



Automotive Industry Development Centre
Your partner in becoming globally competitive

AIDC Development Centre SOC Ltd.

Annual Performance Plan for 2014 - 2015



Department of Economic Development

Signature of
CEO:

A handwritten signature in black ink, appearing to be 'M. J. ...', is written over a light grey rectangular background.

Date: 13 March 2014

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1. Executive Summary

Through a Shareholder decision to merge the two entities, the AIDC Development Centre (Pty) Ltd (AIDC) and the Supplier Park Development Company (Pty) Ltd (SPDC) commenced operating as an amalgamated and consolidated Schedule 3C PFMA business entity on 1 April 2013. This 'merger' originated in 2009 as part of the Department of Economic Development's (DED's) strategy to consolidate its agencies to support its development and growth objectives. This was needed to improve service delivery across the Province.

For the interim period and first year of operations it was decided to retain the AIDC brand and for the Supplier Park Development Company SOC Ltd to take over the AIDC as a running business concern. Therefore, the SPDC was trading as "AIDC" as from 1 April 2013 pending a strategic review later in 2013 as to the mandate for this consolidated entity. The geographic brand of ASP was also retained to represent the Rosslyn automotive supplier park as a destination brand.

Following a strategic management planning session in August 2013, it became evident that the merged entity needs to retain its auto industry sector focus. Key programmes and projects show a clear alignment with the aims and objectives of the Shareholder. The latter have participated in the aforementioned planning session. It therefore made logical sense to retain the AIDC brand moving forward. This annual performance plan, as well as the strategic business plan articulates in more detail the mandate that was decided upon for the next 5 years.

2. The first year operating as a Consolidated (Merged) Entity

The AIDC, with its origins in 2000, together with SPDC which was born out of the AIDC in 2002, bring a collective automotive experience and skills base together through the consolidation of the two entities. The consolidation of these two entities, on 1 April 2013, into one seamless matrix business structure optimises service offerings as part of the Gauteng's DED drive to increase the Province's status as a "value proposition and investor destination of choice". The "one-stop-shop" principle for the automotive sector has been considered in service offerings and stakeholder engagement approach.

The optimal institutional merger arrangement was instituted under Section 44 of the Income Tax Act, No 58 of 1962. What was and still remain of concern is the time it would take to secure ministerial approval for the new entity to have a split tax structure and the impact of tax 'leakage' on the cash flow and liquidity of the new entity. The new entity is required to pay VAT on its entire grant funding, which includes a substantial portion of Opex that cannot be re-claimed as a VAT refund from SARS. The Shareholder was made fully aware of these financial implications and had undertaken to assist the new entity with the ministerial approval process and to make good any cash flow shortfalls due to tax liabilities and payments to SARS as a result of this merger. However, little progress was made with this to date.

It is the restructured entity's specific aim to cause a positive economic and social impact on primarily the automotive industry. This will be achieved, *inter alia*, through the shared service delivery offerings of the Rosslyn Automotive Supplier Park (ASP). The latter is also an anchor project and growth point in the Tshwane Auto City (TAC) programme, which has received City of Tshwane Mayoral Committee approval.

The various incubator type flagship projects, such as the ones at Ford and Nissan, as well as the Winterveld Township Enterprise Hub (WEH), furthermore endorse the entity's value proposition offerings to various clients and further underscore its focus on the automotive sector.

The business model of the entity encompasses the serving of a combination of clients and stakeholders. Starting with Provincial Government, specifically the Department of Economic Development (DED) through GGDA, the National Government (such as *the dti*) and the Department of Education (especially merSETA), with numerous other entities such as, but not limited to, the Industrial Development Corporation (IDC), the Development Bank of South Africa (DBSA), local Government (City of Tshwane and Ekurhuleni, being key geographical focus areas) and last but not least, the automotive industry. The entity's income is thus being derived from a combination of MTEF and grant funding, complemented by external income generated from various projects, as well as rental and shared services income specifically derived from the ASP. The next five years will see a drive towards selective commercialisation in order to lessen the entity's dependence on MTEF Opex funding. The Shareholder also alerted the entity to the possibility that no more MTEF funding will in future be provided for skills development and training projects.

The AIDC's focus remains on the automotive sector with a particular bias to provide facilitation and assistance to the various OEMs and the Tier 1, 2 and 3 suppliers. The objective is to attract at least one more OEM to Gauteng (the ASP specifically) over the next two years.

Another key focus area is the Automotive Supplier Park in Rosslyn (ASP). For example, due to a lack of funding support to further develop the ASP's infrastructure, it cannot be optimally developed to cater for future demand as a result of growth in the automotive sector. The ASP remains largely reactive to requests for space or expansion by the industry. A value proposition initiative was launched in 2013 and a pipeline of potential investors was developed. A total investment of around R1,5bn to R2bn is needed for the ASP's further development in order to create a commercially viable entity that can be fully privatised in the next 5-10 years.

In order to respond to government's growing requirements for the creation of jobs, the government's focus needs to be expanded to all the various tiers of manufacturing and services capitalising on the experiences gained, for example by the AIDC. Interventions to partner SMME development and job creation activities with established automotive OEMs are, for example, the Ford T6 initiative that culminated into a similar project being undertaken at Nissan SA. Other OEM's, such as BWM, Tata and Mazda (the latter will commence operating separately from Ford), will likewise be explored for expanding similar initiatives.

Further investments into the automotive industry are directly promoted by *the dti* at national level, through the new Automotive Production Development Programme (APDP) that commenced in 2012. It uses an Automotive Investment Scheme (AIS) rebate system to attract further investments. The latter replaces the previous Motor Industry Development Programme (MIDP) that has come to an end in 2012 and finalisation of Productive Asset Allowance (PAA) claims will cease on 31 March 2015. The AIDC has acquired expertise in assessing PAA applications over a period of ten years. The entity has not been contracted by the *dti* to assist in the AIS (Automotive Investment Scheme) under the replacement APDP (Automotive Production Development Programme).

To be globally competitive the Province will have to better position itself and make appropriate investments to move towards a more productive, cost effective, low

carbon and environmental business friendly economy. There are many backward and forward linkages between the automotive sector and other industrial sectors, and the high levels of carbon emissions and inefficient use of natural resources still need to be addressed against the backdrop of being a developing economy.

During March 2013 the AIDC entered into a partnership agreement with the National Cleaner Production Centre (NCPC), an agency operating with the CSIR and funded by the *dti* and UNIDO. This partnership will see the AIDC accelerating its cleaner production programme within the automotive and allied-related sector as part of its industry efficiency improvement programme.

All of the above issues, together with the anticipated changes in the future of the automotive industry, as well as an assessment of potential opportunities for Gauteng, contributed to the assumption that a more focussed and deliberate intervention is required for this industry and that it is far from being over extended.

However, due to the diminishing MTEF grant funding, as well as shareholder expectations to ensure higher levels of financial independence, the AIDC has but little choice to also exploit income opportunities from, *inter alia*, the transport sector (i.e. Transnet), the energy sector (i.e. Siemens (Eskom)), the aerospace sector (AISI-the *dti* and CoT wrt to CAV), as well as a variety projects required by the City of Tshwane (CoT).

3. Vision and Mission

To be the leading implementation agency delivering creative, efficient, best practice and value based solutions in support of governments programmes related to the automotive and allied sectors.

To develop the automotive manufacturing sector to globally competitive standards of excellence through a world-class value proposition which enables sustainable socio-economic growth.

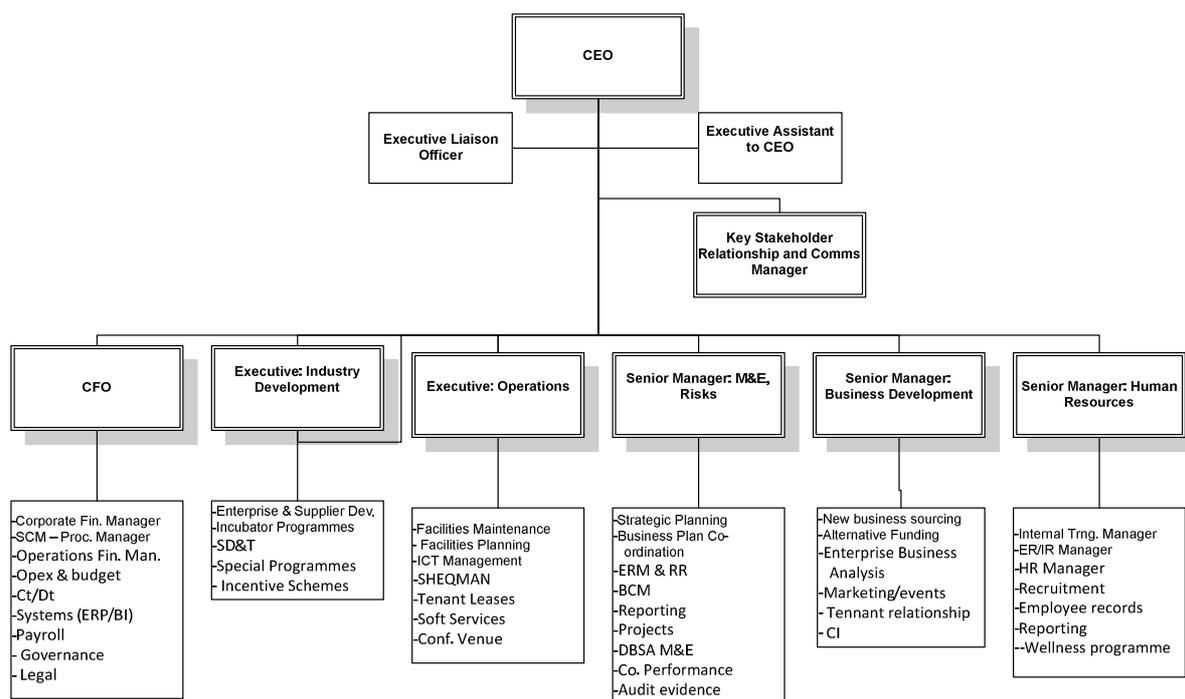
4. Staffing of the entity

The AIDC's staff compliment is 183.

The AIDC consistently endeavours to ensure that its staff composition is made up of a number of diverse vocational categories with a strong focus on management and related support expertise in the field of a variety of developmental programmes and projects, enterprises, incubators, training and learning centres, facilities/property maintenance and infrastructure development, financial, business, risk, procurement, contracts, construction, ICT, SHEQ, human resources and skills development, as well as a range of administrative support.

5. Business Organisational Building Blocks

The entity is headed by a Chief Executive Officer (CEO) appointed by the Board. The CEO and the CFO of the AIDC will be executive board members. For business continuity management purposes, the CFO automatically steps in as the acting CEO, as and when the latter is not available or incapacitated for any prolonged period of time for whatever reason. This is needed to attend to any of the business and management exigencies of the AIDC. In terms of this structure the following key functions drive and manage the entity's outputs and service delivery:



The Office of the CEO will be supported by:

- A dedicated executive assistant;
- An executive liaison officer; and
- A Key Stakeholder Relationship Manager.

5.1 Executive: Industry Development Division

This Division primarily focuses on automotive industrial policy and related implementation actions. This division is the repository of programmes and project managers that work under the respective sub functional departments (as key focus areas – KFA's) as detailed hereunder. The latter boasts a plethora of cumulative expertise built up under the various projects and programmes of the former AIDC and SPDC. This industry development division is, *inter alia*, responsible for the following departments:

- a. **Enterprise and Supplier Development** - The key focus of this department is on interventions in- and the provision of assistance to companies in the automotive manufacturing industry. This Department focusses on the efficiency improvement programme for the auto sector that includes assistance that entails a combination of improvement actions related to productivity, quality assurance in accordance with ISO and QMS standards. The programme also covers aspects related to environmental, lean and clean manufacturing concepts, logistics and freight enhancement programmes. A new Total Production Management (TPM) and Rapid Improvement Process project will be rolled out as part of this programme. This department, when so required, provides the necessary expertise and project management support to the various other departments/divisions of the AIDC, as well as other government entities such as Transnet in their supplier development endeavours under the Department of Public Enterprise's Competitive Supplier Development Programme (CSDP).
- b. **Skills Development and Training** - this department is responsible for overseeing and managing all of those training, skills and mentoring development programmes in relation to the automotive industry's medium and long term needs. This includes the dedicated Gauteng Automotive Learning Centre (GALC) and two simulator training programmes, one at Ford and the other at Nissan. Training and mentoring are also extended into the Winterveld Enterprise Hub (WEH) and other programmes as the need arises. This department also manages all external training programmes, such as the one with Siemens. All ASP training needs and related programmes will likewise be overseen/co-ordinated by this department who will be operating from the GALC as from 1 April 2014. GALC will in due course be registered as an accredited training academy.

- c. **Incubator Programmes Department** - its primary focus is on the AIDC's portfolio of incubator projects, such as the ones at Ford, Silverton; Nissan, Rosslyn; and the Winterveld Enterprise Hub (WEH). Exit strategies and exit mechanisms are otherwise developed and implemented in order to 'graduate' incubatees in a sustainable manner. Likewise, the WEH will be matured over time into a self-sustainable commercial co-operative concern. This department otherwise collaborates with all the other various business units/departments on a matrix support basis.

- d. **Special Programmes** - The former AIDC 'workhelp' Call Centre and the specialised Programme Management Office (PMO) for the Tshwane Auto City (TAC) are two of the key focus areas of this department. TAC is a 50 year multi-billion Rand type project that commenced in 2011/12 with a feasibility study of the concept and a draft high level implementation plan. The TAC has already been registered under the Government's Strategic Infrastructure Programme (SIP). The ASP forms a key anchor in the TAC project and will be used as a point of further expansion by means of, for example, a dedicated SEZ, optimised logistics, mini factories, with various other manufacturing expansion prospects envisaged.

- d. A dedicated **Government Incentive Support Programme** department also resides under this Division. The latter continues to provide support to *the dti* for its Productive Asset Allowance (PAA) programme that will run out on 31 March 2015. In parallel, alternative support to *the dti* for its various other incentive programmes is being explored.

5.2 Executive/Senior Manager: Operations Division

This division is responsible for the following:

- a. **Facilities Planning Department** - is responsible for the all the maintenance and support planning primarily related to the ASP infrastructure. This includes managing all tenant lease agreements and utility agreements with local government and other service providers for security services, landscaping and gardening, parking, shift worker transport, two ATMs, canteen and clinic. Facilities planning, *ipso facto*, includes:

- Lease flexibility in line with investor contracts minimising property and general investment risk – also negotiating and management of all lease agreements with ASP tenants;
 - Property development planning customised to suit investor requirements – done in collaboration with Business Development;
 - To pursue under the directives of and in close collaboration with Business Development, any major capital investment initiatives to minimise investor capital input requirements;
 - Whereas current and future trends in facilities management internationally are moving towards also providing tenants with facilities and infrastructure that support environmental awareness. In keeping with these emerging trends, the company aims to gradually transform the ASP into an “Eco-friendly industrial park” with waste created in the Park recycled by and used as inputs in other processes. ASP will review its energy and water use and find solutions entailing recycling and reuse of water, reduction in energy consumption and possible usage of renewable energy sources. This initiative will be coordinated with Industry Development and the dedicated SHEQMAN expert;
 - Expert support is provided in the area of Safety, Health and Environmental Quality Management (OHS/SHEQMAN – ISO14001 and OHASA18001), as well as ISO9001 certification support for the AIDC. ISO14001 is also applicable to all the AIDC’s incubators, enterprise hubs, simulators and training academy sites. This includes emergency control measures as part of the entities business continuity process;
 - Scheduled maintenance and support planning are also done for the various AIDC satellite sites, e.g. the Incubation Centre (IC) at Ford, GALC at NSA and the WEH;
 - This department otherwise provides office planning with office space and attend to furniture needs as and when so required for the AIDC staff residing in the ASP’s main office hub.
- b. **Soft Services** – this unit is responsible for the management of the AIDC’s office administration and conference venue support functions. These services are rendered to the AIDC specifically or otherwise as an extended service to tenants. These services would for the main office hub, for example, entail reception and switch board services (to the whole ASP), office plants, water and tea/coffee consumables, the conference facilities, its business centre and related equipment, asset movement control management, storerooms, as well as

documentation management, as well as destruction and off-site archiving – the latter also being part of the entity's business continuity process.

- c. **Facilities Maintenance Department** is responsible for maintaining the whole ASP, the Automotive Incubation Centre (IC), the Gauteng Automotive Learning Centre (GALC), the Winterveld Enterprise Hub (WEH), while attending to all the related infrastructure, buildings and property, reticulation/utilities (water, electricity, storm water and waste), as well as all tenant maintenance-related support needs. The aim is to provide and maintain an “A graded” factory and office space. A dedicated on-site technical and handy man work team has been appointed to reduce cost of maintenance and improve on turnaround times. This department is otherwise responsible for overseeing all construction projects, whether inside the ASP (such as the mini factory) or elsewhere (e.g. the finalisation of the incubation construction at Nissan over the next year).
- d. The Operations Division is also home to the **ICT department** that provides a comprehensive ICT shared services package to the AIDC, with its various and respective incubation and training centres/facilities and enterprise hubs as first priority. This service is also available to all tenants in the ASP. This service includes all ICT infrastructure and all related SLAs, covering business, human resources and financial operating systems and related operating platforms and software, as well as access control and being the IT platform for security systems (for e.g. CCTV). This Department provides a dedicated ICT support with a comprehensive collection of all related services. This includes “cloud computing services”, voice and data communications, internet and web services, helpdesk and desk-top support. All ICT systems have a fail over off-site process in place, as part of the entity's business continuity process, or as otherwise required by the King III report on ICT governance.

5.3 Senior Manager: Business Development Division

- a. This Division is primarily responsible for developing a variety of *value propositions*, related concepts and exploring the expansion of the AIDC's client base. It diligently pursues all alternative sources of funding. This Department is collaborating with GGDA and the DED's Alternative Funding Unit, the Gauteng Funding Agency (GFA) as and when so required. It is responsible for taking the lead with the development of various enterprise concepts and models through all

facets up to implementation – this includes arranging for professional economic impact assessments to be undertaken as and when required. When a project is ready for implementation it is transferred to the Industry Development Department. This department is also responsible for ASP tenant relationship management.

- b. A dedicated ***marketing and events department*** is responsible for all marketing, branding and general communication. This includes maintaining a Corporate Image (CI) manual, website management with social media linkages and an intranet. It manages all liaisons with the media, all advertisements, as well as all marketing campaigns (specifically for the ASP, WEH the IC and GALC), exhibitions and/or events, which require the AIDC's attendance or participation. This Department, in collaboration with the Key Stakeholder and Relationship Manager, is responsible for processing applications for relevant business awards, as and when the opportunity arises.

5.4 Senior Manager: Monitoring, Evaluation and Risk Management Division

This dedicated division is responsible for the AIDC's business planning process that culminates in the drafting of annual business and performance plans. The latter is done in collaboration with all other AIDC departments and the Shareholder, as well as ensuring alignment with the shareholder's agreement. Continuous monitoring and evaluation actions are being undertaken to ensure excellent levels of compliance and performance reporting in adherence to prescribed levels of corporate governance. Enterprise risk management (as per King III) forms an integral part of this division's responsibilities and covers the identification and monitoring of risks from the lower operational levels up to strategic level. Risk mitigation plans are purposefully designed to mitigate risks to acceptable levels. Reporting occurs at various intervals and levels – internally to the ARC and Board, the Shareholder or otherwise to the Legislature and external stakeholders. Performance evidence is maintained throughout to facilitate the AIDC's strive for clean audits. This division is also responsible for the implementation and overseeing of an electronic document management systems that includes the file plan as prescribed by the shareholder, based on National Archive expectations.

5.5 Senior Manager: Human Resources Management Division

This Division is responsible for all HR matters, except the payroll administration that falls under the Finance department. The HR department is responsible for all recruitment, appointments, contract extensions/terminations, conditions of service issues, policies, as well as disciplinary actions and all staff training and skills development related matters. The HR Division has the following 3 key functional areas of responsibility:

- Industrial Relations and Staff Welfare;
- Training & Development and Performance Management; and
- Recruitment, Policy Management and other HR Administration

All of the above work streams support the AIDC's internal requirements, as well as its "external" project requirements. HR policy matters are dealt with under the directives of GGDA and the Group REMCO. HR is also responsible for human resource planning as related to the entity's business continuity process.

5.6 Chief Financial Officer (CFO) – Finance Department

The CFO manages the following functional units:

- a. A dedicated **Procurement** unit that oversees the AIDC's supply chain, procurement, tendering and subsequent contracting and ordering activities and processes. These are all in line with National Treasury and PFMA guidelines. A dedicated appointed tender committee oversees all formal tendering processes, as prescribed by National Treasury. Procurement is the secretariat of the latter. All approvals are handled in accordance with the AIDC's approved delegation of authority (DoA).
- b. The **Strategic Finance unit** is responsible for financial analysis across the various business activities of the AIDC, as well as being responsible for financial modelling matters, as related to for example the training academy, incubation and enterprise hub programmes to attain certain progressive levels of self-sustainability. This function is also responsible for managing all project assets and advises on project finances, and shared services to incubatee companies.

- c. An **Operations Finance unit** otherwise oversees all Opex related issues, as well as debtors and creditors. The latter includes all Accpac and MDA related business applications. It also covers all the ASP tenant dues and all the AIDC assets (non-project related).
- d. The **ERP systems and Business Intelligence** (reporting) unit oversees all business process issues, ERP system design, Business Intelligence report writing and Business Balanced Scorecard reporting.
- e. A **Payroll unit** is responsible for payroll management, payments, payroll outsourcing and shared services to incubatee companies

6. Institutional Structures

Board of Directors

- Chairperson – is a member of the GGDA Board;
- The Board members provide strategic direction to the restructured entity's Chief Executive Officer (CEO) and provide for the necessary corporate and fiduciary governance and oversight;
- Board members are appointed by the GGDA Board;
- The Board presently consists of ten members;
- Directors normally serve a 3 year term;
- The Group CEO of the GGDA and its Executive: Monitoring and Organisational Performance or appointed COO are non-executive members;
- One representative each from NAACAM, NAAMSA and CoT;
- The CFO and CEO of the AIDC are Executive Directors.

Board Sub-Committees

- The **Audit and Risk Committee** (ARC) is appointed by the Board and is primarily responsible for overseeing the restructured entity's financial reporting process, risk and ICT governance compliance. It is assisting the Board with attending to its fiduciary duties related to the safeguarding of tax payer's monies, assets and ensuring the implementation of adequate management, oversight and control policies and procedures, ensuring accurate financial reporting and statements are compliant with legal and accepted accounting practices. The ARC is also responsible for ensuring that the AIDC keeps a detailed risk register and properly

manages all identified risks and conforms to acceptable levels of corporate governance in terms of the King III requirements.

- The AIDC has access to the Group ***Human Resources and Remuneration Committee (REMCO)***. This committee is responsible for reviewing and deciding on standardised group employment conditions and remuneration levels required for attracting top calibre people. REMCO recommends, annually, to the Board the guidelines and percentage for salary increases, as well as the payment of any performance bonuses.

Other Internal Committees

- i. The AIDC's ***EXCO*** (Executive Committee) consists of the CEO and those officials appointed to it by the aforementioned. EXCO will oversee issues of key strategic importance to the business operations of the company, as well as any sensitive or materially important issues. EXCO will meet as and when required by any given circumstance. The CEO is the chairperson.
- ii. The ***ManCo (Management Committee)*** of the AIDC consists of Senior Management and those staff and line professionals responsible for managing key outputs of the entity. Manco meets monthly and oversees all management, business and financial operational and risk related matters of the company. Issues that cannot be resolved at the Manco get elevated to the Exco. The CEO, or in his absence the CFO, is the chairperson.
- iii. The ***M&E Forum of the AIDC*** is responsible for meeting on a monthly basis to discuss and deliberate all operational and functional level issues impacting on the entity's functional operational effectiveness. Issues that cannot be resolved at this level get elevated to Manco. The Senior Manager: M&E and Risk will be chairing this Forum.
- iv. The ***Procurement Committee*** is responsible for overseeing the AIDC's supply chain/procurement tender/quotation process in line with National Treasury regulations and directives, as well as GGDA policies governing this aspect. It makes decisions regarding the procurement of assets and approving of high value procurement orders in line with the delegation of authority framework. The CFO is the chairperson.

- v. The **Occupational Health and Safety Committee** – A dedicated, suitably qualified person is in charge of all occupational, health, safety and environmental issues, as well as attending to all emergency team related matters. This person is the AIDC's legally appointed Article 16.2 OHS representative and is the chairperson of the OHS committee that reports on a monthly basis to the M&E Forum. A dedicated and formally nominated and appointed emergency team acts as/are representing the OHS committee, overseeing first aid and fire fighting training and evacuation exercises and all related compliance requirements. This OHS Committee is responsible to ensure tenant compliance within the ASP, as well as at the various incubator plants, enterprise hubs and training facilities/academies managed/run by the AIDC.

7. **Business and Income Model**

The AIDC's business model is based on a combination of development and support related actions involving a wide client base. The latter includes the Gauteng Provincial Government and other key national departments such as *the dti* and the DoE. Other government owned entities, such as the IDC, Small Enterprise Finance Agency (SEFA), merSETA and DBSA are being engaged with the view of leveraging funding needed for further industrial development and job creation actions (such as the grant funding secured on the Nissan project).

External clients, both in Gauteng and other provinces, are being engaged with the view of rendering support services to them (at a market competitive price) that would make them more productive and internationally competitive or to otherwise assist them with specific developmental, recruitment and/or training needs. The external income generation ratio vs. grant income is managed at an 80/20 ratio with external income being the lesser portion. This ratio will increase as the entity moves forward on a lesser MTEF Opex dependency.

The entity's income base, therefore, will remain a combination of grant funding from the MTEF budget cycle, leveraged funding from certain *dti* incentive programmes, the DBSA and CoT, as well as domestic and foreign investors. External funding will be sourced, as and when possible, through specific projects required to satisfy specific client needs, however, not limited to the automotive sector. In the latter regard the company will be closely co-operating through GGDA with DED's Alternative Funding Unit (AFU) and the Gauteng Funding Agency (GFA). External clients in the energy

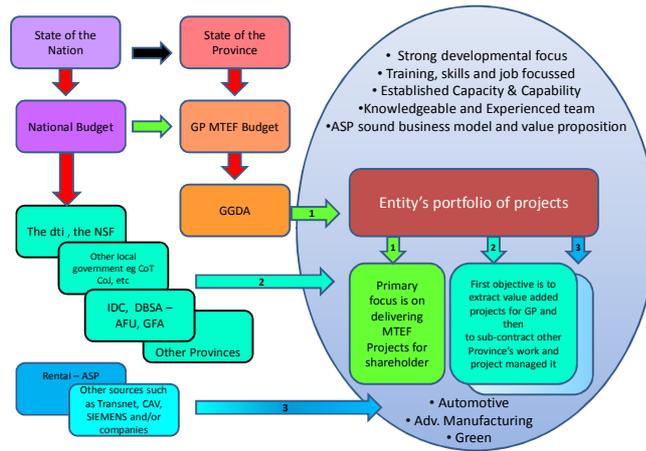
sector (e.g. Siemens), the transport sector (e.g. Transnet) and the aerospace sector (e.g. the dti's AISI, with the CAV) are also being attended to.

Otherwise, the ASP generates revenue from the collection of rentals and levies, as well as from the on-selling of additional support (shared) services that contribute to the reduction of total cost of doing business. This model had been designed as such to ensure that the ASP is self-sufficient in terms of operational expenditure. However, the ASP remains reliant on grants to fund capital expenditure required within the Park. This is however not closely enough to get the ASP to its full potential. The business is based on a proven model, which is self-sustainable and allows the company to run profitable operations from its property management function. The business model is ultimately aimed at ensuring financial sustainability of the ASP, whilst supporting strategic goals aimed at the development of strategic economic infrastructure and creating opportunities for decent jobs and other strategic goals. This income model of the ASP will basically remain the same for at least the first year of operations under the restructured dispensation. The ASP requires an amount of between R1billion and R2billion in order to reach its full potential as an investment value proposition of choice. The aim of the AIDC is to fully develop the ASP over the next 5-10 years.

The Incubation Centre at Ford has likewise commenced charging the BEE SMMEs for rent and shared services, the WEH will charge users of the facility, while the GALC will charge OEMs and users for the training services rendered. This is all part of the drive towards self sustainability.

Development is primarily a state intervention that is traditionally managed on a top-down approach. In order to further specific development aims and objectives, developmental arrangements normally remain in the hands of the state. Therefore and albeit the AIDC will drive specific projects to become fully commercially self-sustainable over the next 5-10 years, the AIDC will retain majority ownership in and of such projects in order to ensure their continued viability.

The entity's income and project delivery model



8. Performance Plan With Targets For 2014/15 Onwards

The entity's strategic business plan contains key targets with anticipated outputs and deliverables for each quarter, as well as a projection for the ensuing three years. These targets are based on the national planning process that commenced already in 2009/10 and are broadly aligned with the respective national and provincial goals as contained in the respective State of the Nation Speech (President Jacob Zuma on 13 February 2014) and the State of the Province Speech (Premier Nomvula Mokonyane on 24 February 2014). The latter contained a continued and on-going focus on job creation and the youth, training, as well as an emphasis on, *inter alia*, infrastructure development and manufacturing, as a means to stimulate further job creation. The State, furthermore, needs to procure 75% its requirements from South African producers. The Premier endorsed the State of the Nation Speech, and articulated further on jobs, youth, pursuing an outcomes based approach, enhanced performance and evaluation systems, the importance of IGR, efficiencies and effectiveness, township development and a new Business Investment Centre. The Premier confirmed on-going interventions in engineering, bulk infrastructure, local economic development, involving external funders as partners, as well as involving major developers to incubate BEEs and SMMEs.

The Premier re-confirmed the Gauteng Vision 2055 to be as follows:

"The National Development Plan (NDP) that provides for a long term vision and plan for South Africa up to 2030, has been contextualised at the Gauteng city-region level in the form of Gauteng Vision 2055. It is a long term vision and plan that stands on the pillars of equitable growth, social inclusion and cohesive society, environmental friendly and human settlement sustainability coupled with good governance".

The entity's performance targets are monitored, evaluated and reported on a monthly basis to Management and GGDA, and on a quarterly basis to the ARC and the Board of Directors. The Annual Report that highlights achievements during the reporting year is done at Group (GGDA) level. Key Performance Indicators (KPIs) are as contained in Appendix 1.

Several other reports on the DED's Programme of Action (PoA) and the report on gender, youth and people with disabilities ("GEYODI") are submitted on a monthly basis via GGDA to the DED. There is also a requirement to look at employment opportunities for Military Veterans.

The Shareholder, furthermore, requires that all future reports on construction projects be done as follows:

| CIDB STAGES | IMPLEMENTATION | | |
|---------------------------|----------------|---|---|
| | 10% | Partnership agreements and budgeting | |
| | 20% | Supply chain - appointment of contractors | |
| | 30% | Turning soil | |
| | 80% | Construction - phase 1 milestone | |
| | | Construction - phase 2 milestone | |
| Stage 7 | | Construction - final phase milestone | Completed works |
| Stage 8 - Hand over stage | 90% | Practical completion and snagging | Works taken over with recorded information |
| Close out stage 9 | 100% | Final completion and handover | 9A - Asset data on asset register 9B - Completed package |

9. Projects for 2014-2016

Subsequent to the strategic planning session held by AIDC management during 13 and 14 August 2013, also attended by the Shareholder, a decision was taken to primarily focus on the following key projects. The deliverables of each are as detailed in the attached KPI matrix (Appendix 1) which covers 14/15 per quarter with outer year targets up to 2016/17. Each of these key focus projects will be further endorsed by more robust detailed business plans. These key focus areas are as contained in the AIDC's 5 year strategic business plan.

| Key Focus Projects | GEGDS alignment | Key outcomes anticipated by year 5 |
|---|--|--|
| 1. Automotive Supplier Park (ASP) – further development through value propositions | All five Pillars are applicable | Mini factory fully productive; greening completed, A-grade status achieved, bulk infrastructure funding secured and reticulation, etc., completed; 1 OEM attracted; 6 Tier one's attracted; 2 Incubatees resettled; R1,5bn investments secured; commercial viability and self-sustainability plan developed |
| 2. Establishing Tshwane Auto City | All five Pillars are applicable | The concept has progress to a bankable business plan stage |
| 3. Managing the Automotive Incubation Centre, Silverton | Pillar 3 - Increasing economic equity & ownership – equality | At least 2 of the existing incubatees graduated; and replaced; |
| 4. Managing Gauteng Automotive Learning Centre (GALC) | Pillar 4 - Investing in people | Fully accredited with detailed skills, training and mentoring curricula in place, well aligned to address the auto industry skills needs, 100% utilised, alternative sources of funding secured and a business plan is done and ready to commercialise the GALC |
| 5. Development of other Automotive Incubation Centres | Pillar 3 - Increasing economic equity & ownership - equality | <ul style="list-style-type: none"> - Ford assisted with establishment of their own incubation centre, fully productive with 6 more BEE incubatees operating from it - 10 BEE entities are fully productive at the NSA IC; - one other OEM in process of establishing another Incubation centre (either BMW and/or Tata) |
| 6. Operationalise and manage the Winterveld Automotive Enterprise Hub | Pillar 3 - Increasing economic equity & ownership equality Pillar 5 – sustainable communities and social cohesion | This enterprise is fully matured and self-sustainable and handed over to the community by 2019 |
| 7. Rolling out and expanding the Efficiency improvement programme across the automotive and allied related sector | Pillar 1- Transforming GP economy through improved efficiencies | Some 100 companies in the auto and related allied sector had been positively impacted <i>ito</i> of efficiency and productivity improvement programmes supported by an array of project interventions |
| 8. Jobs creation – as a consequence of the above focus areas | Pillar 2 - Sustainable employment creation | Through all its various programmes and projects, the AIDC managed to employ 1000 people |
| 9. Training and skills development – as a consequence of the above focus areas | Pillar 4 - Investing in people | 9620 people trained and skilled and mentored |

10. Shareholder Alignment

The AIDC will remain one of the key development and implementation agencies of the GGDA. The latter relationship is regulated by a formal Shareholder's Compact approved and signed at the beginning of the next financial year.

It is also evident that a much closer relationship needs to be established with the Shareholder who needs to assist the AIDC with securing various sources of alternate funding in order to achieve the outcomes as stated above. The need has also been identified for increased levels of engagement to foster a closer Integrated Government Relationship (IGR).

At the strategic planning session on 13 and 14 August 2013, the Shareholder expressed the wish for the AIDC to focus on the following:

- ***Automotive Value Add***
 - Skills development and Training (direct)
 - Enterprise and supplier development
 - Incubation (new projects)

- ***Automotive Expansion***
 - Retention – keep servicing the pipeline
 - Expansion
 - Relocation of incubator companies in the ASP – after they 'graduated'
 - New business in ASP (part of 5 year target is 6 tier 1 and 2 companies).
 - Attract 1 OEM (part of 5 year target - for e.g. Volvo/Fiat/Jaguar)

- ***Automotive tactical programmes (alternative funding/partnerships)***
 - Education support with clear reasons for doing them. External funding required for these programmes. This is also valid for maintaining a talent pipeline.
 - Reduce dependency on targets that are soft.
 - Target training that wouldn't happen if GGDA didn't pay for it. Develop a model that speaks to training on a cost recovery basis
 - Linked specialist skills training for artisans and boiler-makers to direct job placements.

This business plan is furthermore aligned with the following key statements by the Shareholder, namely that it is:

- GGDA's mandate to be the implementation arm of the DED and to assist the Department of Economic Development (DED) to lead, facilitate and manage sustainable job creation and inclusive economic growth and development in the Gauteng City Region.
- GGDA's vision, to become the premier catalyst of innovation and sustainable growth and socio-economic development within the Southern African Region.
- GGDA's mission is to create an enabling environment for growth through targeted investment facilitation, strategic infrastructure development and social transformation, thus positioning Gauteng as a leading Global City Region.

The AIDC's key performance indicators are spread across the following goals:

- **STRATEGIC GOAL 1:** *To enable equitable economic development and inclusive growth through focused support to targeted sectors – Section 1.2. Priority Sector Development to enable equitable economic development and inclusive growth.*

KPIs are:

- *Industry improvement programme*
- *Auto body mentorship*
- *T6 simulator training at Ford*
- *Youth skills development – artisans*
- *Learning Centre and the Nissan simulator*

- **STRATEGIC GOAL 2:** *To strategically position the province as a globally competitive city region and create an enabling environment for trade and investment – Section 2.1. Viable foreign & local investment directly facilitated.*

KPIs are:

- *Automotive Conferences – SAAW a key event for 2014*
- *Structured marketing events as required for ASP, Incubation Centres, the Learning Centre and Winterveld*

- Leveraged funding for ASP infrastructure development
 - Value propositions for ASP required for expansion
- **STRATEGIC GOAL 3:** *To stimulate employment-led growth and development through the facilitation of strategic economic infrastructure development interventions – Section 3.1. Strategic economic infrastructure projects implemented.*
KPIs are:
 - Enhanced infrastructure in ASP
 - Construction of IC at Nissan
 - Winterveld Township Enterprise Hub – fully operationalised
 - **STRATEGIC GOAL 4:** *To enhance public accountability; high standards of corporate governance and efficient resource utilisation – Sections 4.1. Business intelligence to support decision making and optimal resource utilisation; 4.2. Enhanced financial accountability and compliance with prescribed financial regulations and guidelines; and 4.3. Enhanced business and operational processes*
KPIs are:
 - Unqualified audit
 - Stakeholder, customer, client and tenant relationship management
 - Allied auto-related industry support plan – i.e. the Gauteng manufacturing development plan
 - % Occupancy across all sites
 - ASP, GALC and WEH marketing activities
 - Policies adopted
 - Number of QRs
 - % functionality of PMS
 - % functionality of financial management (and governance)
 - % BBBEE spend

In the process of furthering the development of the auto sector and specifically the allied industry, a need was identified for involving The Innovation Hub (TIH) in exploring innovative activities which could be rolled out and/or incubated by the AIDC.

11. Risk Management

Guided by the group-wide Risk Management Policy, the AIDC's Monitoring, Evaluation and Risk department, together with the management team (ManCo) under the chairmanship of the CEO, is ultimately responsible to the Board's Audit and Risk Committee (ARC) for ensuring full compliance with the GGDA risk management policy and the PFMA. The latter meets monthly, or as the need arises, to assess and review AIDC's risks and to ensure that adequate risk mitigation actions are in place and/or that preventative or corrective actions have been taken. This process is subject to continuous monitoring and evaluation. The AIDC's strategic risk register is reviewed on an annual basis by a Board workshop (this was done on 24th February 2014).

The AIDC also regularly engages with the GGDA Risk Manager to ensure alignment and oversight by the shareholder.

Risks are managed from the lowest to the highest level right through the company and reviewed monthly at departmental and project levels.

Moving into 14/15, the top three strategic risks lie in:

- i) Non-alignment with national policies
- ii) Reduced MTEF funding
- iii) Not enough external funding

These are articulated more fully in the Strategic Risk register as approved by the Board on the 24th of February 2014. Progress wrt the latter is done on a quarterly basis to the ARC and Board.

12. Conclusion

This 2014/15 Annual Performance Plan, therefore:

- is **compliant** with National Treasury guidelines of August 2010;
- is **aligned** with GGDA and the Gauteng province's goals and objectives;
- provides the **mandate** under which the AIDC is required to deliver on;

- Contains consolidated **key targets** and deliverables per quarter for 2014/15 and projections for up to 2016/17 (detail as per Appendix 1 – as agreed with the Shareholder); and
- That the **AIDC brand** will continue to be used to further the development aims and objectives for the automotive and allied-related sector.

Appendix 1

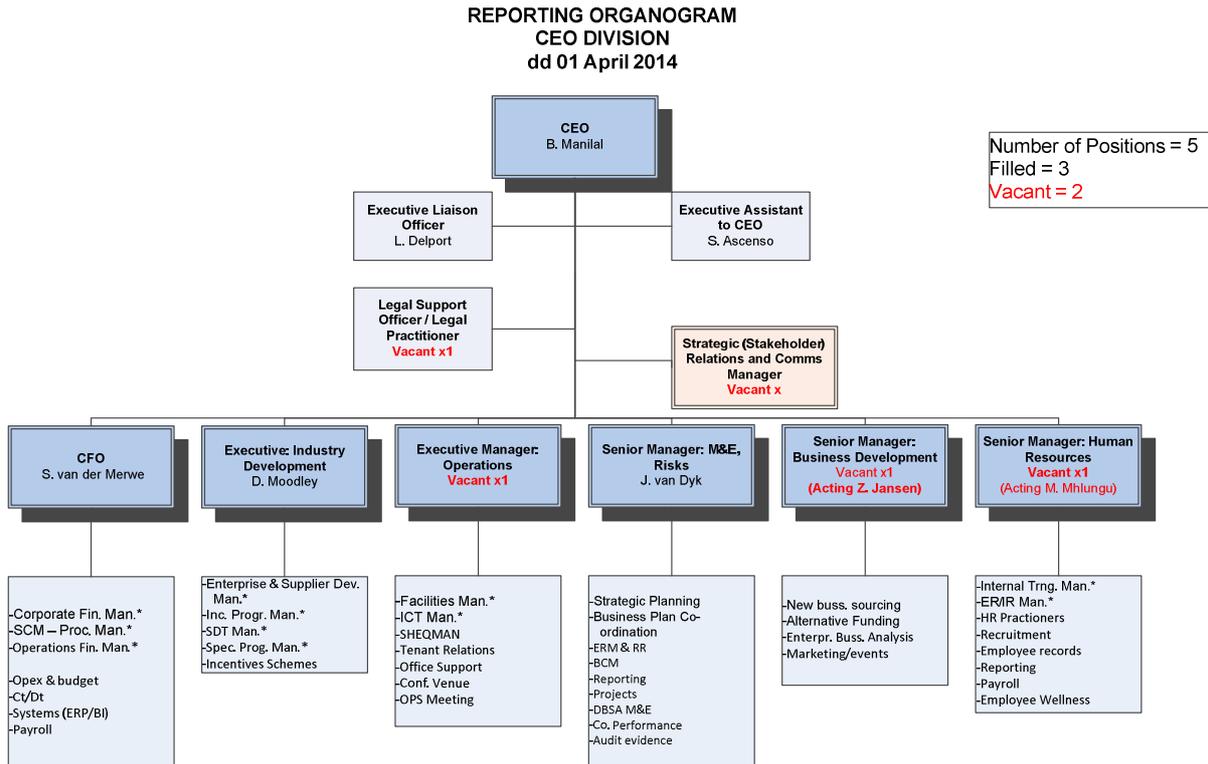
AIDC Corporate Scorecard 2014/15

Appendix 2

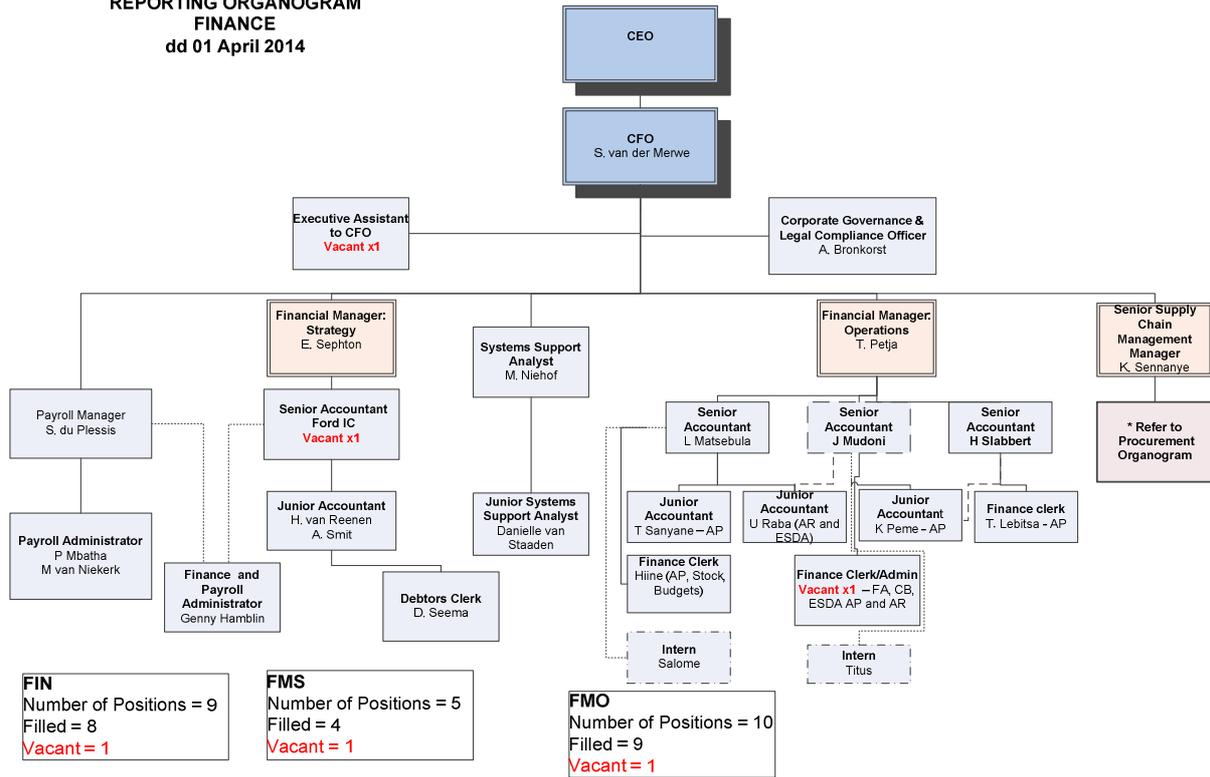
AIDC budget for 14/15

Appendix 3

Detail organograms of the AIDC for 14/15

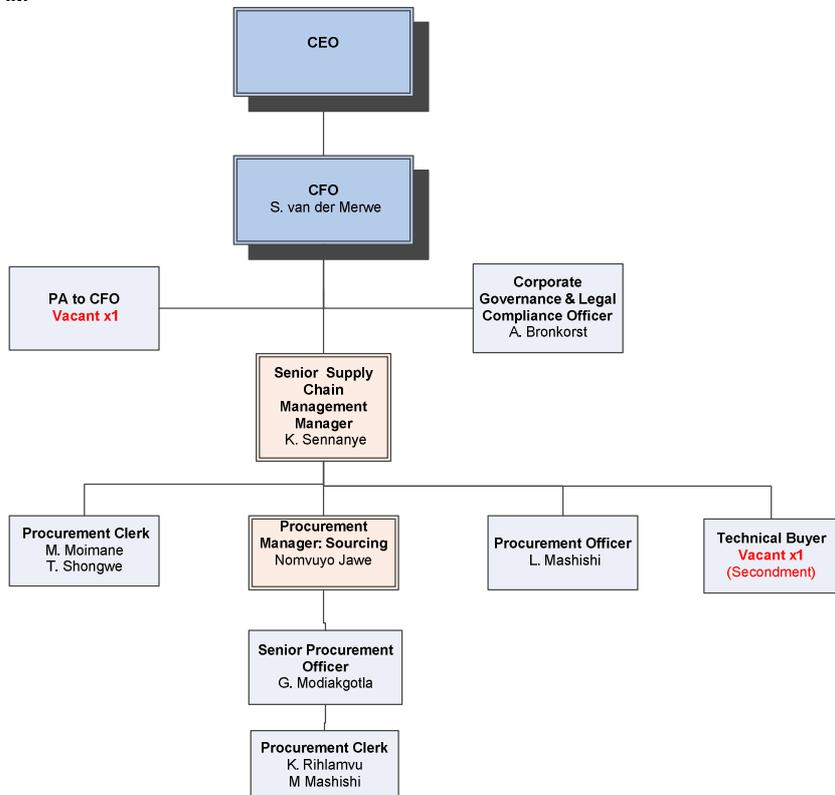


**REPORTING ORGANOGRAM
FINANCE**
dd 01 April 2014



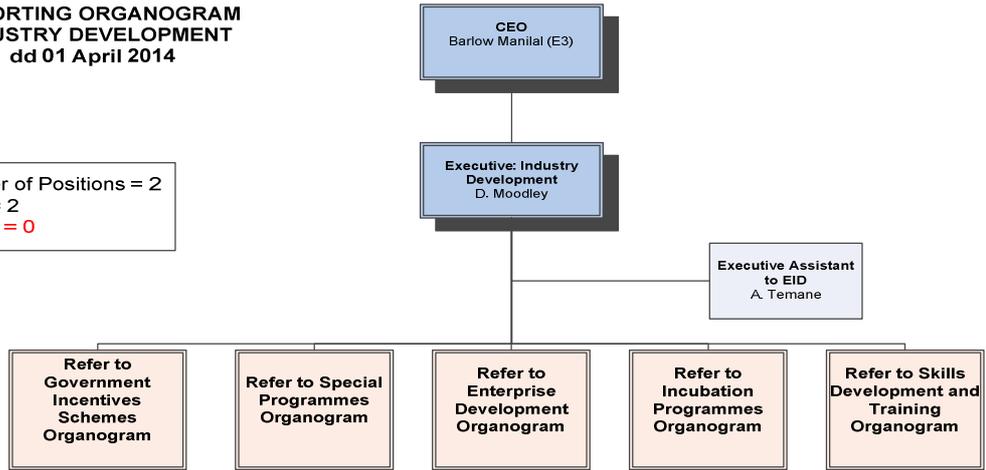
**REPORTING ORGANOGRAM
PROCUREMENT**
dd 01 April 2014

Number of Positions = 9
Filled = 8
Vacant = 1

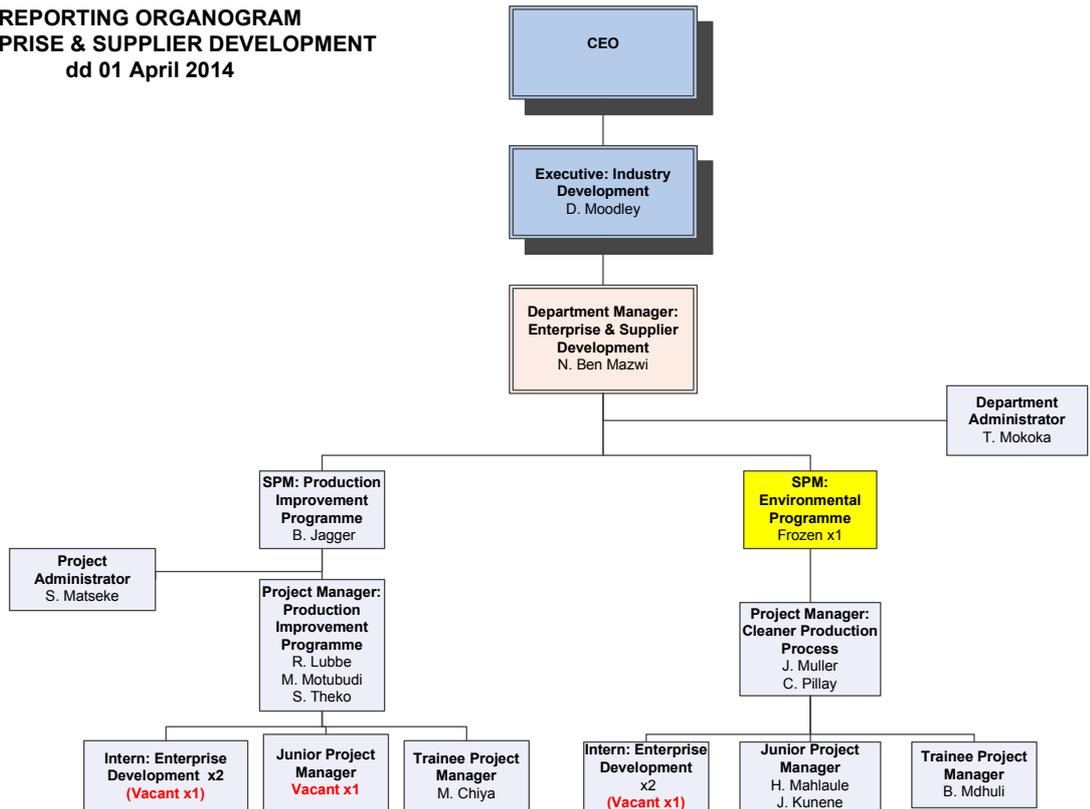


**REPORTING ORGANOGRAM
INDUSTRY DEVELOPMENT
dd 01 April 2014**

Number of Positions = 2
Filled = 2
Vacant = 0

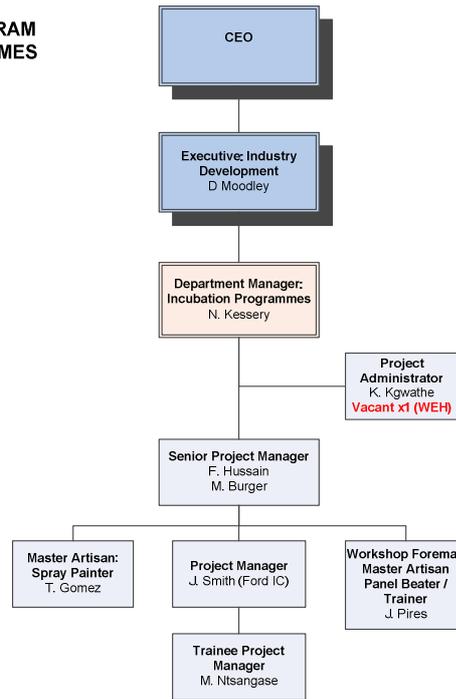


**REPORTING ORGANOGRAM
ENTERPRISE & SUPPLIER DEVELOPMENT
dd 01 April 2014**



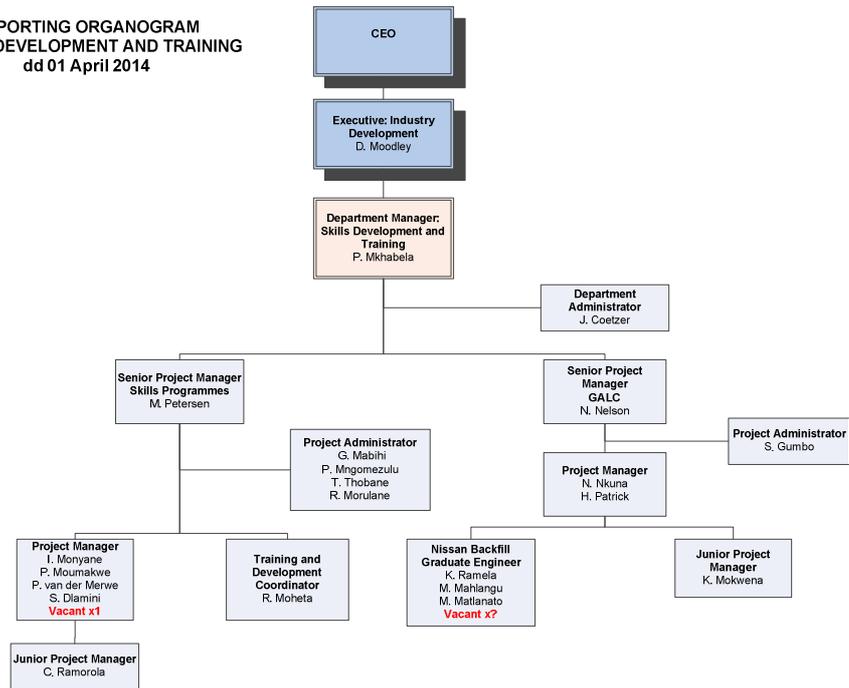
Number of Positions = 14 AIDC / 6 Interns
Filled = 13 AIDC / 4 Interns
Vacant = 1 AIDC / 2 Interns

**REPORTING ORGANOGRAM
INCUBATION PROGRAMMES
dd 01 April 2014**



Number of Positions = 10
Filled = 9
Vacant = 1

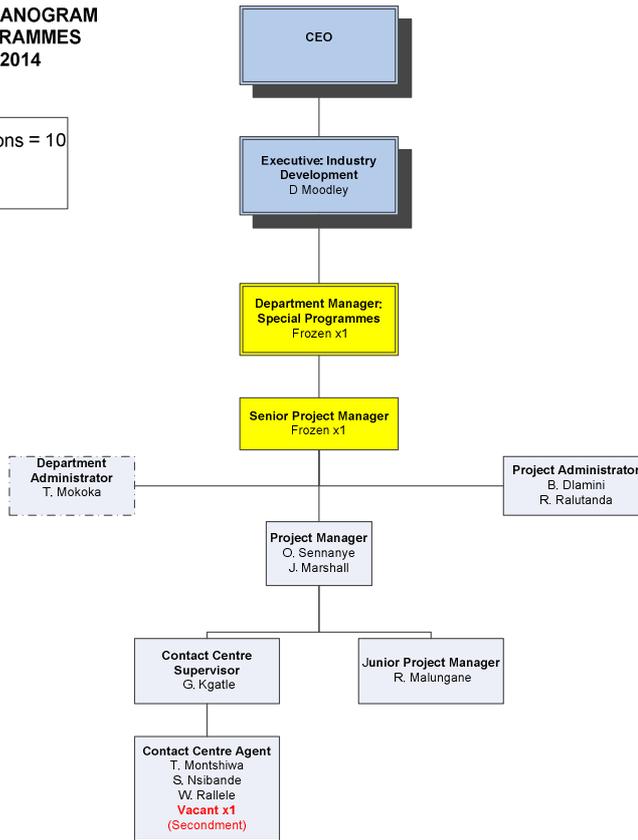
**REPORTING ORGANOGRAM
SKILLS DEVELOPMENT AND TRAINING
dd 01 April 2014**



Number of Positions = 18 AIDC / ?? Nissan Backfill
Filled = 17 AIDC / 3 Nissan Backfill
Vacant = 1 AIDC / ?? Nissan Backfill

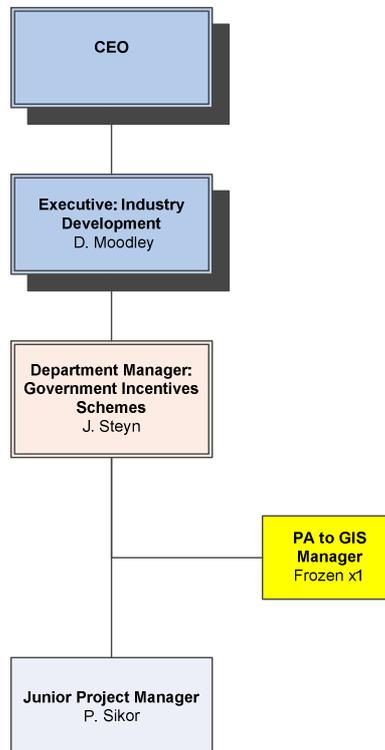
**REPORTING ORGANOGRAM
SPECIAL PROGRAMMES
dd 01 April 2014**

Number of Positions = 10
Filled = 9
Vacant = 1

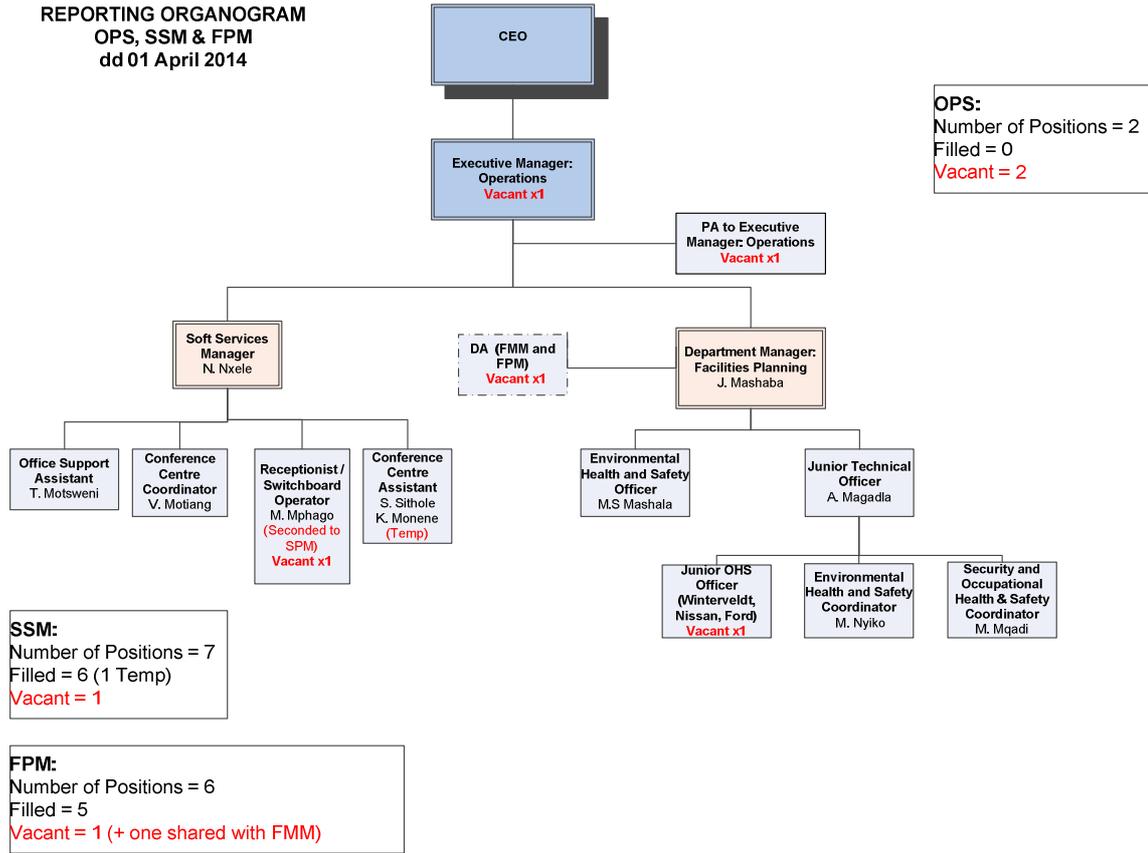


**REPORTING ORGANOGRAM
GOVERNMENT INCENTIVES SCHEMES
dd 01 April 2014**

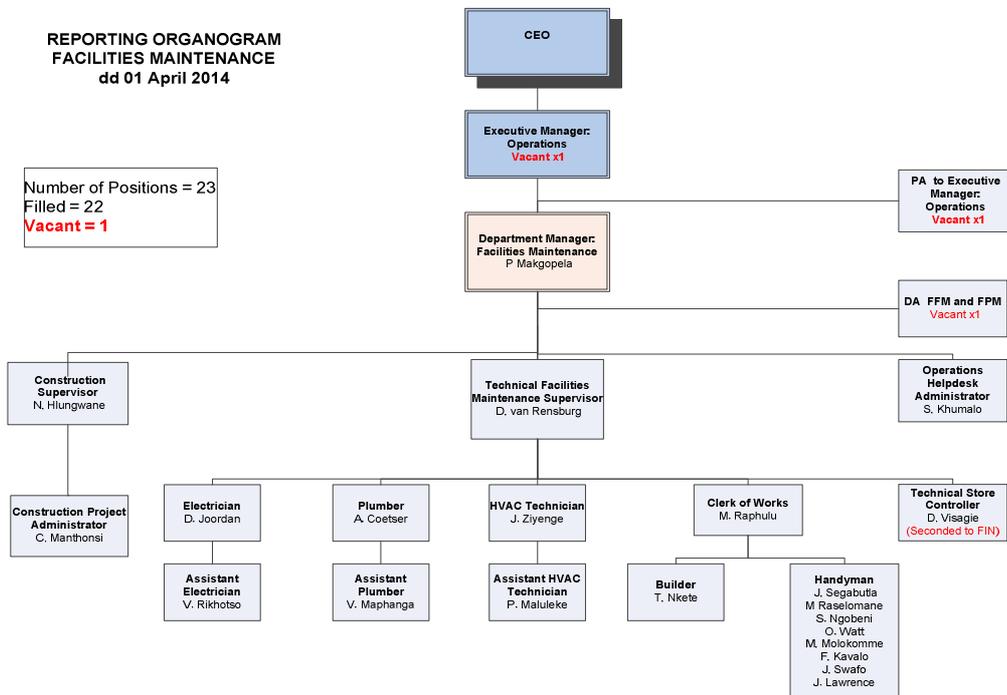
Number of Positions = 2
Filled = 2
Vacant = 0



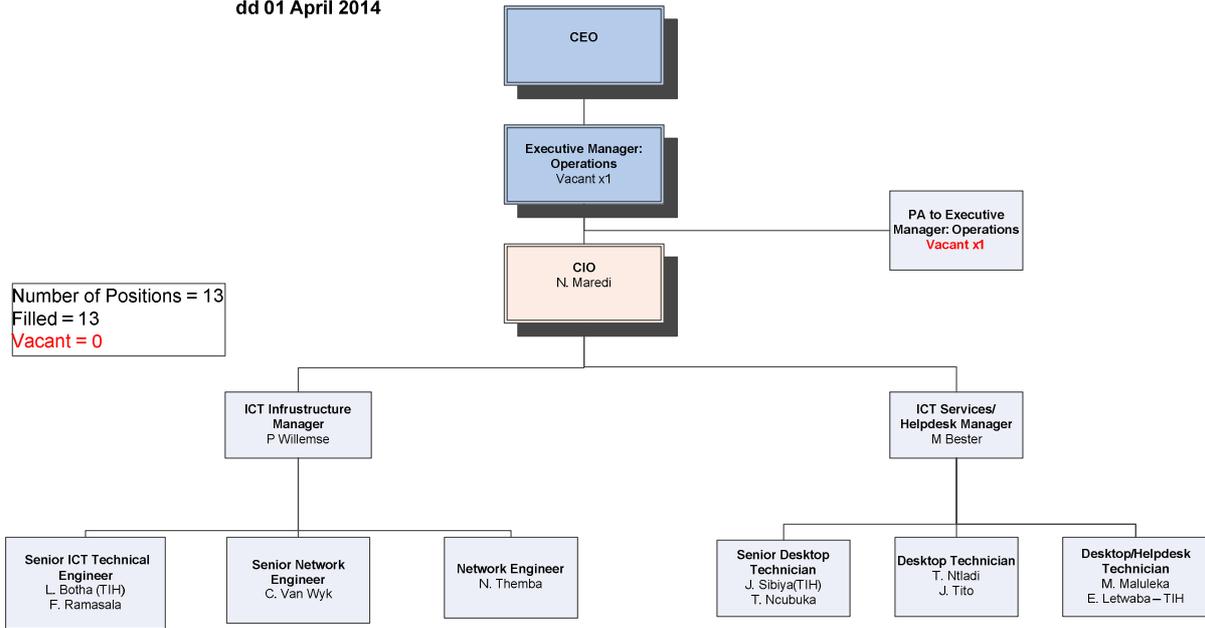
**REPORTING ORGANOGRAM
OPS, SSM & FPM
dd 01 April 2014**



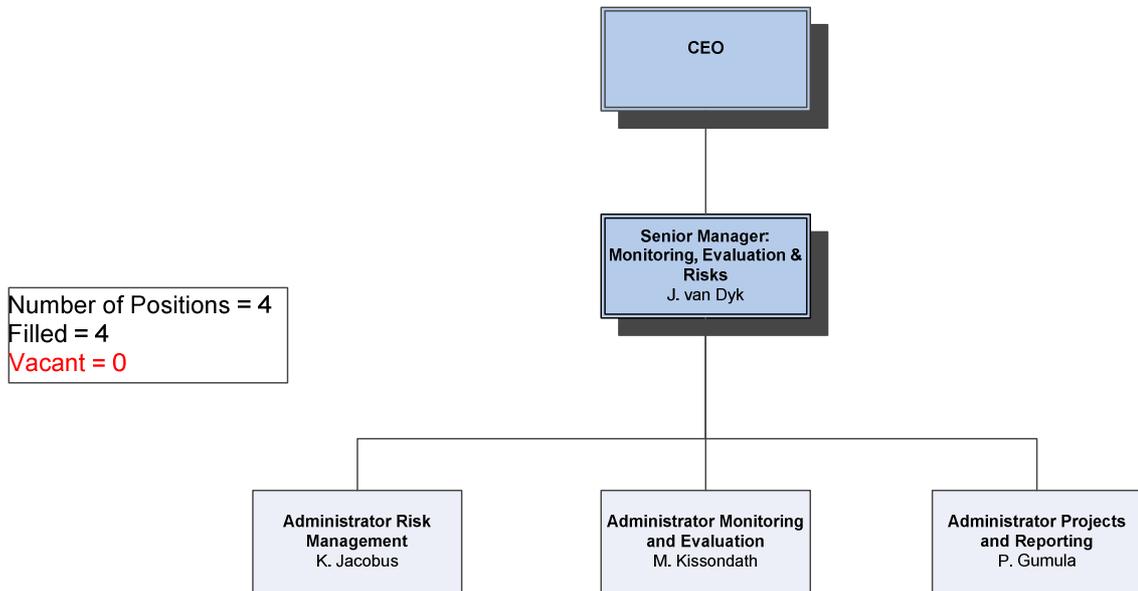
**REPORTING ORGANOGRAM
FACILITIES MAINTENANCE
dd 01 April 2014**



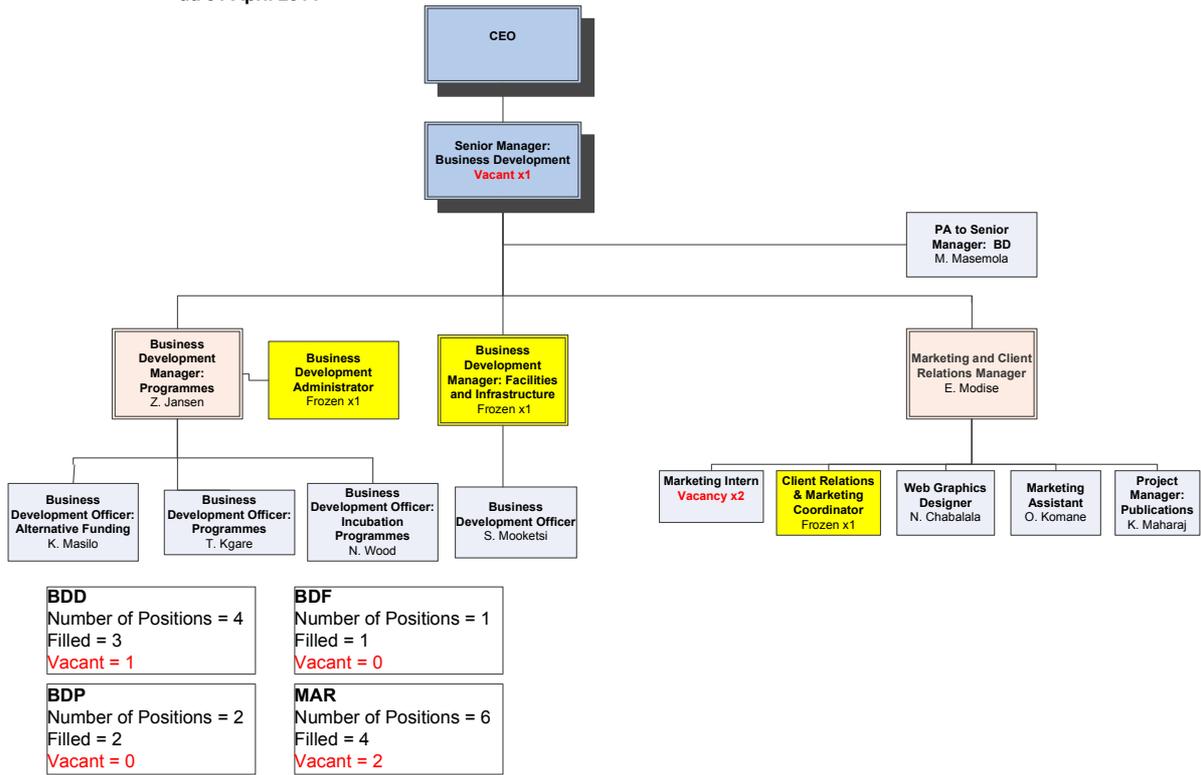
**REPORTING ORGANOGRAM
ICT
dd 01 April 2014**



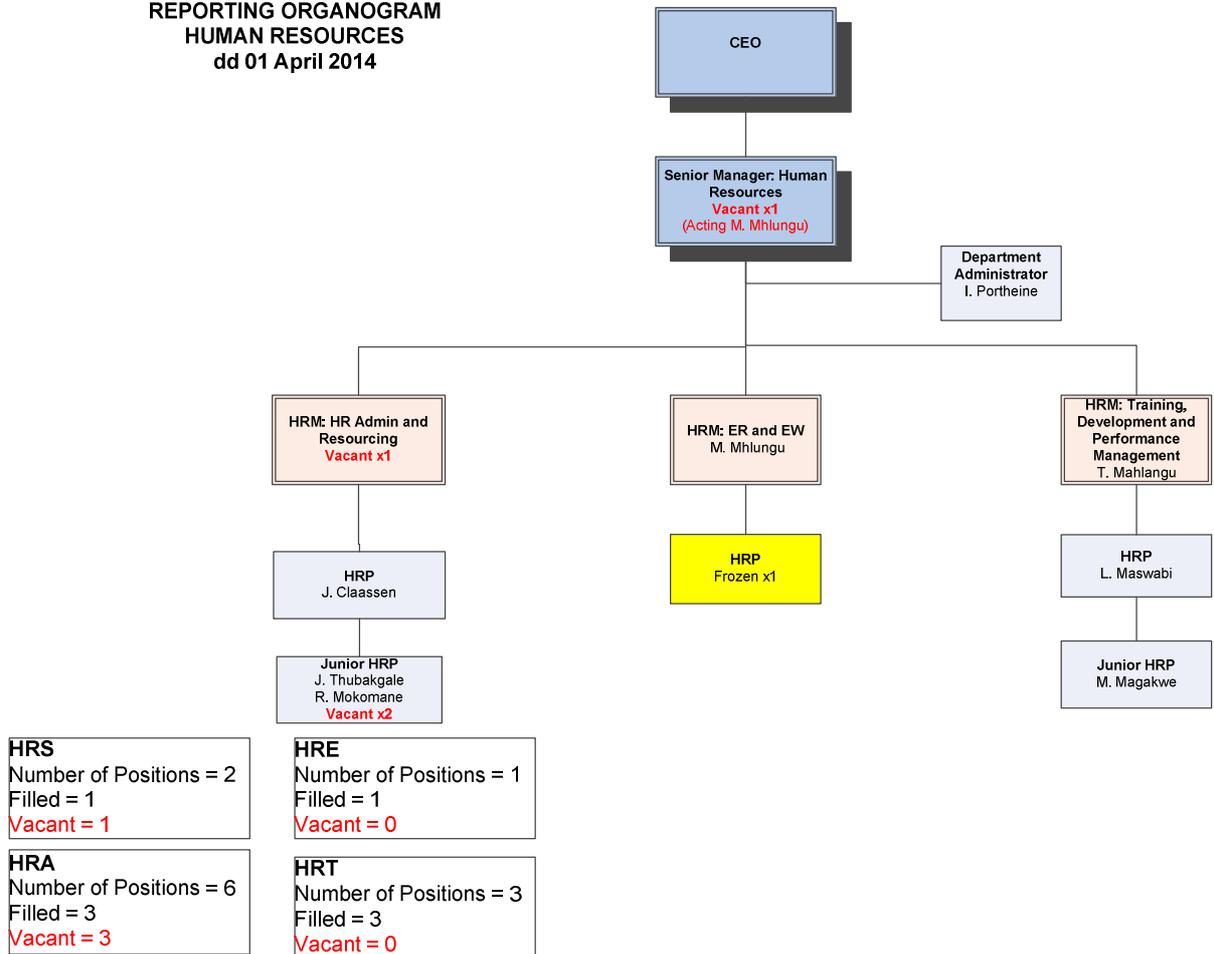
**REPORTING ORGANOGRAM
MONITORING, EVALUATION & RISKS DIVISION
dd 01 April 2014**



**REPORTING ORGANOGRAM
BUSINESS DEVELOPMENT DIVISION
dd 01 April 2014**



**REPORTING ORGANOGRAM
HUMAN RESOURCES
dd 01 April 2014**



Appendix 4

Materiality framework for 2014/15

| Item | Description on audited AFS | % materiality determination | Audited Financial Statements for the period ended 31 March 2013 (R'000) | Material Rand Values (R'000) |
|---------------|---|-----------------------------|---|------------------------------|
| Total Revenue | AIDC - Revenue from exchange transactions | 1% | 12 997 | 130 |
| | AIDC - Revenue from non-exchange transactions | 1% | 70 552 | 706 |
| Total Revenue | SPDC - Revenue from exchange transactions | 1% | 79 964 | 800 |
| | SPDC - Revenue from non-exchange transactions | 1% | 17 234 | 172 |
| Total Revenue | Combined | 1% | 180 747 | 1 807 |