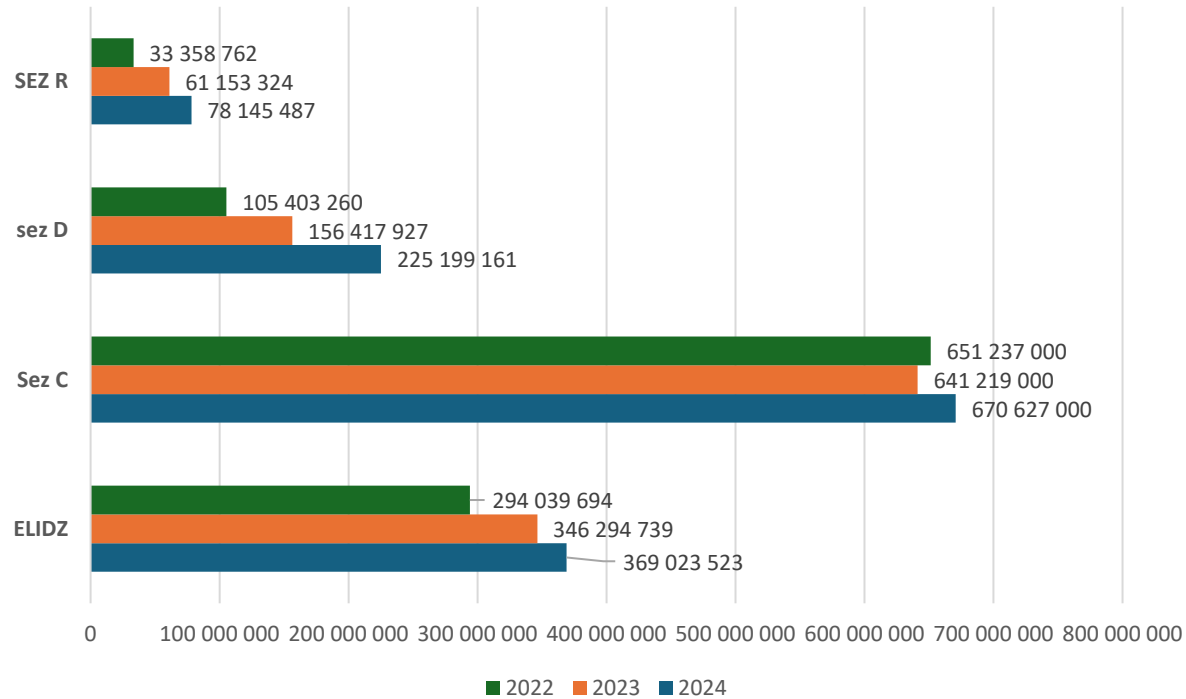
## OWN REVENUE GENERATION TRENDS- 2021 TO DATE

Since 2020/21 ELIDZ has increased its annual own revenue generation capability by 78% and in the last financial year it has increased by 10%

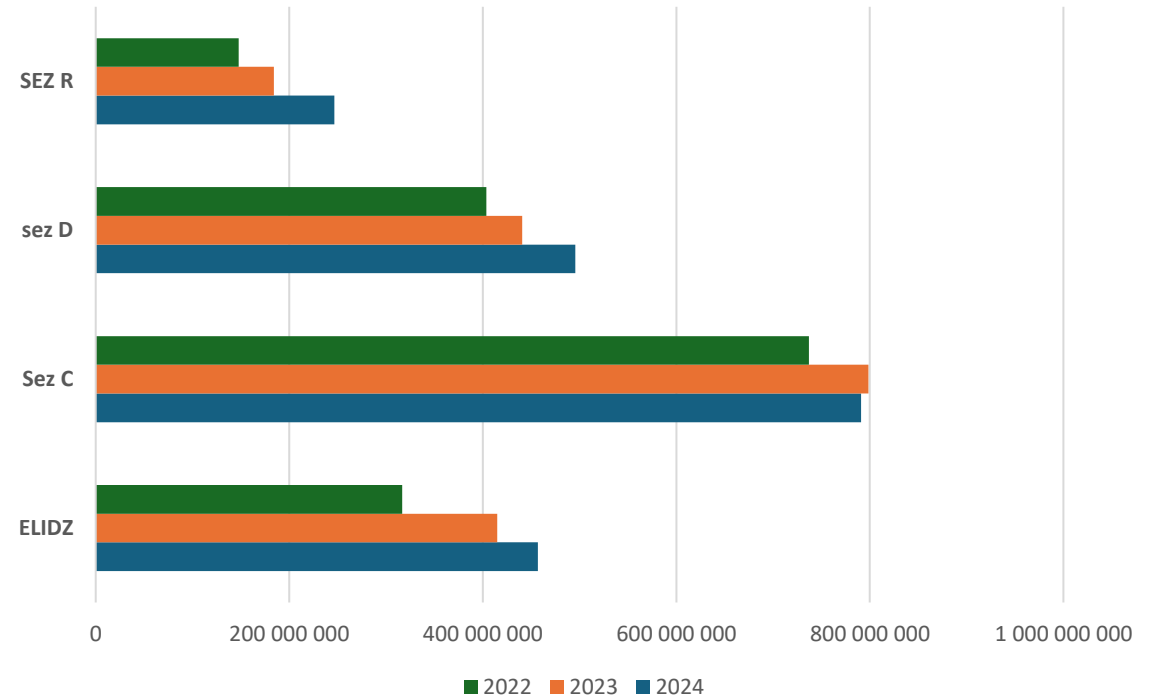


# Other SEZ Comparison

REVENUE : 2022 to 2024

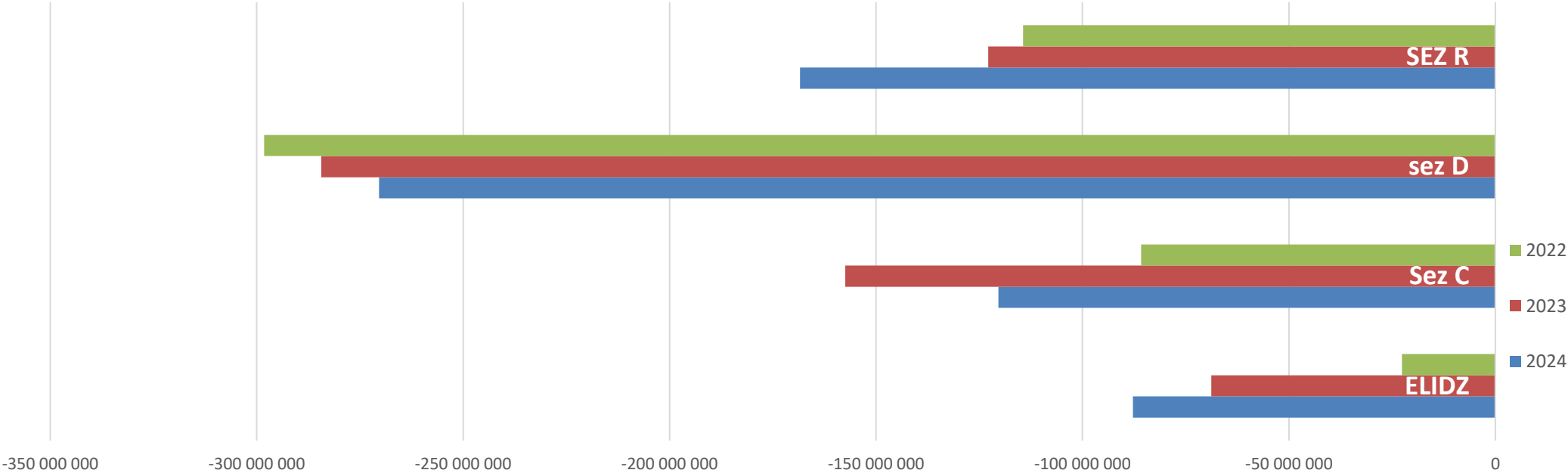


EXPENDITURE : 2022 to 2024



# Losses over the years

PROFIT/LOSS : 2022 to 2024



# Additional investment that were completed

Year	No of factories added	Rental income	Services income	Total
2020-21	-	-	-	-
2021-22	5	26 420 876	18 149 805	44 570 682
2022-23	3	4 563 359	-	4 563 359
<b>Total</b>	<b>8</b>	<b>30 984 235</b>	<b>18 149 805</b>	<b>49 134 041</b>

- For the past four years, there were 8 new projects that were completed, and they generate about **R31million** in rentals in the first year.

# Economic Activity In The Zone

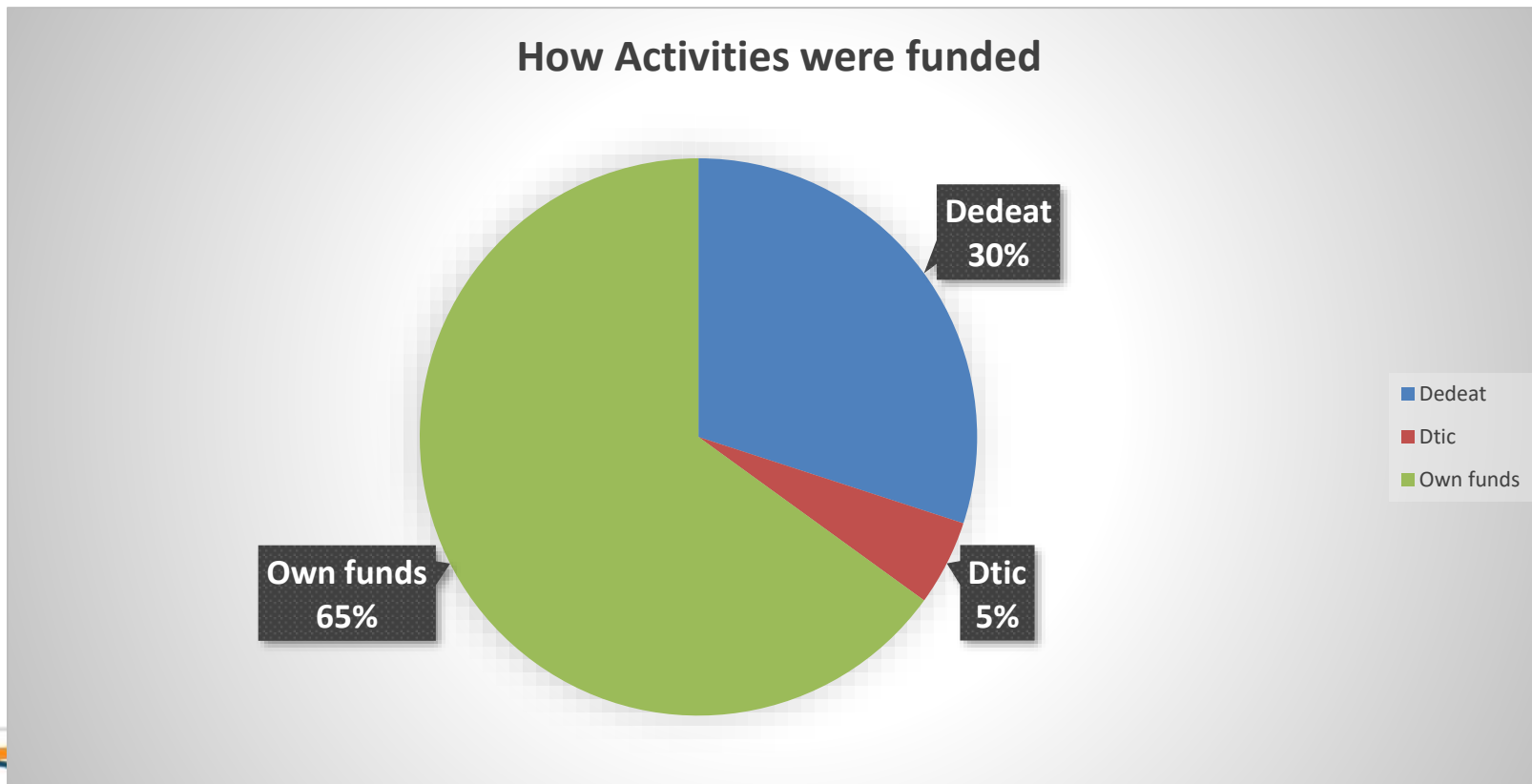
Services Units	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23	Total 2023/24	% change
Electricity Tenant Usage (kWh)	46 757 544	37 729 098	58 508 131	63 535 046	63 169 833	-1%
Water Tenant Usage	306 866	359 882	367 263	228 685	205 858	-10%
Conference Centre (Pax) - No of people	8 725	905	795	2 566	5 667	121%
Analytical Lab (No of samples tested)	5 299	4 683	6 684	7 198	9 692	35%

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



# 2023 – 2024 Total Funding

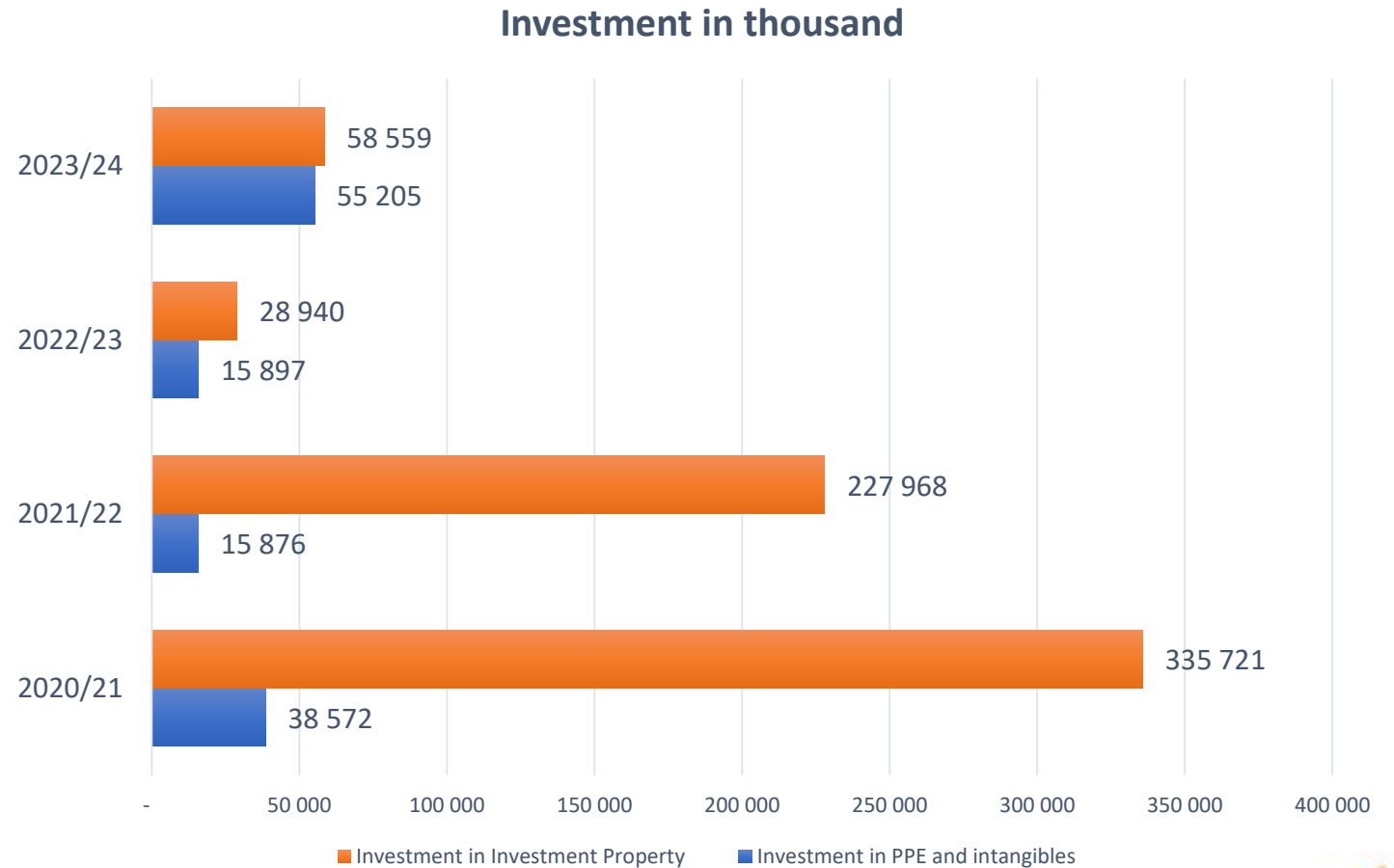
- The activities for the 2023/24 financial year were funded from three sources and DEDEAT funding includes Capex funding for the datacentre and the incubator project :



<b>DEDEAT</b>	167 247 368
<b>Dtic</b>	27 663 177
<b>Own funds</b>	362 300 099

# ASSET MANAGEMENT

- Most of the grants received by the organization are used for purchasing and building 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.

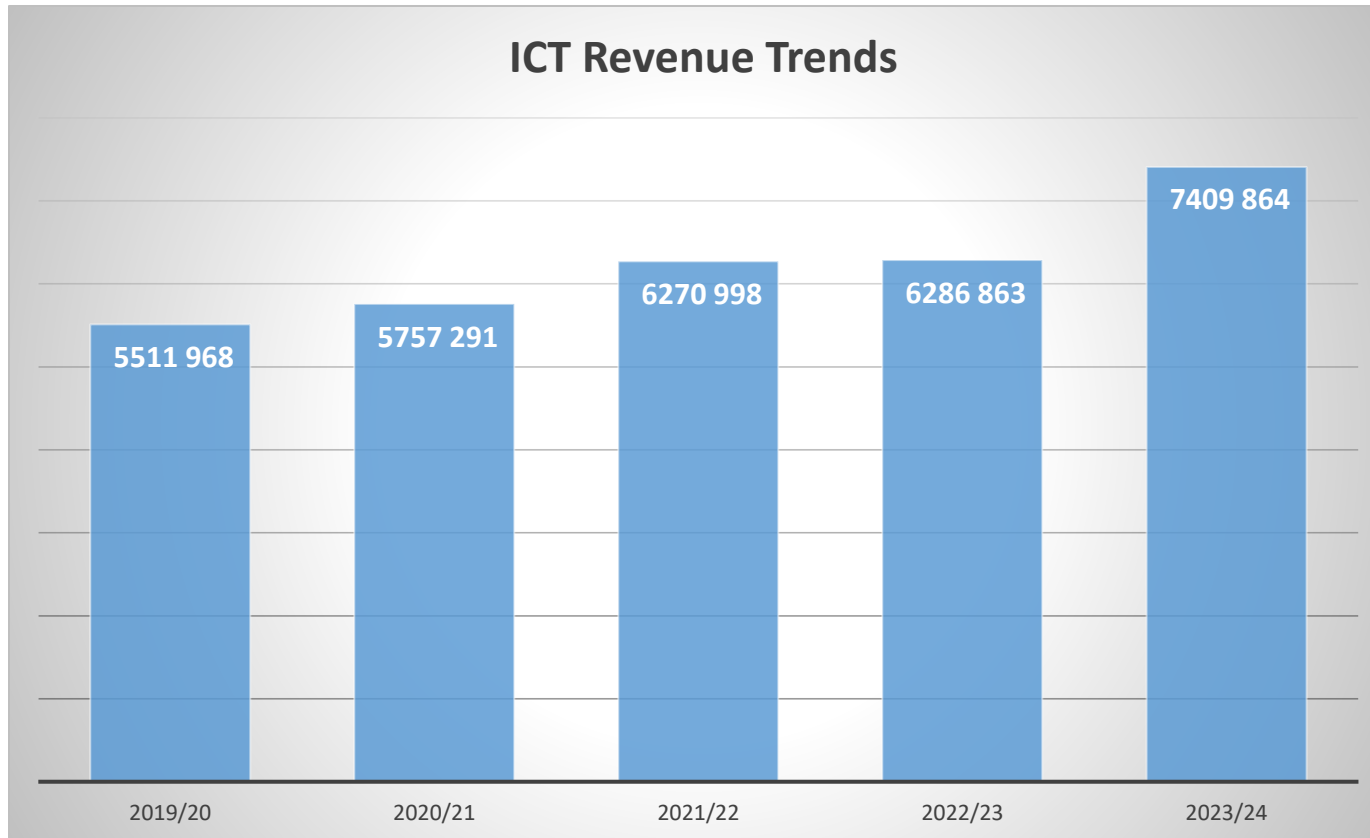


# Fair Value Adjustment

Description	2021/21	2021/22	2022/23	2023/24
Fair value adjustment (negative)/ positive	-456 171 926	-137 309 842	-135 367 755	51 710 338

- The year under review has seen the **fair value of investment property increase R51 million (2023 - R135 million)**.
- Revaluation was based on **best use methodology**
- The increase is because of industrial property market recovering from COVID 19.
- **The fair value gain is noncash.**

# Diversification into ICT



- The current datacenter has reached its maximum potential as shown in the revenue graph below and the organization invested in additional capacity.
- The organization has secured **R58 million** from the provincial stimulus funding for retrofitting a building and an additional **R15 million** for the datacenter equipment

# Sustainability and Vacancy Rate

The organization had a vacancy rate of 16% against a target of 7% and below are some of the buildings that were vacant.

<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 rental YE 2023-24</i>	<i>Current Status (2024/25)</i>
<i>Meek Mines</i>	<i>1 697 540</i>	<i>1 833 343</i>	<i>1 980 010</i>	<i>Datacentre</i>	<i>Datacentre</i>
<i>ILB Helios Southern Africa</i>	<i>2 729 541</i>	<i>2 855 100</i>	<i>0</i>	<i>0</i>	<i>Occupied but the tenant is struggling</i>
<i>Yekani Manufacturing</i>	<i>14 353 300</i>	<i>15 358 031</i>	<i>16 433 093</i>	<i>17 583 410</i>	<i>Occupied with an OEM</i>
<i>D Fence building</i>	<i>5 251 464</i>	<i>5 671 581</i>	<i>6 125 308</i>	<i>6 554 080</i>	<i>Occupied</i>
<i>Nulatex SA</i>	<i>1 726 414</i>	<i>1 864 527</i>	<i>0</i>	<i>0</i>	<i>Occupied</i>
	<b><i>20 506 795</i></b>	<b><i>21 911 001</i></b>	<b><i>24 538 411</i></b>	<b><i>24 137 489</i></b>	

# MEASURING INCLUSIVITY

## BBBEE Scoring

BBBEE ELEMENT	POINTS SCORED	TARGETED POINTS
Management Control	16.38	20.00
Skills Development	15.63	25.00 + 5 Bonus
Enterprise and Supplier Development	54.00	50.00 + 4 Bonus
Socio-Economic Development	5.00	5.00
<b>TOTAL BBBEE POINTS</b>	<b>91.01</b>	<b>100.00 + 9 Bonus</b>

## Short falls

- The organization scored **Level 3**
- The organization is aiming to level 1 in the next 3 years.
- The Challenge is skill development in people living **with disabilities** and interns program not yet accredited by a SETA.



# STATUS OF PPPFA IMPLEMENTATION

## 51% Black Owned Sub-contracting

MAIN CONTRACTOR	PROJECT VALUE	SUBCONTRACT VALUE AFTER DEDUCTIONS	51 % BLACK OWNED SUBCONTRACT SPENT TO DATE	%
SMIME INCUBATOR	54 978 084	26 579 319	25 955 926	98%
DATA CENTRE	41 060 081	29 976 924	24 825 781	83%
TOTAL	96 038 165	56 556 243	50 781 707	

# Clean Administration

The organization takes the issue of clean administration seriously and got a clean audit for the *9<sup>th</sup> 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		Completed
Data Centre	81 000 000	APPROVED		Completed
Electrical Upgrade	40 000 000	APPROVED		tendering stage
	195 000 000			

# ADDITIONAL FUNDING NEEDED – Private And Govt

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
Roof top and battery project	R500 000 000	R-	R400 000 000
Development of the Golf course	R1 800 000 000 (The other funding form the private sector)	R-	R1 800 000 000,00
Business Operating Process(BPO)	R68 000 000	R-	R68 000 000
Trucking OEM	R250 000 000	R-	R250 000 000
<b>Total</b>	<b>R 2 618 000 000</b>	<b>R</b>	<b>R2 618 000 000,00</b>

# CONCLUSION

- The organization has increased its investment portfolio over the years and may break even in the next 7- 10 years
- Future expenditure to be focused on income generating projects to grow revenue base .
- Management to maintain good governance and retain clean audit.
- The organization continues sourcing funding from the private sector to augment grant funding.
- The organization to continue investing in Skills development to improve its BBBEE standing



# THANK YOU

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# ANNUAL GENERAL MEETING 2023/24

CEO OVERVIEW

PRESENTED BY: Mr T Zweni

1 November 2024



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# ABOUT THE ELIDZ



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EAST LONDON IDZ

## 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.”*



# PROGRESS ON VISION 2025 ROADMAP



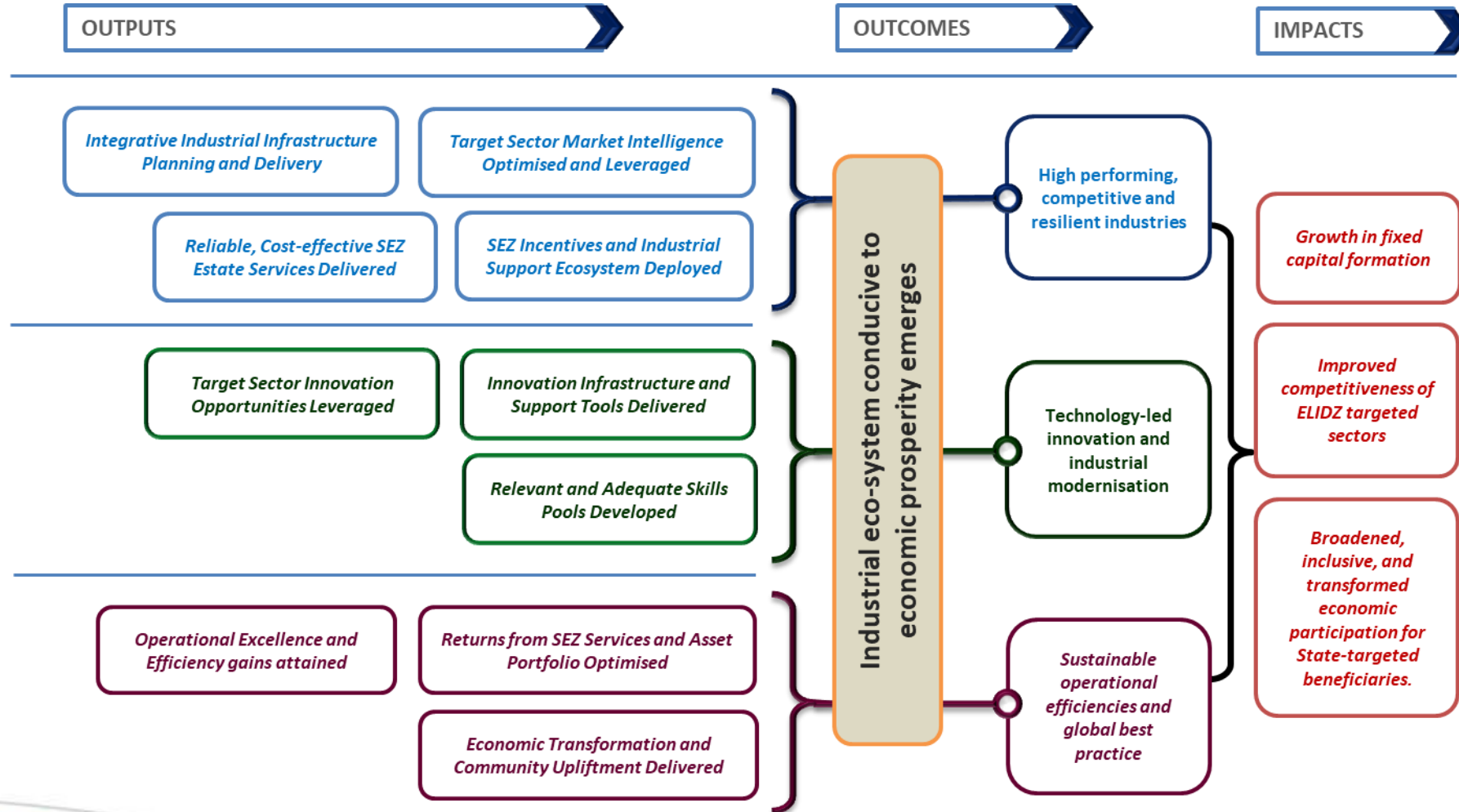
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# INTRODUCTION

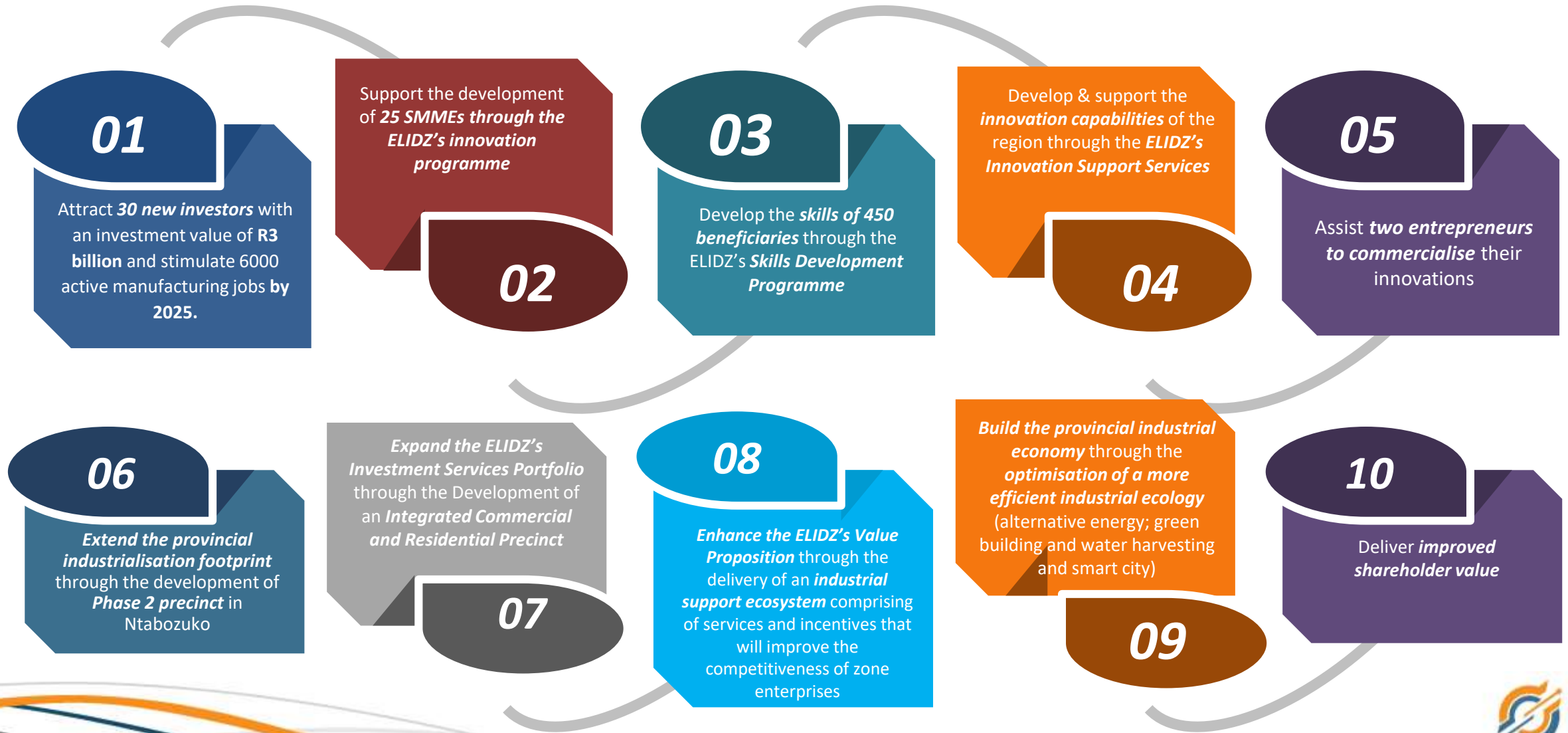
- The 2023/24 financial year was the fourth year of the organisation's focused attempts to execute its Vision 2025 Strategic Plan, a growth strategy premised on the ELIDZ's ambitions to not only increase its socio-economic impact, but to expand into new strategic activities that seek to diversify the ELIDZ's offering and expand its revenue generation capabilities.
- Key to these growth strategies has been the organisation's intent to test and explore opportunities related to:
  - mixed commercial property development,
  - generation of alternative energy and attraction of investment into this sector
  - the development and optimisation of the zone's infrastructure to maximise its participation in the digital economy
  - Expand the ELIDZ's role in supporting innovation and entrepreneurship in the manufacturing and industrial sectors through its Science and Technology Park.
- As the year drew to a close, the zone had achieved notable progress in achieving some of its Vision 2025 targets.
- This presentation will look at our performance during the 2023/24 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.



# ELIDZ THEORY OF CHANGE



# VISION 2025 AND IMPACT ENVISIONED





**2023/24 IN REVIEW**



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# PERFORMANCE OVERVIEW – A CHALLENGING LANDSCAPE

- Investment attraction and retention are key to the mandate of the ELIDZ. Whilst the last four years have seen significant challenges relating to the investment climate and adverse global economy trends, the ELIDZ has continued to drive innovative investment promotion and after care strategies that enable growth and stability of its investor community.
- This is starting to yield the desired outcomes in terms of the growth of the organisation's investment pipeline, the growth of its investor community and growth in the socio-economic impact of the zone's operations.
- In 2022/23 financial year, the ELIDZ had witnessed a downward trend in its investment pipeline due to the overall economic climate.
- The 2023/24 financial year saw more positive trends in the pipeline movements signalling resilience and growth in the ELIDZ's potential clients. This bodes well for the future of the ELIDZ and improves the ELIDZ's abilities to achieve the growth that had been forecasted as part of the Vision 2025 Strategy.

# ELIDZ PERFORMANCE HIGHLIGHTS

## INVESTMENT ATTRACTION AND RETENTION

- There are no new investment operationalised – ELIDZ still sitting with 40 operational investors with investment value of R8,7 billion.
- For 2023/24 FY 4 investment with investment value of R569 million has been signed. Three of these are in renewable energy (GHS, Olysmart and LIU energy). The fourth investment is in the agro-processing sector (Wild Coast Foods).
- Investments operational in the zone have seen a growth of 21,9% in their turnover and 26,4% in their export-oriented production year on year. Turnover of the enterprises was R5,4 billion in the 2023/24 FY.
- ELIDZ investment settlement strategies yielding the desired impact with a customer satisfaction rating of 77%

## INNOVATION AND INCUBATION

- The Cisco Edge Incubation centre is operational and open for business. A Cisco Brand Ambassador is resident within the facility to ensure support to clients / customers /innovators and entrepreneurs. The Schubart Park Incubator also showed great progress during the period under review.
- The ELIDZ Manufacturing Incubator has achieved practical completion and will be operationalised during the 2024/25 FY.
- There are four prototypes that have been developed and completed during the 2023/24 financial year.
- Three SMMEs were supported to commercialise their innovations while two were supported to localise new technologies.



## JOB CREATION

- On construction jobs - There were two projects that were implemented in the 2023/24 financial year and these created 632 construction jobs.
- On manufacturing jobs, there were 5205 active job for the financial year. This was a 1% increase year on year. There was nominal growth in the auto and general manufacturing sectors and there was a marginal decrease in the agro, renewable energy and logistics sectors year on year.

## SOCIO ECONOMIC DEVELOPMENT

- The ELIDZ Construction Incubator supported 11 enterprises to be upgraded two levels or higher in their CIDB level. The ELIDZ currently has 68 beneficiaries in this programme.
- The ELIDZ placed 55 interns in their programme during the financial year and 13 young people were awarded bursaries for higher education.
- The ELIDZ's CSI programme continues to yield positive results and 15 initiatives were implemented during the period under review.



# ELIDZ PERFORMANCE IN NUMBERS

4

## NEW INVESTORS SECURED 4/4

The ELIDZ signed 4 investors in the last year

R 579,9

## VALUE OF INVESTMENT SIGNED (R579,9/R500m)

The ELIDZ successful leveraged private sector investment of R579,9 billion for the period under review

5205

## MANUFACTURING AND SERVICES JOBS (5205/5200)

The operational investments in the ELIDZ were able to create 5200 active manufacturing and services jobs

632

## CONSTRUCTION EMPLOYMENT (632/850)

The ELIDZ created 632 construction jobs during the FY.

26,9%

## INCREASE EXPORT ORIENTED PRODUCTION (26,9%/4%)

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 R3,1 billion to R3,9 billion year billion year-on-year.

21,9%

## GROWTH IN INDUSTRIAL TURNOVER OF ZONE ENTERPRISES (21,9%/ 4%)

A zone census undertaken in the zone revealed that the reported growth turnover in the zone had increased by 21,9% from the prior year. This was an increase from R4,4 bn to R5,4 bn year-on-year.



# ELIDZ PERFORMANCE IN NUMBERS

4

## NUMBER OF PROTOTYPES DEVELOPED (4/2)

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

1%

## INCREASE IN CONSTRUCTED TENANT FACILITIES (1%/4%)

- The cumulative increase of tenanted facilities was 1 which was lower than the forecasted 4% growth

84%

## % OF INVESTORS ENABLED TO BENEFIT FROM SEZ INCENTIVES (84%/75%)

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

19%

## INCREASE IN GROSS INCOME FROM ELIDZ SERVICES (19%/10%)

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

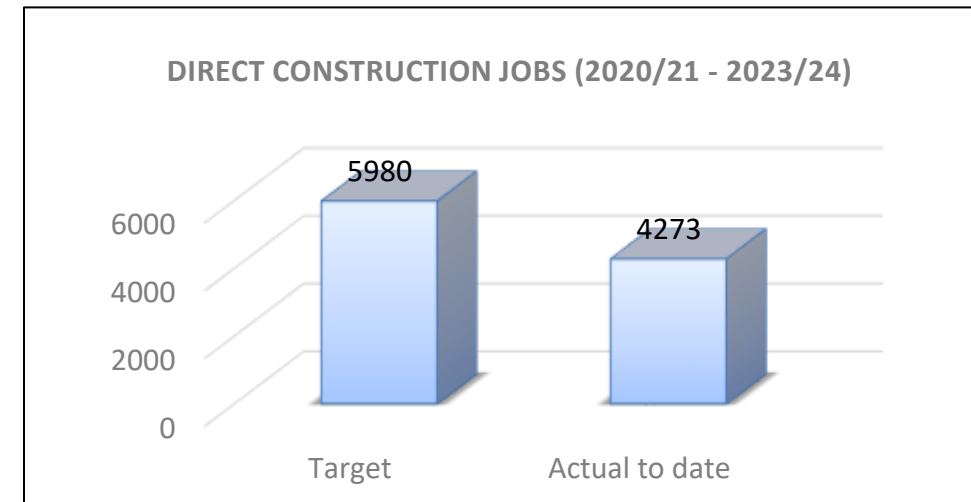
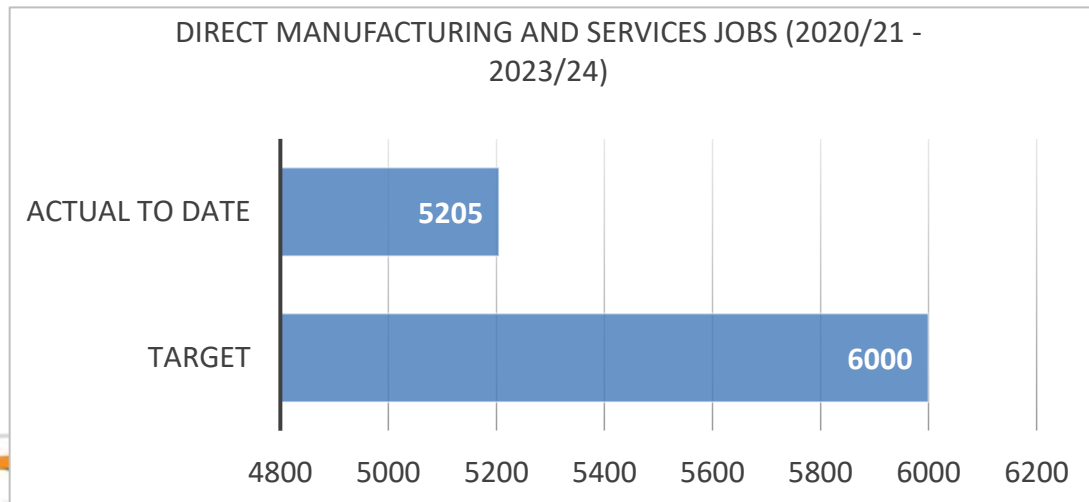
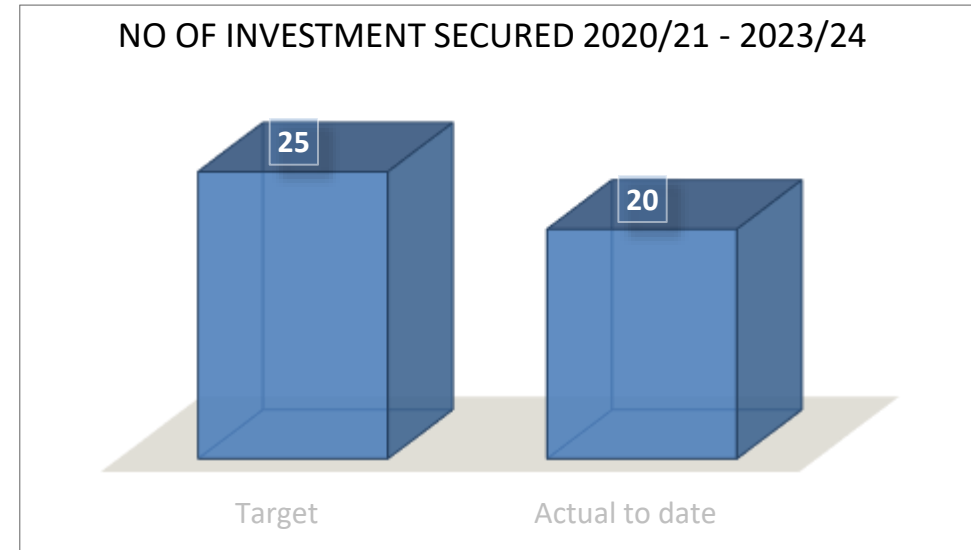
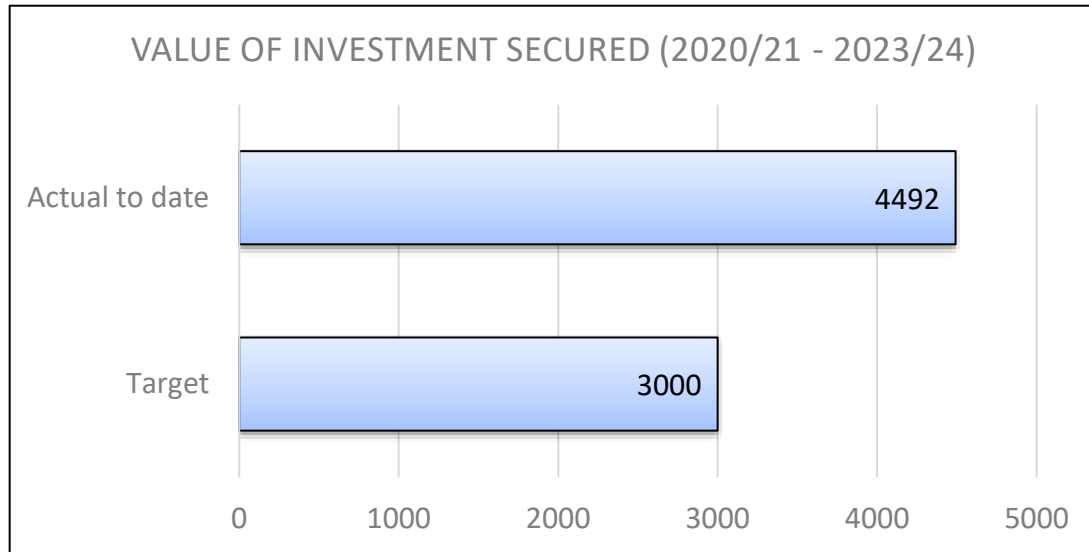


**5 YEAR PROGRESS**

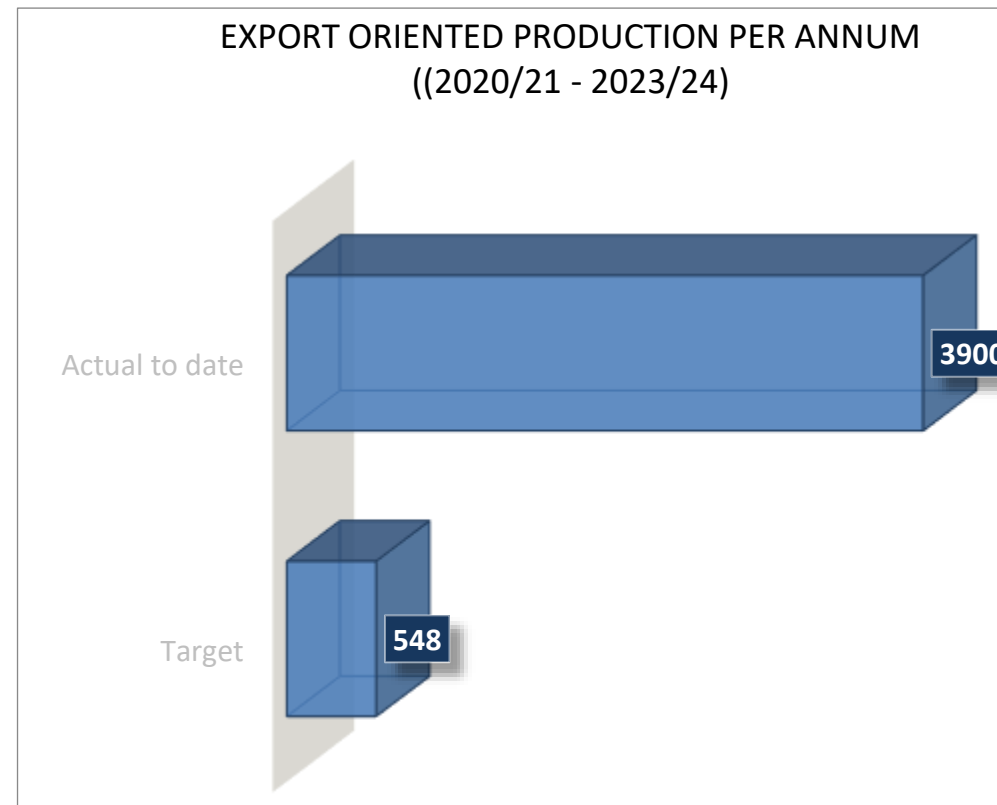
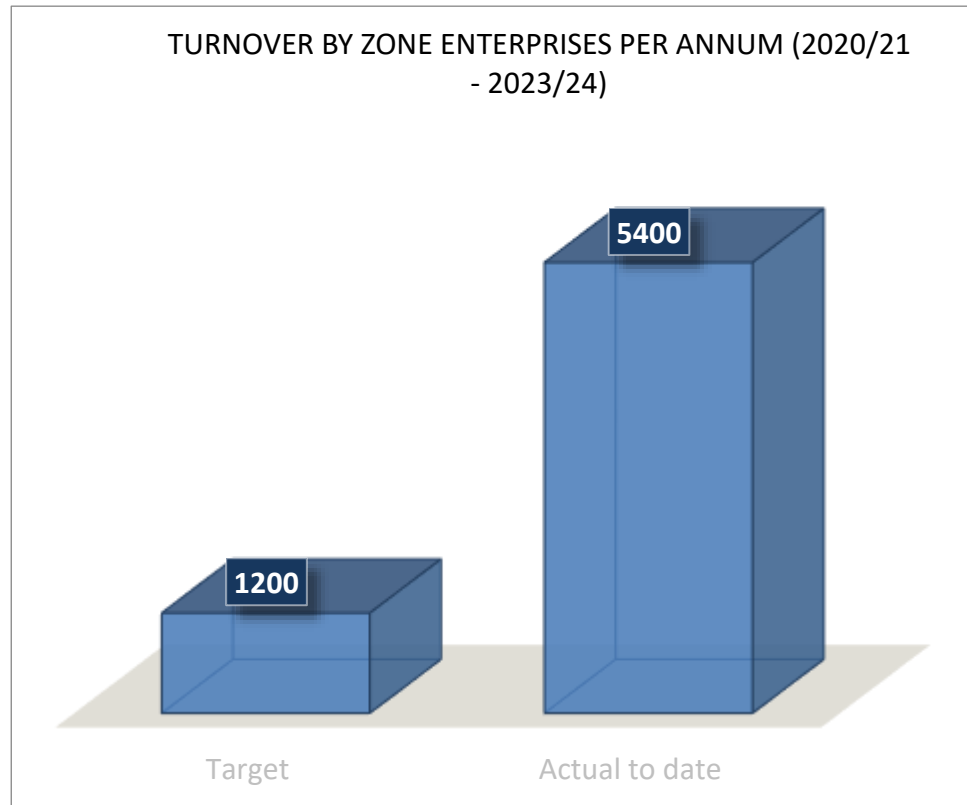


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# OUTCOME 1: PERFORMANCE ON OUTCOME INDICATORS



# OUTCOME 1: PERFORMANCE ON 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



# UPDATE ON STRATEGIC PROJECTS

PROGRAMME	PROJECT	STATUS UPDATE
<b>RENEWABLE ENERGY PROGRAMME</b>	Solar Rooftop & Battery Storage	Board Approval has been obtained to set up a SPV for funding of R500m. Awaiting approval from National Treasury . The due diligence with the DBSA for funding has commenced.
<b>MANUFACTURING INCUBATOR</b>	Construction of the manufacturing incubator	Practical Completion for 6 units has been achieved. Intake of incubates and operationalisation of the facility currently under way.
<b>PROPERTY DEVELOPMENT</b>	Golf Course Development	<p>Best use has been determined and costed. The EIA application has been approved and the consultant have applied for rezoning of the property. Work is underway to approach funders for the funding of the civil works and ELIDZ has engaged DBSA, Infrastructure Fund, &amp; DTIC in this regard. ELIDZ is also currently looking for possible developers to participate in the development of the various components of the development.</p> <ul style="list-style-type: none"> <li>• The EIA application has been approved and the consultant is busy with the rezoning application. Work is underway to approach funders for the funding of the civil works and ELIDZ has engaged DBSA, Infrastructure Fund, &amp; DTIC in this regard.</li> <li>• A feasibility study on bulk water and sewer services availability and development options is currently under way.</li> </ul>
<b>DIGITAL ECONOMY</b>	Data Centre Project	Practical completion achieved. Onsite installation of to be finalised in Q3 of 2024/25. ICT equipment delivery expected in Q3 of 2024/25
	BPO Park	Funding proposal for the top structure has been submitted to DTIC
	Digital Hub	Currently under development and to be operationalized during Q3 of 2024/25 FY

# THANK YOU

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# ANNUAL GENERAL MEETING 2023/24

SOCIAL AND ETHICS COMMITTEE REPORT

PRESENTED BY: Mrs N Mnconywa

1 November 2024



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# INTRODUCTION

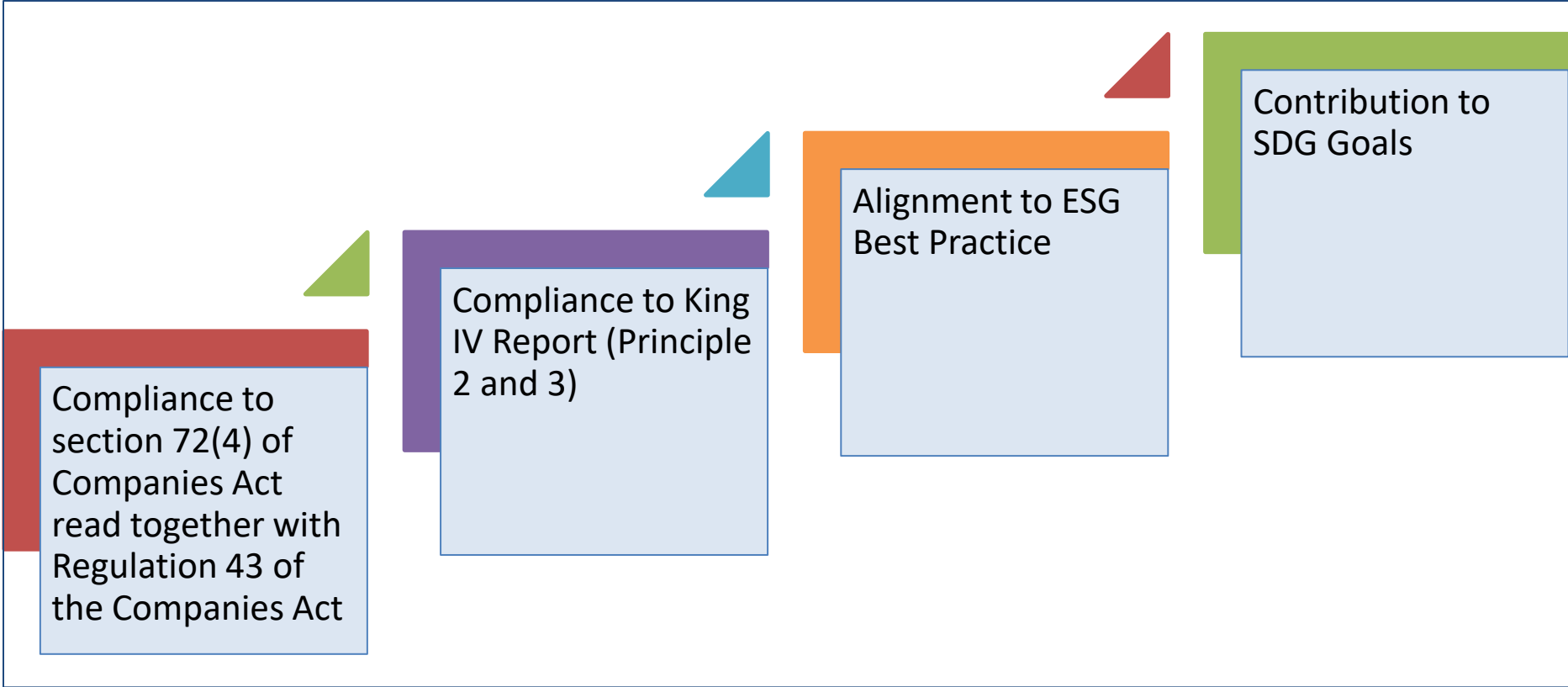
- East London Industrial Development Zone is a ***Schedule 3D entity*** – State Owned Enterprise.
- Requirement for **3D entities to be run in accordance with general business principles.**
- This includes **compliance with the Companies Act No 71 of 2008 and other best practice** with regards to Social 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.
- **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.
- As an organisation that is focused on attracting global industries into South Africa and whose **value proposition is anchored on enabling industries to be globally competitive**, the ELIDZ as part of its Social and Ethics agenda is also **prioritising ESG Investment and reporting and has set on a path to establish robust systems that would effectively track and measure ESG performance.**
- 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.

# ELIDZ SOCIAL AND ETHICAL COMMITMENT

- The ELIDZ prioritises being a good corporate citizen and is committed to **ethical and responsible leadership**.
- Key to this commitment is the ELIDZ's focus on developing and harnessing **an ethical culture within the organisation**.
- Additionally, as an organisation whose mandate is anchored on being a catalyst for economic development, the ELIDZ is **committed to maximising opportunities for shared socio-economic value in order to benefit local industries , communities and citizens**.
- The ELIDZ is also determined to deliver this value in a manner that will **not compromise people (*employees, customers, and the general public*) and the environment**.
- While the ELIDZ prioritises compliance with all relevant legislation and code, its social and ethical agenda is driven by **more than just compliance, but by the shared aspiration to do good and to have a positive impact on people and the environment**.



# ELIDZ 2023/24 SOCIAL AND ETHICS APPROACH



For the 2023/24 financial year, the ELIDZ’s approach to Social and Ethical priorities was driven by the organisation’s ambition to transition for Compliance to Impact



# COMMITTEE ROLES AND RESPONSIBILITIES

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

**MONITORS** the prioritisation and execution of the company's ESG Agenda

**MONITORS** the company's contribution towards its prioritised SDGs

**REPORTS** to board and the organisation's stakeholders on progress and achievements of the Social and Ethics priorities for the organisation

# SOCIAL AND ETHICS PRIORITY AREAS 2023/24

- In planning and reporting on its Social and Ethics Agenda in the past, the ELIDZ has prioritised five priority areas as guided by both the Companies Act and King IV. As part of integrating ESG reporting in the ELIDZ it is proposed that the ELIDZ Streamlines its priorities into three priorities namely, Environment, Social and Governance.

## ENVIRONMENT

- Environmental Impact Management
- Climate Change
- Energy Efficiency
- Carbon intensity
- Biodiversity and natural resources

## SOCIAL

- Employment Practices (safety, human rights)
- Economic Development and Transformation
- Community Development and Relations
- Customer and product responsibility

## GOVERNANCE

- Business Ethics and Transparency
- Board functionality and transparency
- Executive Compensation

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## PROGRESS: ENVIRONMENT



# SOCIAL AND ETHICS PROGRESS – ENVIRONMENT

- ELIDZ's priority in prior years had mainly been focused on monitoring and minimising the impact of the zone on the environment. This was mainly accomplished through compliance to various Environmental Management Systems and best practice. To align to ESG best practice, the priority for the ELIDZ in the ESG roadmap is to broaden its focus to include setting priorities in relation to climate change, energy efficiency, carbon intensity and the management of biodiversity and other natural resources. Progress during this period included the following:





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## PROGRESS: SOCIAL



# SOCIAL AND ETHICS PROGRESS – SOCIAL

- With its mandate rooted on being catalyst for economic development and broad-based socio-economic impact, the ELIDZ has in the past mainstreamed its reporting on employment practices, economic development and transformation and community development. To ensure alignment to ESG best practice, the ELIDZ will going forward need to set priorities relating to customer and product responsibilities and develop clear indexes to measure these. Additionally, the ELIDZ will need to align its economic development and transformation priorities and its CSR priorities to its prioritised SDGs.
- Progress during this period included the following:



WORKPLACE  
(EMPLOYMENT PRACTICES)

## STAFF TURNOVER

**6.82%** *ELIDZ turnover for the year stood at 6,82% against a target of 10%*

## EMPLOYEE TRAINING & UPSKILLING

**7%** *of total employee costs was spent on employee training*  
TARGET = 3%

## EMPLOYEE SATISFACTION

**78%** *annual employee satisfaction index for 2023/24 FY*  
TARGET = 75%

## VACANCY RATE

**12.87%** *The ELIDZ staff vacancy rate*  
TARGET = 15%

## GRADUATE TRAINING

**55** *intern opportunities created in the ELIDZ*  
TARGET = 30 INTERNS

# SOCIAL AND ETHICS PROGRESS – SOCIAL



ECONOMY  
(ECONOMIC DEVELOPMENT  
& TRANSFORMATION)

## JOB CREATION

**5205** *active manufacturing  
and services jobs*  
at the end of the FY.

TARGET = 5200

*construction jobs  
created* in 2023/24 FY

**632**

TARGET = 850

# SOCIAL AND ETHICS PROGRESS – SOCIAL



**ECONOMY**  
(ECONOMIC DEVELOPMENT  
& TRANSFORMATION)

## SKILLS DEVELOPMENT

**308** *skills development beneficiaries trained* in the ELIDZ STP.  
TARGET = 90

**4** *incubators active on ELIDZ Platform*  
TARGET = 2

**2** *prototypes developed at ELIDZ STP* TARGET = 2

**3** *new innovations commercialised at ELIDZ STP* TARGET = 1

**2** *new technologies localised in targeted industries at the ELIDZ STP* TARGET = 1



# SOCIAL AND ETHICS PROGRESS – SOCIAL



**ECONOMY**  
(ECONOMIC DEVELOPMENT  
& TRANSFORMATION)

## ZONE INDUSTRY IMPACT

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**21.9%** **GROWTH in industrial turnover**

**TARGET = 3%** \_\_\_\_\_ of zone enterprises year-on-year

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**26.4%** **GROWTH in export-oriented production**

**TARGET = 3%** \_\_\_\_\_ by SEZ enterprises year-on-year

# SOCIAL AND ETHICS PROGRESS – SOCIAL



SOCIETY  
(COMMUNITY DEVELOPMENT  
& RELATIONS)

## CORPORATE SOCIAL INVESTMENT - CSI

**15** *CSI initiatives*  
implemented in 2023/24  
TARGET = 12 INITIATIVES

**13** *Bursaries awarded*  
to neighbouring communities  
TARGET = 8 BURSARIES

**11** *SMME development*  
*beneficiaries upgraded*  
by at least two levels in CIDB grading  
TARGET = 5 BENEFICIARIES

**56** *Development*  
*beneficiaries active*  
in ELIDZ construction incubation  
programme TARGET = 45

- 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.



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**PROGRESS:  
GOVERNANCE**



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# SOCIAL AND ETHICS PROGRESS – GOVERNANCE

- The ELIDZ's past Social and Ethics priorities have focused a great deal on business ethics and transparency and the creation of a conducive organisational culture. As part of the ESG roadmap the ELIDZ prioritises reporting on board functionality and transparency as well as executive compensation reporting in line with guiding ESG frameworks as key growth areas for the near future. Progress made during the period under review includes the following:

**POLICY** : ELIDZ amended its ethics framework to strengthen its controls in the declaration of interest process.

**AWARENESS**: Ongoing awareness to ensure that employees were aware of the ELIDZ's policies in relation to employee conduct, fraud and ethics management was implemented.

**CULTURE** : 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.

**SYSTEMS** : ELIDZ has an automated process for the declaration of interest and requires all employees to recommit to the Code of Conduct annual and further requires the declarations of interest to be updated at the beginning of each financial year.

**STANDARDS** : The ELIDZ has various policies and practices in place to ensure that the organisation's ethical standards are applied in all recruitment AND performance evaluation, reward of employees and award of contracts to suppliers

**REPORTING** : The ELIDZ continues to have an externally managed Fraud Hotline and all matters reported to the hotline are handled confidentially and investigated.

**ASSURANCE** : The Auditor General of South Africa (AGSA) is an important assurance partner for the ELIDZ in ensuring that ELIDZ complies to all its policies and applicable legislation in all its operations.

# KEY OBSERVATIONS BY THE SOCIAL AND ETHICS COMMITTEE

- Based on the committee's performance during the year, we are satisfied that it has fulfilled its mandate in terms of the Companies Act read with Regulation 43 of the Regulations to the Companies Act.
- There were no known instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the committee's mandate, during the year under review, or repeated regulatory penalties, fines, censures or compliance orders.
- As such, we are satisfied that the organisation has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.



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## FUTURE OUTLOOK



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# KEY AREAS OF FOCUS FOR 2024/25

- The ELIDZ will continue to implement its ESG Roadmap with a specific focus on benchmarking and setting priorities for the Social and Governance elements of the ESG Framework.
- The organization will also identify the SDG Goals that its ESG activities are contributing to and further develop a tool to track its performance in this regard.
- 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 2024/25 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

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